

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
 Washington, D.C. 20549  
**AMENDMENT NO. 1**  
 TO  
**FORM S-1**  
 REGISTRATION STATEMENT  
 UNDER  
 THE SECURITIES ACT OF 1933

**WisdomTree Investments, Inc.**  
 (Exact Name of Registrant As Specified in Its Charter)

**Delaware**  
 (State or Other Jurisdiction of  
 Incorporation or Organization)

**6221**  
 (Primary Standard Industrial  
 Classification Code Number)

**13-3487784**  
 (I.R.S. Employer  
 Identification Number)

**380 Madison Avenue, 21<sup>st</sup> Floor**  
**New York, New York 10017**  
**(212) 801-2080**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

**Jonathan L. Steinberg**  
**Chief Executive Officer**  
**WisdomTree Investments, Inc.**  
**380 Madison Avenue, 21<sup>st</sup> Floor**  
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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer  (Do not check if a smaller reporting company)

Smaller Reporting Company

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Share(2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, \$0.01 par value per share	16,516,587	\$6.31	\$104,219,661.45	\$11,943.57(3)

(1) Includes 2,154,336 shares of common stock that the underwriters have an option to purchase.

(2) Estimated solely for the purpose of computing the registration fee pursuant to Rule 457(c) under the Securities Act, as amended, and is based on the average of the high and low prices of the registrant's common stock on January 27, 2012.

(3) \$11,460.00 has been previously paid.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.**

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The information in this prospectus is not complete and may be changed. We and the selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion  
Preliminary Prospectus dated January 30, 2012

PROSPECTUS

**14,362,251 Shares**



**WisdomTree Investments, Inc.**

**Common Stock**

We are selling 1,000,000 shares of our common stock and the selling stockholders are selling 13,362,251 shares of our common stock. We will not receive any proceeds from the sale of shares to be offered by the selling stockholders.

Our shares trade on the NASDAQ Global Market under the symbol "WETF." On January 27, 2012, the closing price of our shares as reported by the Nasdaq Global Market was \$6.31 per share.

**Investing in the common stock involves risks that are described in the "[Risk Factors](#)" section beginning on page 13.**

	Per Share	Total
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to us	\$	\$
Proceeds, before expenses, to selling shareholders	\$	\$

The underwriters may also exercise their option to purchase up to an additional 2,154,336 shares from certain of the selling stockholders, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about \_\_\_\_\_, 2012.

*Joint Book-Running Managers*

**BofA Merrill Lynch**

**Morgan Stanley**

**Barclays Capital**

**Citigroup**

**UBS Investment Bank**

**Piper Jaffray**

**Sandler O'Neill + Partners, L.P.**

**Sterne Agee**

The date of this prospectus is \_\_\_\_\_, 2012.

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We, the selling stockholders and the underwriters have not authorized anyone to provide you with additional or different information from that contained in this prospectus or any free writing prospectus. We, the selling stockholders and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date on the front cover of this prospectus, or other earlier date stated in this prospectus or in such free-writing prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, and those which we intend to target, is based on information from various sources (including industry publications, surveys and forecasts and our internal research), on assumptions that we have made, which we believe to be reasonable, based on that data and other similar sources and on our knowledge of those markets. In most cases, our internal research has not been verified by any independent source. Projections, assumptions and estimates of our future performance and the future performance of the industries in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section entitled "Risk Factors" and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

WisdomTree® is our U.S. registered service mark. This prospectus contains additional tradenames, trademarks and service marks of other companies.

## PROSPECTUS SUMMARY

*The following summary highlights information appearing elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully. In particular, you should read the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the notes relating to those statements included elsewhere in this prospectus. Unless the context otherwise requires, in this prospectus, references to "we," "our," "us," "WisdomTree Investments, Inc.," "WisdomTree," or the "Company" refer to WisdomTree Investments, Inc. and its consolidated subsidiaries. "WisdomTree ETFs" refers to the exchange traded funds issued by the WisdomTree Trust for which we serve as investment advisor.*

### **Our Company**

We are the only publicly-traded asset management company that focuses exclusively on exchange traded funds, or ETFs. We are the seventh largest ETF sponsor in the United States with assets under management, or AUM, of approximately \$13.6 billion as of January 27, 2012. We offer a broad, diverse range of 47 ETFs that span multiple asset classes, including 34 international and domestic equity ETFs, seven currency ETFs, four international fixed income ETFs and two alternative strategy ETFs. Our family of ETFs includes both fundamentally weighted funds that track our own indexes, and actively managed funds. We distribute our ETFs through all major channels within the asset management industry, including brokerage firms, registered investment advisors, institutional investors, private wealth managers and discount brokers.

We focus on creating innovative and thoughtful ETFs for investors. We believe that our differentiated approach, employing a distinctive index-based methodology, delivers better risk adjusted returns over the long term. Our index-based funds employ a fundamental weighting investment methodology, which weights securities on the basis of factors such as dividends or earnings, whereas most other ETF indexes use a capitalization weighted methodology. Using our approach, 85% of the \$9.4 billion invested in our 34 equity ETFs were in funds that, since their respective inception through December 31, 2011, outperformed their market capitalization-weighted or competitive benchmarks. Similarly, 26 of our 34 equity ETFs have outperformed their market capitalization-weighted or competitive benchmarks over the same period. In addition, we are one of a small number of ETF sponsors that have received the necessary exemptive relief from the SEC to offer actively managed ETFs, which are ETFs that are not based on a particular index but rather are actively managed with complete transparency into the ETF's portfolio on a daily basis. Our exemptive relief enables us to use our own indexes for certain of our ETFs, actively manage other ETFs and incorporate the use of derivatives in certain products, thereby allowing us to develop certain ETFs not yet offered by other sponsors. For example, we are the only ETF sponsor that has launched a managed futures strategy ETF.

Despite a challenging economic environment, our AUM increased by \$2.3 billion, or 23%, from the beginning of 2011 to \$12.2 billion at December 31, 2011. Net inflows into our ETFs reached \$3.9 billion in 2011, up 24% from 2010, and our market share of the ETF industry net inflows reached 3.4% compared to 2.7% in 2010. As a result of strong net inflows and growth in our AUM, our revenues increased 56.6% to \$65.2 million in 2011, while our corresponding expenses increased 26.3% from 2010. We recorded net income of \$3.1 million in 2011 compared to a net loss of \$7.5 million in 2010.

The following charts show our AUM as of the dates indicated and net inflows of our ETFs for the periods indicated:



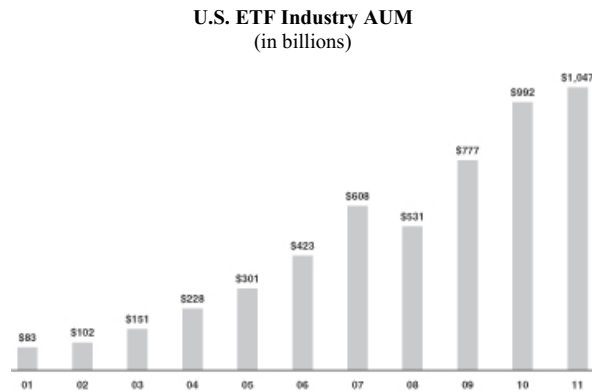
The following charts show the asset mix and distribution of our ETFs as of December 31, 2011:



**ETFs and Our Industry**

An ETF is an investment fund that holds securities such as equities or bonds and generally trades at approximately the same price as the net asset value of its underlying components over the course of the trading day. ETFs offer exposure to a wide variety of asset classes and investment themes, including domestic, international and global equities, fixed income securities, as well as securities in specific industries and countries. There are also ETFs that track certain specific investments, such as commodities, real estate or currencies.

We believe ETFs have been one of the most innovative, revolutionary and disruptive investment products to emerge in the last two decades in the asset management industry. As of December 31, 2011, there were 937 ETFs in the United States with aggregate AUM over \$1 trillion. McKinsey & Company projects the global aggregate AUM of ETFs could grow by \$1.5 trillion by 2015, and Strategic Insight predicts the U.S. ETF market will hit \$2 trillion before the end of 2015. The chart below reflects the AUM of the ETF industry in the United States since 2001:



Source: Investment Company Institute, Bloomberg, WisdomTree.

ETFs are one of the fastest growing sectors of the asset management industry, having expanded at a compound annual growth rate of 29% from \$66 billion in AUM in 2000 to over \$1 trillion in AUM at the end of 2011. According to the Investment Company Institute, ETF AUM increased from 4.2% of total ETF and long-term mutual fund AUM in 2005 to nearly 11% in 2011, while ETF inflows have increased from 23% of total ETF and long-term mutual fund inflows in 2005 to 34% in 2010. We expect this trend to continue. For example, during the recent market downturn in 2008, while traditional long-term mutual funds experienced outflows of \$225 billion, ETFs experienced inflows of \$177 billion. More recently, in 2011, ETFs experienced nearly four times the inflows of mutual funds. We believe the growth of the ETF industry will continue to be driven by a number of factors, including increased educational efforts and greater investor awareness, the continued transition towards fee based models on the part of financial advisors, continued product innovation within the ETF industry, further penetration of ETFs within distribution channels and 401(k) retirement plans, and the secular growth of financial products associated with meeting the financial needs of the “baby boomer” generation.

According to Morningstar, Inc., ETFs were initially marketed mostly to institutional investors, but today, institutional investors account for only about half of the assets held in ETFs. ETFs have become more popular among a broad range of investors as they have come to realize their benefits and use them for a variety of purposes and strategies, including low cost index investing and asset allocation, access to specific asset classes, protective hedging, income generation, exploitation of arbitrage opportunities, and diversification strategies.

While ETFs are similar to mutual funds in many respects, they have some important differences as well:

- **Transparency.** ETFs disclose the composition of their underlying portfolios on a daily basis, unlike mutual funds which typically disclose their holdings only every 90 days.

- **Intraday trading, hedging strategies and complex orders.** Like stocks, ETFs can be bought and sold on exchanges throughout the trading day at market prices. ETFs update the indicative values of their underlying portfolios every 15 seconds. As publicly-traded securities, ETF shares can be purchased on margin and sold short, enabling the use of hedging strategies, and traded using stop orders and limit orders, which allow investors to specify the price points at which they are willing to trade.
- **Tax efficiency.** In the United States, whenever a mutual fund or ETF realizes a capital gain that is not balanced by a realized loss, it must distribute the capital gain to its shareholders. These gains are taxable to all shareholders, even those who reinvest the gain distributions in additional shares of the fund. However, most ETFs typically redeem their shares through “in-kind” redemptions in which low-cost securities are transferred out of the ETF in exchange for fund shares in a non-taxable transaction. As a practical matter, mutual funds cannot use this process. By using this process, ETFs avoid the transaction fees and tax impact incurred by mutual funds that sell securities to generate cash to pay out redemptions.
- **Uniform pricing.** From a cost perspective, ETFs are one of the most equitable investment products on the market. Investors, regardless of their size, structure or sophistication, pay identical advisory fees. Unlike mutual funds, there are not different share classes or different expense structures for retail and institutional clients and ETFs are not sold with sales loads or 12b-1 fees. In many cases, ETFs offer lower expense ratios than comparable mutual funds.

#### **Our Competitive Strengths**

- **Well-positioned in large and growing markets.** We believe that ETFs are well-positioned to grow significantly faster than the asset management industry as a whole, making our concentration in ETFs a significant advantage versus other traditional asset management firms. In 2011, our AUM grew at a faster rate than any of the other top 10 ETF sponsors. We have markedly increased our share of ETF industry net flows from 0.5% in 2008 to 3.4% in 2011. Within the ETF industry, being a first mover, or one of the first providers of ETFs in a particular asset class, can be a significant advantage. We believe that our early leadership in a number of asset classes, including small cap emerging markets equities, international local currency denominated fixed income, and managed futures positions us well to maintain a leadership position.
- **Strong performance through a differentiated approach.** We create our own indexes, rebalanced annually, that weight companies in our equity ETFs by a measure of fundamental value. In contrast, traditional indexes are market capitalization weighted and tend to track the momentum of the market. Using our approach, 85% of the \$9.4 billion invested in our 34 equity ETFs were in funds that, since their respective inceptions through December 31, 2011, outperformed their market capitalization-weighted or competitive benchmarks. Similarly, 26 of our 34 equity ETFs have outperformed their market capitalization-weighted or competitive benchmarks over the same period. We believe our approach differentiates us from our competitors and will allow us to take a greater share of the expected growth in the ETF market.
- **Diversified product set, powered by innovation.** We have a broad and diverse product set. Our products span a variety of traditional and high growth asset classes, including international and U.S. equities, currencies, international fixed income, alternatives, and emerging markets, and include both passive and actively managed funds. Our product development and research teams work closely to identify potential new ETFs for the marketplace. Because we have the regulatory

exemptive relief that enables us to use our own indexes in our ETFs, we have the ability to create certain indexes and related ETFs more rapidly than our competitors who must license indexes from third party index providers. Our exemptive relief also enables us to offer actively managed funds and incorporate the use of derivatives. Our innovations include launching the industry's first emerging markets small cap equity ETF and the first actively managed currency ETFs. We believe that our expertise in product development combined with our regulatory exemptive relief provides a strategic advantage, enabling us to launch innovative ETFs that others may not be able to launch as quickly.

- **Extensive marketing, research and sales efforts.** Since 2006, we have invested significant resources to establish the WisdomTree brand through targeted television, print and online advertising, as well as public relations efforts. The majority of our employees are dedicated to marketing, research and sales. Our sales professionals are the primary points of contact for financial advisors who use our ETFs. Their efforts are enhanced through value-added services provided by our research and marketing efforts. We have strong relationships with financial advisors at leading national brokerage firms, registered investment advisors and high net worth advisors. We believe the recent growth we have experienced by strategically aligning these advisor relationships and marketing campaigns with targeted research and sales initiatives differentiates us from our competitors and contributes to our strong inflows.
- **Efficient business model with low risk profile** We have invested heavily in the internal development of our core competencies with respect to product development, marketing, research and sales of ETFs. We outsource to third parties those services that are not our core competencies or may be resource or risk intensive, such as the portfolio management responsibilities and fund accounting operations of our ETFs. In addition, since we create our own indexes, we do not incur licensing costs and can therefore be more competitive in terms of the fees we charge for our index-based ETFs. We have already made substantial investments in our core competencies, and we expect to be able to leverage these existing capabilities across our business, positioning us to maintain both growth and profitability.
- **Strong, seasoned and creative management team** We have built a strong and dedicated senior leadership team. Most of our leadership team has significant ETF or financial services industry experience in fund operations, regulatory and compliance oversight, product development and management or marketing and communications. We believe our team, by developing an ETF sponsor from the ground up despite significant competitive, regulatory and operational barriers, has demonstrated an ability to innovate as well as recognize and respond to market opportunities and effectively execute our strategy.

#### **Our Growth Strategies**

Our goal is to be among the top five U.S. sponsors in the ETF industry, where scale is a competitive advantage. In 2009, we were the eleventh largest ETF sponsor. We increased our AUM to become the eighth largest ETF sponsor in 2010 and today we are the seventh largest. We believe our continued execution will enable us to increase trading volumes and build longer performance track records, which should allow us to attract additional investors and, in turn, further grow our AUM. We will seek to increase our market share and build additional scale by continuing to implement the following growth strategies:

- **Increase penetration within existing distribution channels.** We believe there is an opportunity to increase our market share by further penetrating existing distribution channels and by cross-selling additional WisdomTree ETFs. In order to achieve these objectives, we intend to continue our



strategy of targeted advertising and direct marketing, coupled with our research-focused sales support initiatives, to enhance product awareness and increase our market share of ETF net inflows. We have increased our share of ETF industry net inflows from 0.5% in 2008 to 3.4% in 2011, and we are focused on continuing this trend.

- **Launch innovative new products that diversify our product offerings and revenues** We believe our track record has shown that we can create and sell innovative ETFs that meet market demand. We believe that continued launches of new products will strengthen our business by allowing us to realize additional inflows, maintain and grow our AUM and generate revenues across different market cycles as particular investment strategies move in and out of favor.
- **Expand internationally.** To date, our sales and marketing has been principally focused on the domestic U.S. market. However, since April 2010, 11 of our ETFs have been cross-listed in the special international section on the Mexican stock exchange, Bolsa Mexicana De Valores, where certain institutional investors trade foreign securities in Mexico. As ETFs are increasingly traded globally we believe that international expansion of our marketing, communication and sales strategies will provide significant new growth avenues. We are currently developing a plan for further international expansion, and have established an international fund company to capitalize on growth opportunities outside of the United States.
- **Selectively pursue acquisitions or partnerships.** We may pursue acquisitions or enter into partnerships or other commercial arrangements that will enable us to strengthen our current business, expand and diversify our product offering, increase our AUM or enter into new markets. We believe entering into partnerships or pursuing acquisitions is a cost-effective means of growing our business and AUM. For example, in 2007, we purchased certain assets and intellectual property from Treasury Equity, LLC which formed the basis for our currency ETFs. In addition, in 2008, we entered into a joint venture with Mellon Capital Management Corporation and The Dreyfus Corporation with respect to our currency and fixed income ETFs, which enabled us to bring these ETFs to market faster than would otherwise have been possible.

#### **Risk Factors**

Our business is subject to many risks and uncertainties, as more fully described in the section entitled "Risk Factors" in this prospectus, of which you should be aware before investing in our common stock. For example:

- We have only a limited operating history and, as a result, recent historical growth may not provide an accurate representation of the growth we may experience in the future, which may make it difficult to evaluate our future prospects.
- Challenging market conditions associated with declining prices of securities can adversely affect our business by reducing the market value of the assets we manage or causing WisdomTree ETF shareholders to sell their fund shares and trigger redemptions.
- Fluctuations in the amount and mix of our AUM may negatively impact revenue and operating margin.
- Most of our assets under management are held in ETFs that invest in foreign securities and we therefore have substantial exposure to foreign market conditions and are subject to currency exchange rate risks.
- We derive a substantial portion of our revenue from products invested in emerging markets and are exposed to the market-specific political and economic risks as well as general investor sentiment regarding future growth of those markets.

- We derive a substantial portion of our revenue from a limited number of products and, as a result, our operating results are particularly exposed to the performance of those funds, investor sentiment toward the strategies pursued by those funds and our ability to maintain the assets under management of those funds.
- The WisdomTree ETFs have a limited track record, and poor investment performance could cause our revenue to decline.
- We depend on other third parties to provide many critical services to operate our business and the WisdomTree ETFs. The failure of key vendors to adequately provide such services could materially affect our operating business and harm WisdomTree ETF shareholders.

#### **Recent Developments**

##### ***Preliminary Financial Results for the Fourth Quarter and Full Year of 2011***

On January 30, 2012, we announced our unaudited preliminary results for the fourth quarter and full year of 2011. The following presents an overview of those results, which are preliminary and subject to change.

We reported net income of \$0.9 million for the fourth quarter of 2011 as compared to a net loss of \$0.6 million in the fourth quarter of the prior year and net income of \$1.4 million in the third quarter of 2011. Revenues for the fourth quarter of 2011 were \$16.2 million compared to \$13.4 million in the fourth quarter of the prior year and \$17.7 million in the third quarter of 2011. Expenses were \$15.3 million in the fourth quarter of 2011 compared to \$14.0 million in the fourth quarter of the prior year and \$16.4 million in the third quarter of 2011. Our net inflows for the fourth quarter of 2011 were \$756 million.

For the full year of 2011, we reported net income of \$3.1 million as compared to a loss of \$7.5 million in 2010. Revenues increased 56.6% to \$65.2 million from \$41.6 million for the full year 2010. Expenses increased 26.3% to \$62.1 million from \$49.2 million in 2010.

Our AUM was \$12.2 billion as of December 31, 2011, up from \$11.2 billion at September 30, 2011, due in large part to \$756 million in net inflows. Our AUM has further increased to a record \$13.6 billion as of January 27, 2012. Our month to date net inflows as of that same date is approximately \$665 million.

For more details, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments.”

##### ***Litigation***

On December 1, 2011, Research Affiliates, LLC filed a complaint in the United States District Court for the Central District of California, (Research Affiliates, LLC v. WisdomTree Investments, Inc., et. al., Case No. SACV11-01846 DOC (ANx)), naming us and our subsidiaries, as well as WisdomTree Trust, Mellon Capital Management Corporation and ALPS Distributors, Inc., as defendants. In the complaint, plaintiff alleges that the fundamentally weighted investment methodology we employ for the exchange traded funds using our indexes infringes three of plaintiff’s patents and seeks both unspecified monetary damages to be determined and an injunction to prevent further infringement. We filed our answer to the complaint on January 17, 2012 and believe we have strong defenses to this lawsuit based on our belief that (i) we do not practice the indexing methods as claimed in the asserted patents because, for example, the factors we use to select assets included in the ETFs accused of infringement include market capitalization and the price of the assets, and thus fall outside the scope of the asserted patents, which generally provide that selection of the assets to be used for creation of the index

must be based upon factors that are sufficiently independent of market capitalization; and (ii) the patents should be declared invalid because, among other reasons, there is ample evidence that the concept of fundamentals based indexing was widely known and in commercial use by asset managers and index providers well before the patent applications at issue were filed by plaintiff. For example, in support of our defenses that the asserted patents are invalid, we intend to present evidence that as far back as the early 1990s, Robert Jones at Goldman Sachs managed an earnings weighted index fund. As another example, we intend to present evidence that Dow Jones launched a dividend weighted stock index in 2003. These examples support our view that the asserted patents are invalid at least because earlier publications and activities of investment professionals anticipated or made obvious plaintiff's alleged inventions. We therefore intend to vigorously defend against plaintiff's claims.

While at this early stage of the proceedings it is not possible to determine the probability of any outcome or probability or amount of any loss, we are confident in the merits of our position. However, in the event of an unfavorable outcome, we may be required to pay monetary damages and/or, if we cannot change our indexes in a manner that does not infringe on the patents, future licensing fees or comply with injunctions, which could have an adverse effect on our business, financial condition and cash flows and the price of our common stock. See "Risk Factors—Risks Related to Our Business and Industry—We are currently, and may from time to time be, subject to claims of infringement of third-party intellectual property rights, which could harm our business." In addition, we are currently covered by a relatively small number of equity research analysts, some of whom may have a view on the merits or impact of this litigation that differs from ours. Any unfavorable commentary by analysts may have an adverse effect on the price and trading volume of our common stock. See "Business—Legal Proceedings."

**Our Corporate Information**

We were incorporated in the state of Delaware on September 19, 1985. Our principal executive office is located at 380 Madison Avenue, 24<sup>th</sup> Floor, New York, New York, 10017, and our telephone number is (212) 801-2080. Our website is [www.WisdomTree.com](http://www.WisdomTree.com). Information contained on, or that can be accessed through, our website is not part of this registration statement. On July 26, 2011, the Company's common stock began trading on the NASDAQ Global Market under the symbol "WETF."

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<b>THE OFFERING</b>	
Common stock offered by us	1,000,000 shares
Common stock offered by the selling stockholders	13,362,251 shares
Common stock to be outstanding after this offering	121,281,104 shares
Underwriters' option to purchase additional shares	The underwriters have an option to purchase up to an additional 2,154,336 shares of common stock from certain of the selling stockholders. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.
Use of proceeds	We estimate that we will receive net proceeds of approximately \$5,820,000 from the sale by us of shares of our common stock in this offering based upon an assumed public offering price of \$6.31 per share (the closing price of our common stock as reported on The NASDAQ Global Market on January 27, 2012), including proceeds of approximately \$388,000 from the exercise of stock options by certain selling stockholders in connection with this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering for working capital and other general corporate purposes. We will not receive any proceeds from the sale of shares by the selling stockholders. See the section entitled "Use of Proceeds."
Conflict of interest	Jonathan L. Steinberg, our Chief Executive Officer and one of the selling stockholders, holds a general securities license and, like all members of our sales force, is associated with the distributor of our ETFs, Alps Distributors, Inc., a broker-dealer subject to FINRA regulations. Because more than five percent of the net offering proceeds will be received by Mr. Steinberg upon the sale of his shares, a "conflict of interest" is deemed to exist under FINRA Rule 5121. This offering is being conducted in compliance with the applicable provisions of Rule 5121. Pursuant to that rule, the appointment of a "qualified independent underwriter" (as such term is defined in Rule 5121) is not necessary in connection with this offering, as the members primarily responsible for managing the public offering do not have a conflict of interest, are not affiliates of any member that has a conflict of interest, and meet the requirements of paragraph (f)(12) (E) of Rule 5121.
NASDAQ symbol	"WETF"

Of the shares to be sold by the selling stockholders in this offering, 9,784,425 shares of common stock are currently issued and outstanding and 3,577,826 shares of common stock are issuable upon exercise of options held by certain of the selling stockholders. Of the shares subject to the underwriters' option, 1,394,395 shares of common stock are currently issued and outstanding and 759,941 shares are issuable upon the exercise of options held by certain of the selling stockholders.

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The number of shares of our common stock to be outstanding after this offering is based on 116,703,278 shares of our common stock outstanding as of December 31, 2011 (including unvested restricted stock) and assumes the exercise by the selling stockholders of options to purchase 3,577,826 shares of common stock to be sold in the offering, and excludes:

- 17,274,788 shares of our common stock issuable upon exercise of outstanding options as of December 31, 2011 at a weighted-average exercise price of \$0.93 per share; and
- 5,555,359 shares of our common stock reserved as of December 31, 2011 for future issuance under our equity incentive plans that are not issued or subject to outstanding grants.

Except as otherwise indicated, all share information in this prospectus is as of December 31, 2011 and reflects or assumes:

- no exercise of outstanding options after December 31, 2011; and
- no exercise by the underwriters of their option to purchase up to an additional 2,154,336 shares of our common stock.

**SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA**

The following tables present our summary consolidated financial data and certain other data for the periods indicated. The summary consolidated statement of operations data for the years ended December 31, 2008, 2009 and 2010 presented below are derived from our audited consolidated financial statements that are included elsewhere in this prospectus. The summary consolidated statement of operations data for the nine months ended September 30, 2010 and 2011 and the summary condensed consolidated balance sheet data as of September 30, 2011 are derived from our unaudited consolidated financial statements that are included elsewhere in this prospectus. Historical results are not necessarily indicative of the results for future periods. In addition, the other data presented below, including AUM, net inflows, market appreciation/(depreciation), average ETF advisory fee, ETF industry net inflows and market share data, are based on information from various sources, including industry publications and our internal records and research. You should read this summary consolidated financial and other data in conjunction with the sections entitled “Capitalization,” “Selected Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this prospectus and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Years Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
(in thousands, except share and per share data)					
<b>Consolidated Statements of Operations Data:</b>					
<b>Revenues:</b>					
ETF advisory fees	\$ 21,643	\$ 20,812	\$ 40,567	\$ 27,456	\$ 48,341
Other income	1,968	1,283	1,045	743	644
Total revenues	23,611	22,095	41,612	28,199	48,985
<b>Expenses:</b>					
Compensation and benefits	20,338	18,943	19,193	14,260	14,912
Fund management and administration	14,772	13,387	14,286	10,272	14,991
Marketing and advertising	5,875	2,762	3,721	2,331	3,240
Sales and business development	3,642	2,495	2,730	1,972	2,612
Professional and consulting fees	1,871	1,780	3,779	2,526	3,922
Occupancy, communication and equipment	1,564	1,087	1,118	829	846
Depreciation and amortization	337	360	314	235	200
Third party sharing arrangements	(320)	89	2,296	1,485	4,434
Other	2,577	2,420	1,724	1,258	1,625
Total expenses	50,656	43,323	49,161	35,168	46,782
Income/(loss) before provision for income taxes	(27,045)	(21,228)	(7,549)	(6,969)	2,203
Provision for income taxes	—	—	—	—	1,103
Tax benefit	—	—	—	—	(1,013)
<b>Net income/(loss)</b>	<b>\$ (27,045)</b>	<b>\$ (21,228)</b>	<b>\$ (7,549)</b>	<b>\$ (6,969)</b>	<b>\$ 2,203</b>
Net income/(loss) per share—basic	\$ (0.27)	\$ (0.21)	\$ (0.07)	\$ (0.06)	\$ 0.02
Net income/(loss) per share—diluted	\$ (0.27)	\$ (0.21)	\$ (0.07)	\$ (0.06)	\$ 0.02
Weighted average common shares—basic:	100,236	100,397	111,981	111,675	113,886
Weighted average common shares—diluted:	100,236	100,397	111,981	111,675	135,615
Pro forma net income/(loss) per share (unaudited)(1):					
Basic			\$ 0.06		\$ 0.02
Diluted			\$ 0.06		\$ 0.02
Pro forma weighted average common shares:					
Basic			116,559		118,464
Diluted			116,559		136,615

(1) The unaudited pro forma net income/(loss) per share has been calculated assuming (i) the exercise of options to purchase 3,577,826 shares of our common stock by certain selling stockholders and (ii) the issuance of 1,000,000 shares of common stock by us in this offering.

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	As of December 31,			As of September 30, 2011	
	2008	2009	2010	Actual	As adjusted(1)(2)
(in thousands)					
<b>Consolidated Balance Sheet Data:</b>					
Cash and cash equivalents	\$13,275	\$11,476	\$14,233	\$21,052	\$ 26,872
Total assets	\$34,856	\$25,703	\$29,142	\$37,905	\$ 43,725
Total liabilities	\$12,800	\$ 9,675	\$11,907	\$14,849	\$ 14,849
Stockholders' equity	\$22,056	\$16,028	\$17,235	\$23,056	\$ 28,876
As of and for the Years Ended December 31,					
	2008	2009	2010	2011	
(in millions, except percentage data and ETF industry net inflows)					
<b>Other Data:</b>					
<b>Total ETF assets under management:</b>					
Beginning of period assets		\$ 4,559	\$3,180	\$5,979	\$ 9,891
Net inflows/(outflows)		907	1,773	3,134	3,899
Market appreciation/(depreciation)		(2,286)	1,026	778	(1,608)
End of period assets		\$ 3,180	\$5,979	\$9,891	\$12,182
Average assets during the period		\$ 4,327	\$3,964	\$7,308	\$11,744
<b>Average ETF advisory fee</b>		0.52%	0.52%	0.56%	0.55%
<b>ETF industry and market share:</b>					
ETF industry net inflows (in billions)		\$ 177	\$ 116	\$ 118	\$ 124
WisdomTree market share of inflows		0.5%	1.5%	2.7%	3.1%
(1)	The as adjusted consolidated balance sheet data gives effect to (i) the sale of 1,000,000 shares of our common stock in this offering at the assumed public offering price of \$6.31 per share (the closing price of our common stock as reported on The NASDAQ Global Market on January 27, 2012), after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us and (ii) the issuance of 3,577,826 shares of our common stock upon the exercise of options held by certain selling stockholders in connection with this offering and the receipt by us of the aggregate exercise price for such options.				
(2)	A \$0.25 increase (decrease) in the assumed public offering price of \$6.31 per share would increase (decrease) the amount of cash and cash equivalents, total assets and stockholders' equity by approximately \$0.2 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.				

## RISK FACTORS

*Any investment in our common stock involves a high degree of risk. You should consider carefully the specific risk factors described below in addition to the other information contained in this prospectus before making a decision to invest in our common stock. If any of these risks actually occur, our business, operating results, financial condition and prospects could be harmed. This could cause the trading price of our common stock to decline and a loss of all or part of your investment. Certain statements below are forward-looking statements. See the section entitled "Cautionary Note Regarding Forward-Looking Statements."*

### **Risks Related to Our Business and Our Industry**

*We have only a limited operating history and, as a result, recent historical growth may not provide an accurate representation of the growth we may experience in the future, which may make it difficult to evaluate our future prospects.*

We launched our first 20 ETFs in June 2006 and have only a limited operating history in the asset management business upon which an evaluation of our performance can be made. We have incurred significant losses since we launched our first ETFs. We first reported net income in the first quarter of 2011 and we only began to generate positive cash flow on a full quarterly basis in the second fiscal quarter of the year ended December 31, 2010 and, as a result, recent historical growth may not provide an accurate representation of the growth we may experience in the future, which may make it difficult to evaluate our future prospects. We have a history of net losses and have not achieved sustained profitability, and we may not be able to maintain or increase our level of profitability. Prior to generating net income for 2011, we incurred net losses of \$27.0 million, \$21.2 million and \$7.5 million in 2008, 2009 and 2010, respectively. Even though we have achieved profitability, because of the various risks outlined in this prospectus, we cannot assure you that we will continue to be profitable.

*Challenging global market conditions associated with declining prices of securities can adversely affect our business by reducing the market value of the assets we manage or causing WisdomTree ETF shareholders to sell their fund shares and trigger redemptions.*

We are subject to risks arising from adverse changes in global market conditions and the declining prices of securities, which may result in a decrease in demand for investment products, a higher redemption rate and/or a decline in AUM. The securities markets are highly volatile and securities prices may increase or decrease for many reasons, including general economic conditions, political events, acts of terrorism and other matters beyond our control. Substantially all of our revenue is determined by the amount of our AUM and a substantial part of our AUM is represented by equity securities, in both the international and U.S. markets. As a result, our business can be expected to generate lower revenue in declining equity market environments or general economic downturns, such as after the recent U.S. government debt rating downgrade and in response to concern over potential sovereign debt defaults by other countries. A decline in the prices of securities held by the WisdomTree ETFs may cause our revenue to decline by either causing the value of our AUM to decrease, which would result in lower advisory fees, or causing investors in the WisdomTree ETFs to sell their shares in favor of investments they perceive to offer greater opportunity or lower risk, thus triggering redemptions that would also result in decreased AUM and lower fees.

*Fluctuations in the amount and mix of our AUM may negatively impact revenue and operating margin.*

The level of our revenue depends on the level and mix of our AUM. Our revenue is derived primarily from advisory fees based on a percentage of the value of our AUM and varies with the nature of the ETFs, which have different fee levels. Fluctuations in the amount and mix of our AUM may be attributable in part to market conditions outside of our control that have had, and in the future could have, a negative impact on our revenue and operating margin.



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We are subject to an increased risk of asset volatility from changes in the foreign markets as discussed below. Individual markets may be adversely affected by economic, political, financial, or other instabilities that are particular to the country or regions in which a market is located, including without limitation local acts of terrorism, economic crises or other business, social or political crises. Declines in these markets and currency fluctuations have caused in the past, and may cause in the future, a decline in our revenue. Changing market conditions and currency fluctuations may cause a shift in our asset mix between foreign and U.S. assets, potentially resulting in a decline in our revenue since we generally derive higher fee revenue from our ETFs investing in foreign markets, particularly in emerging markets.

We have had in the past, and in the future may have, investors who maintain significant positions in one or more of our ETFs. If such an investor were to broadly change or withdraw its investments in our ETFs because of a change to its investment strategy, market conditions or any other reason, it may significantly change the level and mix of our AUM, which may negatively affect our revenue and operating margin.

***Most of our assets under management are held in ETFs that invest in foreign securities and we therefore have substantial exposure to foreign market conditions and are subject to currency exchange rate risks.***

Many of our ETFs invest in securities of companies, governments and other organizations located outside the United States and at December 31, 2011, approximately 62% of our AUM was held by these ETFs. Therefore, the success of our business is closely tied to market conditions in foreign markets. Investments in non-U.S. issuers are affected by political, social and economic uncertainty effecting a country or region in which we are invested. In addition, fluctuations in foreign currency exchange rates could reduce the revenue we earn from these foreign invested ETFs. This occurs because an increase in the value of the U.S. dollar relative to non-U.S. currencies may result in a decrease in the dollar value of the AUM in these ETFs, which, in turn, would result in lower revenue. Furthermore, investors are likely to believe these ETFs, as well as our suite of currency and fixed income ETFs, are a less attractive investment opportunity when the value of the U.S. dollar rises relative to non-U.S. currencies, which could have the effect of reducing investments in these ETFs, thus reducing revenue.

***We derive a substantial portion of our revenue from products invested in emerging markets and are exposed to the market-specific political and economic risks as well as general investor sentiment regarding future growth of those markets.***

At December 31, 2011, approximately 42% of our ETF AUM was concentrated in six of our WisdomTree ETFs that primarily invest in equity or fixed income securities issued by companies or governments in emerging markets. In 2011, approximately 51% of our revenue was derived from those six ETFs. As a result, our operating results are particularly exposed to the performance of those funds, economic and market conditions in those emerging markets, general investor sentiment regarding future growth in those emerging markets and our ability to maintain the assets under management of those funds. In addition, because these funds have a higher expense ratio than our other funds in general, they generate a disproportionate percentage of our total revenue. If the AUM in these funds were to decline, either because of declining market values or because of net outflows from these funds, our revenue would be adversely affected.

***We derive a substantial portion of our revenue from a limited number of products and, as a result, our operating results are particularly exposed to the performance of those funds, investor sentiment toward the strategies pursued by those funds and our ability to maintain the assets under management of those funds.***

At December 31, 2011, approximately 68% of our ETF AUM was concentrated in ten of our WisdomTree ETFs. As a result, our operating results are particularly exposed to the performance of those funds, investor sentiment toward investing in the strategies pursued by those funds and our ability to maintain the assets under management of those funds.

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### ***The WisdomTree ETFs have a limited track record and poor investment performance could cause our revenue to decline.***

The WisdomTree ETFs have a limited track record upon which an evaluation of their investment performance can be made. At December 31, 2011, of our total 47 ETFs, only 22 ETFs had a five year track record and 40 had a three year track record. Furthermore, as part of our strategy, we continuously evaluate our product offerings to ensure that all of our funds are useful, compelling and differentiated investment offerings, to more competitively align our overall product line in the current ETF landscape and to reallocate our attention and resources to areas of greater client interest. As a result, we may further adjust our product offering which may result in the closing of some of our ETFs, changing their investment objective or offering of new funds. The investment performance of our funds is important to our success. While strong investment performance could stimulate sales of our ETFs, poor investment performance, on an absolute basis or as compared to third-party benchmarks or competitive products, could lead to a decrease in sales or stimulate redemptions, thereby lowering the assets under management and reducing our revenue. Our fundamentally-weighted equity ETFs are designed to provide the potential for better risk-adjusted investment returns over full market cycles and are best suited for investors with a longer-term investment horizon. However, the investment approach of our equity ETFs may not perform well during certain shorter periods of time during different points in the economic cycle.

### ***We currently depend on BNY Mellon to provide us with critical services to operate our business and the WisdomTree ETFs. The failure of BNY Mellon to adequately provide such services could materially affect our operating business and harm WisdomTree ETF shareholders.***

We currently depend upon BNY Mellon to provide the WisdomTree Trust with portfolio management services. BNY Mellon also provides us with custody services, fund accounting, administration, transfer agency and securities lending services. The failure of BNY Mellon to provide us and the WisdomTree ETFs with these services could result in financial loss to us and WisdomTree ETF shareholders. In addition, because BNY Mellon provides a multitude of important services to us, and portfolio management for the WisdomTree ETFs covers several different asset classes, changing this vendor relationship would be challenging. It might require us to devote a significant portion of management's time to negotiate a similar relationship with a new vendor or have these services provided by multiple vendors, which would require us to coordinate the transfer of these functions to this new vendor or vendors.

### ***We currently depend on BNY Mellon to provide us with portfolio management services to the WisdomTree ETFs and changing this vendor relationship is not completely within our control and effecting a change would be challenging to us.***

BNY Mellon currently serves as our sub-advisor and provides the WisdomTree Trust with portfolio management services. We cannot replace BNY Mellon as our sub-advisor without the approval of independent trustees of the WisdomTree Trust and the approval of the shareholders of the WisdomTree ETFs. Therefore our ability to replace BNY Mellon as sub-advisor is not completely within our control. In addition, because BNY Mellon provides portfolio management for several different asset classes, changing this vendor relationship would be challenging. It might require us to devote a significant portion of management's time to negotiate a similar relationship with a new vendor or have these services provided by multiple vendors, which would require us to coordinate the transfer of this function to this new vendor or vendors.

### ***We depend on other third parties to provide many critical services to operate our business and the WisdomTree ETFs. The failure of key vendors to adequately provide such services could materially affect our operating business and harm WisdomTree ETF shareholders.***

In addition to BNY Mellon, we depend on other third-party vendors to provide us with many services that are critical to operating our business, including a third-party provider of index calculation services for our indexes, a distributor of the WisdomTree ETFs and a third-party provider of indicative values of the portfolios of

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the WisdomTree ETFs. The failure of these key vendors to provide us and the WisdomTree ETFs with these services could lead to operational issues and result in financial loss to us and WisdomTree ETF shareholders.

***The asset management business is intensely competitive. Many of our competitors have greater market share, offer a broader range of products and have greater financial resources than we do. As a result, we may experience pressures on our pricing and market share.***

Our business operates in intensely competitive industry segments. We compete directly with other ETF sponsors and mutual fund companies and indirectly against other investment management firms, insurance companies, banks, brokerage firms and other financial institutions that offer products that have similar features and investment objectives to those offered by us. We compete based on a number of factors, including name recognition, service, investment performance, product features and breadth of product choices, and fees. Many of our competitors have greater market share, offer a broader range of products and have greater financial resources than we do. Some financial institutions operate in a more favorable regulatory environment and have proprietary products and distribution channels which may provide certain competitive advantages to them and their investment products. Our competitors may also adopt products, services or strategies similar to ours, including the use of fundamentally-weighted indexes. In addition, over time certain sectors of the financial services industry have become considerably more concentrated, as financial institutions involved in a broad range of financial services have been acquired by or merged into other firms. This convergence could result in our competitors gaining greater resources and we may experience pressures on our pricing and market share as a result of these factors and as some of our competitors seek to increase market share by reducing prices. We believe that competition within the ETF industry will continue to increase as more traditional asset management companies become ETF sponsors.

***Competitive fee pressures could reduce revenue and profit margins.***

The investment management business is highly competitive and has relatively low barriers to entry. Although the ETF industry currently has a higher barrier to entry as a result of the need for ETF sponsors to obtain exemptive relief from the Securities and Exchange Commission, or SEC, in order to operate ETFs, we expect that additional companies, both new companies and traditional asset managers, many of whom are much larger than us, will enter the ETF space. In addition, in 2008, the SEC proposed a rule that, if adopted, would eliminate the need to obtain this exemptive relief. In March 2010, the SEC announced it would defer approval of applications for exemptive relief for ETFs that make significant use of derivatives pending a review by the SEC of the use of derivatives by mutual funds, ETFs and other investment companies. This moratorium may serve to prevent potential competitors from directly competing with certain of our products until this moratorium is lifted. To the extent that we are forced to compete increasingly on the basis of price, we may not be able to maintain our current fee structure. Fee reductions on existing or future new products could cause our revenue and profit margins to decline.

***Our revenue could be adversely affected if the WisdomTree Trust determines that the advisory fees we receive from the WisdomTree ETFs should be reduced.***

Our advisory agreements with the WisdomTree Trust and the fees we collect from the WisdomTree ETFs are subject to review and approval by the independent trustees of the WisdomTree Trust. The advisory agreements are subject to initial review and approval. After the initial two-year term of the agreement for each ETF, the continuation of such agreement must be reviewed and approved at least annually by a majority of the independent trustees. In determining whether to approve the agreements, the independent trustees consider factors such as (i) the nature and quality of the services provided by us, (ii) the fees charged by us and the costs and profits realized by us in connection with such services, as well as any ancillary or “fall-out” benefits from such services, (iii) the extent to which economies of scale are shared with the WisdomTree ETFs, and (iv) the level of fees paid by other similar funds. If the independent trustees determine that the advisory fees we charge to any particular fund are too high, we will need to reduce our fees, which could adversely affect our revenue.

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***Our risk management policies and procedures, and those of our third-party vendors upon which we rely, may not be fully effective in identifying or mitigating risk exposure, including employee misconduct. If our policies and procedures do not adequately protect us from exposure to these risks, we may incur losses that would adversely affect our financial condition, reputation and market share.***

We have developed risk management policies and procedures and we continue to refine them as we conduct our business. Many of our procedures involve oversight of third-party vendors that provide us with critical services such as portfolio management, custody and fund accounting and administration, and index calculation services. Our policies and procedures to identify, monitor and manage risks may not be fully effective in mitigating our risk exposure. Moreover, we are subject to the risks of errors and misconduct by our employees, including fraud and non-compliance with policies. These risks are difficult to detect in advance and deter, and could harm our business, results of operations or financial condition. Although we maintain insurance and use other traditional risk-shifting tools, such as third-party indemnification, in order to manage certain exposures, they are subject to terms such as deductibles, coinsurance, limits and policy exclusions, as well as risk of counterparty denial of coverage, default or insolvency. If our policies and procedures do not adequately protect us from exposure and our exposure is not adequately covered by insurance or other risk-shifting tools, we may incur losses that would adversely affect our financial condition and could cause a reduction in our revenue as WisdomTree ETF shareholders shift their investments to the products of our competitors.

***Compliance with extensive, complex and changing regulation imposes significant financial and strategic costs on our business, and non-compliance could result in fines and penalties.***

Our business is subject to extensive regulation of our business and operations. Our subsidiary, WisdomTree Asset Management, Inc., or WTAM, is a registered investment adviser and is subject to oversight by the SEC pursuant to its regulatory authority under the Investment Advisers Act of 1940, as amended, or Investment Advisers Act. We also must comply with certain requirements under the Investment Company Act of 1940, as amended, or Investment Company Act, with respect to the WisdomTree ETFs for which WTAM acts as investment adviser. In addition, the content and use of our marketing and sales materials and of our sales force is subject to the regulatory authority of FINRA. To a lesser extent, we are also subject to foreign laws and regulatory authorities with respect to operational aspects of our funds that invest in securities of issuers in foreign countries and in the sales of our funds in foreign jurisdictions. Each of the regulatory bodies with jurisdiction over us has regulatory powers dealing with many aspects of our business, including the authority to grant, and, in specific circumstances to cancel, permissions to carry on particular businesses. Our failure to comply with applicable laws or regulations could result in fines, censure, suspensions of personnel or other sanctions, including revocation of our registration as an investment adviser. Even if a sanction imposed against us or our personnel is small in monetary amount, the adverse publicity arising from the imposition of sanctions against us by regulators could harm our reputation and thus result in redemptions from our ETFs and impede our ability to retain WisdomTree ETF shareholders and develop new WisdomTree ETF shareholders, all of which may reduce our revenue.

We face the risk of significant intervention by regulatory authorities, including extended investigation activity, adoption of costly or restrictive new regulations and judicial or administrative proceedings that may result in substantial penalties. Among other things, we could be fined or be prohibited from engaging in some of our business activities. The requirements imposed by our regulators are designed to ensure the integrity of the financial markets and to protect WisdomTree ETF shareholders and our advisory clients, and are not designed to protect our stockholders. Consequently, these regulations often serve to limit our activities, including through WisdomTree ETF shareholder protection and market conduct requirements.

In addition, the regulatory environment in which we operate is subject to modifications and further regulation. Recently, concerns have been raised about ETF's alleged contribution to market volatility as well as the disclosure requirements applicable to certain types of more complex ETFs. New laws or regulations, or changes in the enforcement of existing laws or regulations, applicable to us and our clients also may adversely affect our business, and our ability to function in this environment will depend on our ability to constantly

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monitor and react to these changes. For example, in January 2011, the Commodity Futures Trading Commission proposed regulations that, if adopted, would impose upon us additional registration and licensing requirements for a select number of our ETFs and subject us to an additional and extensive regulatory structure. If adopted, these regulations would likely cause us to incur additional costs to achieve and maintain compliance. In August 2011, the SEC recently published a concept release and request for comments on a wide range of issues relating to the use of derivatives by investment companies regulated under the Investment Company Act, including ETFs. The purpose of the release is to assist in the SEC's evaluation of whether the current regulatory framework, as it applies to a fund's use of derivatives, continues to further the policies underlying the Investment Company Act and is consistent with investor protection. While we cannot predict what new or modified regulations may be adopted as a result of the SEC's review, it is possible that new or modified regulations could adversely affect our ability to use derivatives for certain of our products.

Specific regulatory changes also may have a direct impact on our revenue. In addition to regulatory scrutiny and potential fines and sanctions, regulators continue to examine different aspects of the asset management industry. New regulation or judicial interpretations regarding the annual approval process for investment advisory agreements may result in the reduction of fees under these agreements. These regulatory changes and other proposed or potential changes may result in a reduction of revenue.

### ***Damage to our reputation could adversely affect our business.***

We believe we have developed a strong brand and a reputation for innovative, thoughtful products, favorable long-term investment performance and excellent client services. The WisdomTree name and brand is a valuable asset and any damage to it could hamper our ability to maintain and grow our AUM and attract and retain employees, thereby having a material adverse affect on our revenue. Risks to our reputation may range from regulatory issues to unsubstantiated accusations. Managing such matters may be expensive, time-consuming and difficult. As described in the section entitled "Management—Involvement in Certain Legal Proceedings," Michael Steinhardt, who currently serves as the chairman of our Board of Directors and beneficially owns approximately 29.9% of our common stock (and will beneficially own approximately 26.3% of our common stock after this offering), was sanctioned in civil litigation by the Court of Chancery of the State of Delaware and is required to, among other things, self-report certain trading activity not involving the Company's securities to the SEC. Mr. Steinhardt's actions did not involve the Company and, based on the facts currently known, which we are continuing to review, we do not believe Mr. Steinhardt's actions will have a material impact on our business, although there can be no assurance that this will be the case or that these matters, and any investigations or actions that result from these matters, will not have an adverse effect on our reputation or the price of our common stock. For more details, see the section entitled "Management—Involvement in Certain Legal Proceedings."

### ***Abnormally wide bid/ask spreads and market disruptions that halt or disrupt trading or create extreme volatility could undermine investor confidence in the ETF investment structure and limit investor acceptance of ETFs.***

The shares of the WisdomTree ETFs, like the shares of all ETFs, trade on exchanges in market transactions that generally approximate the value of the underlying portfolio of securities held by the particular ETF. Trading involves risks including the potential lack of an active market for fund shares, abnormally wide bid/ask spreads (the difference between the prices at which shares of an ETF can be bought and sold) that can exist for a variety of reasons and losses from trading. These risks can be exacerbated during periods when there is low demand for an ETF, when the markets in the underlying basket of securities are closed, when markets conditions are extremely volatile or when trading is disrupted. For example, during the so-called "flash crash" that occurred in May 2010, the shares of some ETFs traded with extreme volatility that did not correspond with the underlying value of their portfolio investments. Similar market conditions could undermine investor confidence in the ETF structure as an investment vehicle and limit further investor acceptance of ETFs. This could result in limited growth or a reduction in the overall ETF market and result in our revenue not growing as rapidly as it has in the recent past or even in a reduction of revenue.

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### ***We have experienced significant growth in recent years, and if we were unable to manage this growth it could have a material adverse effect on our business.***

We have experienced significant growth in recent years, which has placed increased demands on our management and other resources and will continue to do so in the future. We may not be able to maintain or accelerate our current growth rate, manage our expanding operations effectively or achieve planned growth on a timely or profitable basis. Managing our growth effectively will involve, among other things:

- continuing to retain, motivate and manage our existing employees and attract and integrate new employees;
- developing, implementing and improving our operational, financial, accounting, reporting and other internal systems and controls on a timely basis; and
- maintaining and developing our various support functions including human resources, information technology, legal and corporate communications.

If we are unable to manage our growth effectively, there could be a material adverse effect on our ability to maintain or increase revenue and profitability.

Continued growth will require continued investment in personnel, information technology infrastructure and marketing activities, as well as further development and implementation of financial, operational and compliance systems and controls. We may not be successful in implementing all of the processes that are necessary to support our growth. Unless our growth results in an increase in our revenue that is at least proportionate to the increase in our costs associated with this growth, our gross margins and our future profitability will be adversely affected.

Our growth strategy also involves, among other things, diversifying our product line to include more ETFs in non-equity asset classes, including fixed income and alternative investment strategies. This will require us to develop products in areas in which we do not have significant prior experience. We may not be successful in developing new products and if developed and launched, we may not be successful in marketing these new products.

### ***Our ability to operate effectively could be impaired if we fail to retain or recruit key personnel.***

The success of our business and the implementation of our growth strategy are highly dependent on our ability to attract, retain and motivate highly skilled, and sometimes highly specialized, employees, including in particular, operations, product development, research and sales personnel. The market for these individuals is extremely competitive and is likely to become more so as additional investment management firms enter the ETF industry. Our compensation methods may not enable us to recruit and retain required personnel. In particular, our use of equity grants as a component of total employee compensation may be ineffective if the market price of our common stock declines. Also, we may need to increase compensation levels, which would decrease our net income or increase our losses. If we are unable to retain and attract key personnel, it could have an adverse effect on our business, results of operations and financial condition.

### ***Changes in U.S. federal income tax law could make some of our products less attractive to investors.***

Many of the WisdomTree ETFs seek to obtain the investment return achieved by our proprietary indexes that weigh index components based upon dividends. Corporate dividends currently enjoy favorable tax treatment under current U.S. federal income tax law. If the tax rates imposed on dividends were to be increased, it may make these WisdomTree ETFs less attractive to investors.

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### ***Our expenses are subject to fluctuations that could materially affect our operating results.***

Our results of operations are also dependent on the level of expenses, which can vary from quarter to quarter. Our expenses may fluctuate primarily as a result of discretionary spending, including marketing, advertising and sales expenses we incur to support our growth initiatives. Accordingly, our results of operation may vary from quarter to quarter.

### ***Any significant limitation or failure of our technology systems that are critical to our operations could interrupt or damage our operations and result in material financial loss, regulatory violations, reputational harm or legal liability.***

We are dependent upon the effectiveness of our information security policies, procedures and capabilities to protect the technology systems that we use to operate our business and to protect the data that reside on or are transmitted through them. Although we take protective measures to secure information, our technology systems may still be vulnerable to unauthorized access, computer viruses or other events that could result in inaccuracies in our information or system disruptions or failures, which could materially interrupt or damage our operations. Any inaccuracies, delays or system failures could subject us to client dissatisfaction and losses or result in material financial loss, regulatory violations, reputational harm or legal liability, which, in turn, could cause a decline in our earnings or stock price.

### ***We are currently, and may from time to time in the future be, involved in legal proceedings that could require significant management time and attention, possibly resulting in significant expense or in an unfavorable outcome, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.***

From time to time, we may be subject to litigation. In connection with any litigation in which we are involved, we may be forced to incur costs and expenses in connection with defending ourselves or in connection with the payment of any settlement or judgment or compliance with any injunctions in connection therewith if there is an unfavorable outcome. The expense of defending litigation may be significant. The amount of time to resolve lawsuits is unpredictable and defending ourselves may divert management's attention from the day-to-day operations of our business, which could adversely affect our business, results of operations, financial condition and cash flows. In addition, an unfavorable outcome in any such litigation could have a material adverse effect on our business, results of operations, financial condition and cash flows.

For example, on December 1, 2011, Research Affiliates, LLC filed suit against us in the United States District Court for the Central District of California, alleging that the fundamentally weighted investment methodology we employ infringes three of plaintiff's patents, and seeking both unspecified monetary damages in an amount to be determined and an injunction to prevent further infringement. For more details, see the section entitled "Business—Legal Proceedings."

### ***Sanctions recently imposed on the Chairman of our Board and one of our major stockholders, Michael Steinhardt, by the Delaware Court of Chancery could adversely affect us.***

As described in the section entitled "Management—Involvement in Certain Legal Proceedings," Michael Steinhardt, who currently serves as the chairman of our Board of Directors and beneficially owns approximately 29.9% of our common stock (and will beneficially own approximately 26.3% of our common stock after this offering), was sanctioned in civil litigation by the Court of Chancery of the State of Delaware and is required to, among other things, self-report certain trading activity not involving the Company's securities to the SEC. It is possible that the SEC, NASDAQ and/or other authorities may initiate an investigation into Mr. Steinhardt's conduct. If the SEC, NASDAQ or other authorities were to initiate an investigation and conclude that Mr. Steinhardt's actions violated federal securities law or other rules, the SEC or NASDAQ could seek remedies including, among other things, barring Mr. Steinhardt from serving on our Board of Directors.

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NASDAQ could also seek to delist shares of our common stock from the NASDAQ Global Market. Investigations or actions by these and/or other authorities or our Board's determination that Mr. Steinhardt violated our internal policies may also affect, among other things, Mr. Steinhardt's continued tenure on our Board of Directors. Mr. Steinhardt's actions did not involve the Company and, based on the facts currently known, which we are continuing to review, we do not believe Mr. Steinhardt's actions will have a material impact on our business. However, there can be no assurance that this will be the case or that these matters, and any investigation by the SEC, NASDAQ and/or other authorities or any actions that result from these matters, will not have an adverse effect on our reputation or the price of our common stock.

### ***Catastrophic and unpredictable events could have a material adverse effect on our business.***

A terrorist attack, war, power failure, cyber-attack, natural disaster or other catastrophic or unpredictable event could adversely affect our future revenue, expenses and operating results by: interrupting our normal business operations; sustaining employee casualties, including loss of our key employees; requiring substantial expenditures and expenses to repair, replace and restore normal business operations; and reducing investor confidence. We have a disaster recovery plan to address certain contingencies, but this plan may not be sufficient in responding or ameliorating the effects of all disaster scenarios. Similarly, these types of events could also affect the ability of the third-party vendors that we rely upon to conduct our business—e.g., BNY Mellon, which provides us with sub-advisory portfolio management services as well as custodial, fund accounting and administration services, or Standard & Poor's, which provide us with index calculation services—to continue to provide these necessary services to us, even though they may also have disaster recovery plans to address these contingencies. If we or our third-party vendors are unable to respond adequately or in a timely manner, this failure may result in a loss of revenue and/or increased expenses, either of which would have a material adverse effect on our operating results.

***A change of control of our Company would automatically terminate our investment management agreements relating to the WisdomTree ETFs unless the Board of Trustees of the WisdomTree Trust and shareholders of the WisdomTree ETFs voted to continue the agreements. A change in control could occur if a third party were to acquire controlling interest in our Company, if Michael Steinhardt were to sell or otherwise transfer a certain portion of his shares or if we were to issue additional shares such that Steinhardt's beneficial ownership were diluted.***

Under the Investment Company Act, an investment management agreement with a fund must provide for its automatic termination in the event of its assignment. The fund's board and shareholders must vote to continue the agreement following its assignment, the cost of which can be significant and which ordinarily would be borne by us in order to avoid dissatisfaction by the shareholders of the WisdomTree ETFs. Under the Investment Advisers Act, a client's investment management agreement may not be "assigned" by the investment advisor without the client's consent.

An investment management agreement is considered under both acts to be assigned to another party when a controlling block of the advisor's securities is transferred. Under both acts, there is a presumption that a stockholder beneficially owning 25% or more of an advisor's voting stock controls the advisor and conversely a stockholder beneficially owning less than 25% is presumed not to control the advisor. In our case, an assignment of our investment management agreements may occur if Michael Steinhardt, who currently beneficially owns 29.9% of our common stock (and will beneficially own 26.3% of our common stock after this offering) sells shares of common stock such that his beneficial ownership drops below 25%, or if we sell or issue a certain number of additional shares of common stock in the future that dilutes his beneficial ownership or if a third party were to acquire a controlling interest in our Company. We cannot be certain that the Trustees and the shareholders of the WisdomTree ETFs would consent to assignments of our investment management agreements or approve new agreements with us if a change of control occurs. This restriction may discourage potential purchasers from acquiring a controlling interest in our Company.



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***We are currently, and may from time to time be, subject to claims of infringement of third-party intellectual property rights, which could harm our business.***

Third parties may assert against us alleged patent, copyright, trademark or other intellectual property rights to intellectual property that is important to our business. Any claims that our products or processes infringe the intellectual property rights of others, regardless of the merit or resolution of such claims, could cause us to incur significant costs in responding to, defending and resolving such claims, and may divert the efforts and attention of our management from our business. As a result of such intellectual property infringement claims, we could be required or otherwise decide that it is appropriate to:

- pay third-party infringement claims;
- discontinue selling the particular funds subject to infringement claims;
- discontinue using the processes subject to infringement claims;
- develop other intellectual property or products not subject to infringement claims, which could be time-consuming and costly or may not be possible; or
- license the intellectual property from the third party claiming infringement, which license may not be available on commercially reasonable terms.

The occurrence of any of the foregoing could result in unexpected expenses, reduce our revenue and adversely affect our business and financial results. In addition, we are currently covered by a relatively small number of equity research analysts, whose views on the merits or impact of any claim of infringement of third-party intellectual property rights may differ from ours and result in the issuance of unfavorable commentaries by such analysts, which could have an adverse effect on the price and trading volume of our common stock.

For example, on December 1, 2011, Research Affiliates, LLC filed suit against us in the United States District Court for the Central District of California, alleging that the fundamentally weighted investment methodology we employ infringes three of plaintiff's patents, and seeking both unspecified monetary damages to be determined and an injunction to prevent further infringement. For more details, see the section entitled "Business–Legal Proceedings."

***We have applied for patents, but they may not be issued and we may not be able to enforce or protect our patents and other intellectual property rights, which may harm our ability to compete and harm our business.***

Although we have applied for patents relating to our index methodology and the operation of our equity ETFs, these patents may not be issued to us. In addition, even if issued, our ability to enforce our patents and other intellectual property rights is subject to general litigation risks. While we have been competing without the benefit of these patents being issued, if they are not issued or we cannot successfully enforce them, we may lose the benefit of a future competitive advantage that they would otherwise provide to us. If we seek to enforce our rights, we could be subject to claims that the intellectual property right is invalid or is otherwise not enforceable. Furthermore, our assertion of intellectual property rights could result in the other party seeking to assert alleged intellectual property rights of its own or assert other claims against us, which could harm our business. If we are not ultimately successful in defending ourselves against these claims in litigation, we may be subject to the risks described in the immediately preceding risk factor entitled "We may be subject to claims of infringement of third-party intellectual property rights, which could harm our business."

***Fulfilling our public company financial reporting and other regulatory obligations will be expensive and time consuming.***

As a company whose common stock was recently registered under the Exchange Act of 1934, as amended, or Exchange Act, and listed on a national securities exchange, we are required to maintain specific

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corporate governance practices and adhere to a variety of reporting requirements and complex accounting rules under the Sarbanes-Oxley Act of 2002, or SOX, and the related rules and regulations of the SEC, as well as the rules of the securities exchange. We anticipate that compliance with these requirements will cause us to continue to incur significant legal and accounting compliance costs, and place significant demands on our accounting and legal staff, and on our accounting and information systems. We expect to hire additional staff with appropriate public company experience and technical knowledge, which will increase our compensation expense.

Beginning with the fiscal year ending December 31, 2012, our management will be required to conduct an annual assessment of the effectiveness of our internal controls over financial reporting and include a report on our internal controls in our annual reports on Form 10-K pursuant to Section 404 of SOX. In addition, we are required to have our independent registered public accounting firm attest to and report on the effectiveness of our internal controls over financial reporting. We will incur significant costs in order to implement and maintain our internal controls over financial reporting and comply with Section 404 of SOX, including necessary auditing and legal fees, and costs associated with accounting, internal audit, information technology, compliance and administrative staff.

***Future strategic transactions, including business combinations, mergers and acquisitions, may occur at any time, be significant in size relative to our assets and operations, result in significant changes in our business and materially and adversely affect our stock price. Additionally, we may expend significant financial, management time and other resources without the consummation of such transactions or the realization of the anticipated benefits.***

We believe attractive opportunities for strategic transactions exist, some of which may be material to our operations and financial condition if consummated. We have engaged in the past and expect to continue to engage in the future in strategic discussions that we believe may enable us to strengthen our business, expand and diversify our product offering, increase our AUM or enter into new markets. Such transactions may result in our issuing a significant amount of our common stock or other security that could be dilutive to our stockholders, result in substantial borrowings, result in changes in our board composition and/or management team, constitute a change of control of our Company, lead to significant changes in our product offering, business operations and earning and risk profiles, and/or result in a decline in the price of our common stock.

Even if consummated, such transactions may involve numerous risks, including, among others:

- failure to achieve financial or operating objectives;
- failure to integrate successfully and in a timely manner any operations, products, services or technology;
- diversion of the attention of management and other personnel;
- failure to obtain necessary regulatory, shareholder or other approvals;
- failure to retain personnel;
- failure to obtain any necessary financing on acceptable terms or at all;
- unforeseen liabilities or expenses;
- failure of counterparties to indemnify us against liabilities arising from such transactions;
- potential loss of, or harm to, our relationship with our and the counterparties' employees, customers and suppliers as a result of integration of new businesses;

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- accounting charges;
- unfavorable market conditions that could negatively impact the acquired or combined businesses; and
- legal proceedings, including lawsuits brought by stockholders of us or the counterparties which may result in expenses and/or have a material adverse effect on our business.

We could be prevented from, or significantly delayed in, achieving our strategic goals if we are unable to successfully integrate acquired businesses. Our ability to complete future strategic transactions depends upon a number of factors that are not entirely within our control, including our ability to identify suitable merger or acquisition candidates, negotiate acceptable terms, conclude satisfactory agreements and secure financing. Our failure to complete strategic transactions or to integrate and manage acquired or combined businesses successfully could materially and adversely affect our business, results of operations and financial conditions.

### **Risks Relating to our Common Stock and this Offering**

*The market price of our shares may fluctuate significantly, and you could lose all or part of your investment.*

The market price of our common stock may fluctuate widely, depending upon many factors, some of which may be beyond our control, including:

- decreases in our assets under management;
- variations in our quarterly operating results;
- differences between our actual financial operating results and those expected by investors and analysts;
- publication of research reports about us or the investment management industry;
- changes in expectations concerning our future financial performance and the future performance of the ETF industry and the asset management industry in general, including financial estimates and recommendations by securities analysts;
- our strategic moves and those of our competitors, such as acquisitions or consolidations;
- changes in the regulatory framework of the ETF industry and the asset management industry in general and regulatory action, including action by the SEC to lessen the regulatory requirements or shortening the process to obtain regulatory relief under the Investment Company Act that is necessary to become an ETF sponsor;
- changes in general economic or market conditions; and
- realization of any other of the risks described elsewhere in this section.

In addition, stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the trading price of our common stock. Furthermore, in the past, market fluctuations and price declines in a company's stock have led to securities class action litigations or other derivative shareholder lawsuits. If such a suit were to arise, it could cause substantial costs to us and divert our resources regardless of the outcome.

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### ***Future sales of our common stock in the public market by management or our large stockholders could lower our stock price.***

Immediately after this offering, our two largest stockholders (each of whom has a representative on our Board of Directors), together with the other members of our Board of Directors and our executive officers, will beneficially own approximately 50.7% of our outstanding common stock. Our officers, directors and the selling stockholders in this offering (except for the Judy and Michael Steinhardt Foundation, or the Foundation, which is not expected to hold any shares of our common stock following this offering) have executed lock-up agreements preventing them from selling any stock they hold for a period of 90 days from the date of this prospectus, subject to certain limited exceptions and extensions described under the section entitled "Underwriting." The representatives of the underwriters may, in their sole discretion, permit our officers, directors and current stockholders to sell shares prior to the expiration of these lock-up agreements. If our existing stockholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market after the 90-day contractual lock-up and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock may decline significantly and may decline below the public offering price. We cannot predict the effect, if any, that future public sales of these shares or the availability of these shares for sale will have on the market price of our common stock.

### ***We will have broad discretion in how we use the net proceeds of this offering. We may not use these proceeds effectively, which could affect our results of operations and cause our stock price to decline.***

We will have considerable discretion in the application of the net proceeds of this offering. As a result, investors will be relying upon management's judgment with only limited information about our specific intentions for the use of the net proceeds of this offering. We may use the net proceeds for purposes that do not yield a significant return or any return at all for our stockholders. In addition, pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value.

### ***If equity research analysts do not publish research or reports about our business or if they issue unfavorable commentary or downgrade our common stock, the price of our common stock could decline.***

The trading market for our common stock relies in part on the research and reports that equity research analysts publish about us and our business. We do not control these analysts. The price and trading volume of our common stock could decline if one or more equity analysts downgrade our common stock or if analysts issue other unfavorable commentary or cease publishing reports about us or our business.

### ***Future issuance of our common stock could lower our stock price and dilute the interests of existing stockholders.***

We may issue additional shares of our common stock in the future, either in connection with an acquisition or for other business reasons. The issuance of a substantial amount of common stock could have the effect of substantially diluting the interests of our current stockholders. In addition, the sale of a substantial amount of common stock in the public market, either in the initial issuance or in a subsequent resale by the target company in an acquisition which received such common stock as consideration or by investors who acquired such common stock in a private placement could have an adverse affect on the market price of our common stock.

### ***The members of our Board of Directors, their affiliates and our executive officers, as stockholders, control our Company.***

Immediately after this offering, our two largest stockholders (each of whom has a representative on our Board of Directors) together with the other members of our Board of Directors and our executive officers, as stockholders, will collectively beneficially own 50.7% of our outstanding common stock. As a result of this

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ownership, they have the ability to significantly influence all matters requiring approval by stockholders of our Company, including the election of directors. In particular, Michael Steinhardt, chairman of our Board of Directors, beneficially will own 26.3% of our outstanding common stock and James D. Robinson, IV, a director of our Company, serves as a general partner of three venture capital funds that together will beneficially own 15.2% of our outstanding common stock. As a result, Messrs. Steinhardt and Robinson will beneficially own an aggregate of 41.5% of our outstanding stock and have the ability to significantly influence all matters requiring approval by stockholders of our Company. This concentration of ownership also may have the effect of delaying or preventing a change in control of our Company that may be favored by other stockholders. This could prevent transactions in which stockholders might otherwise receive a premium for their shares over current market prices.

Although our directors and officers have a duty of loyalty to us under Delaware law and our amended and restated certificate of incorporation, transactions that we enter into in which a director or officer has a conflict of interest are generally permissible so long as (1) the material facts relating to the director's or officer's relationship or interest as to the transaction are disclosed to our Board of Directors and a majority of our disinterested directors, or a committee consisting solely of disinterested directors, approves the transaction, (2) the material facts relating to the director's or officer's relationship or interest as to the transaction are disclosed to our stockholders and a majority of our disinterested stockholders approves the transaction, or (3) the transaction is otherwise fair to us. Under our certificate of incorporation, representatives of our stockholders are not required to offer to us any transaction opportunity of which they become aware and could take any such opportunity for themselves or offer it to other companies in which they have an investment, unless such opportunity is expressly offered to them solely in their capacity as a director of ours.

***A provision in our certificate of incorporation and by-laws may prevent or delay an acquisition of our Company, which could decrease the market value of our common stock.***

Provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated by-laws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable. These provisions may also prevent or delay attempts by stockholders to replace or remove our current management or members of our Board of Directors. These provisions include:

- a classified Board of Directors;
- limitations on the removal of directors;
- advance notice requirements for stockholder proposals and nominations;
- the inability of stockholders to act by written consent or to call special meetings;
- the ability of our Board of Directors to make, alter or repeal our amended and restated by-laws; and
- the authority of our Board of Directors to issue preferred stock with such terms as our Board of Directors may determine.

In addition, with the listing of our common stock on the NASDAQ Global Market on July 26, 2011, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, which limits business combination transactions with stockholders of 15% or more of our outstanding voting stock that our Board of Directors has not approved. These provisions and other similar provisions make it more difficult for stockholders or potential acquirers to acquire us without negotiation. These provisions may apply even if some stockholders may consider the transaction beneficial to them.

As a result, these provisions could limit the price that investors are willing to pay in the future for shares of our common stock. These provisions might also discourage a potential acquisition proposal or tender offer, even if the acquisition proposal or tender offer is at a premium over the then current market price for our common stock.

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***We do not intend to pay dividends in the foreseeable future.***

We have never paid dividends on our common stock and we intend to invest our available cash flow into our growth strategy for the foreseeable future. Thus, the shares of common stock may not realize a return in the form of dividends in the foreseeable future. Investors who anticipate the need for immediate dividends from shares of common stock should refrain from purchasing our common stock. In addition, our Board of Directors is authorized, without stockholder approval, to issue preferred stock with such terms as our Board of Directors may, in its discretion, determine. Our Board of Directors could, therefore, issue preferred stock with dividend rights superior to that of the common stock, which could also limit the payment of dividends on the common stock.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are based on our management's belief 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 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" and elsewhere in this prospectus. If one or more of these 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 prospectus and the documents that we reference in this prospectus and have filed with the Securities and Exchange Commission as exhibits to the registration statement, of which this prospectus is a part, 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 prospectus include statements about:

- anticipated trends, conditions and investor sentiment in the global markets;
- anticipated levels of inflows into and outflows out of our exchange traded funds;
- our ability to deliver favorable rates of return to investors;
- 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;
- competition in our business; and
- the effect of laws and regulations that apply to our business.

The forward-looking statements in this prospectus represent our views as of the date of this prospectus. 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 prospectus.

#### USE OF PROCEEDS

We estimate that our net proceeds from the sale of 1,000,000 shares of our common stock in this offering by us will be approximately \$5,820,000 based upon an assumed public offering price of \$6.31 per share (the closing price of our common stock as reported on The NASDAQ Global Market on January 27, 2012), including proceeds of approximately \$388,000 from the exercise of stock options by certain selling stockholders in connection with this offering, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We will not receive any proceeds from the sale of shares of common stock offered by the selling stockholders, except for the aggregate exercise price of the selling stockholder options, as noted above.

We currently intend to use the net proceeds of this offering for working capital and other general corporate purposes, including for selling, operating and marketing our ETFs. We may also use net proceeds for possible investments in, or acquisitions of, complementary businesses, services or technologies. We have no current agreements or commitments with respect to any investment or acquisition and we currently are not engaged in negotiations with respect to any investment or acquisition. In addition, the amount of what, and timing of when, we actually spend for these purposes may vary significantly and will depend on a number of factors, including our future revenue and cash generated by operations and the other factors described in the section entitled "Risk Factors" in this prospectus. Accordingly, our management will have broad discretion in applying the net proceeds of this offering. Pending specific application of our net proceeds, we intend to invest the net proceeds in high-quality, investment-grade, short-term fixed income instruments which include corporate, financial institution, federal agency or U.S. government obligations.

A \$0.25 increase (decrease) in the assumed public offering price of \$6.31 per share would increase (decrease) the amount of cash and cash equivalents, total assets and stockholders' equity by approximately \$0.2 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

#### DIVIDEND POLICY

We have never declared or paid dividends on our common stock. We do not anticipate paying any dividends on our common stock in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. Any future determination to declare dividends will be subject to the discretion of our Board of Directors and will depend on various factors, including applicable laws, our results of operations, financial condition, future prospects and any other factors deemed relevant by our Board of Directors. Investors should not purchase our common stock with the expectation of receiving cash dividends.



**CAPITALIZATION**

The following table sets forth our cash, cash equivalents and short-term investments, and capitalization as of September 30, 2011:

- on an actual basis; and
- on a pro forma basis to give effect to (1) our sale in this offering of 1,000,000 shares of our common stock at an assumed public offering price of \$6.31 per share (the closing price of our common stock as reported on The NASDAQ Global Market on January 27, 2012), and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, (2) the issuance of 3,577,826 shares of common stock upon the exercise of options held by certain selling stockholders in connection with this offering and the receipt of the aggregate exercise price for such options and (3) the application of the net proceeds we will receive from this offering in the manner described under “Use of Proceeds.”

You should read this table in conjunction with the sections entitled “Selected Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes included elsewhere in this prospectus.

	As of September 30, 2011 (Unaudited)	
	(in thousands)	
	Actual	Pro Forma(1)
Cash, cash equivalents and short-term investments	<u>\$ 21,052</u>	<u>\$ 26,872</u>
Stockholders’ equity (deficit):		
Preferred stock, \$0.01 par value, 2,000,000 authorized:	—	—
Common stock; \$0.01 par value, 250,000,000 shares authorized, actual; 250,000,000 shares authorized, pro forma; 115,962,511 shares issued and outstanding (including unvested restricted stock), actual; 120,540,337 shares issued and outstanding, pro forma	\$ 1,159	\$ 1,205
Additional paid-in capital	161,847	167,621
Accumulated deficit	(139,950)	(139,950)
Total stockholders’ equity	<u>23,056</u>	<u>28,876</u>
Total capitalization	<u>\$ 37,905</u>	<u>\$ 43,725</u>

- (1) A \$0.25 increase (decrease) in the assumed public offering price of \$6.31 per share would increase (decrease) the amount of cash and cash equivalents, total assets and stockholders’ equity by approximately \$0.2 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

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**SELECTED CONSOLIDATED FINANCIAL DATA**

You should read the selected consolidated financial data presented below in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this prospectus and our consolidated financial statements and the related notes included elsewhere in this prospectus. The selected consolidated statements of operations data presented below under the heading “Consolidated Statements of Operations Data” for the years ended December 31, 2008, 2009 and 2010 and the selected consolidated balance sheet data presented below under the heading “Consolidated Balance Sheet Data” as of December 31, 2008, 2009 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated financial data presented below under the headings “Consolidated Statements of Operations Data” for the years ended December 31, 2006 and 2007 and under “Consolidated Balance Sheet Data” as of December 31, 2006 and 2007, have been derived from our consolidated financial statements not included in this prospectus. The selected consolidated statements of operations data presented below under the heading “Consolidated Statements of Operations Data” for the nine months ended September 30, 2010 and 2011 and the selected consolidated balance sheet data presented below under the heading “Consolidated Balance Sheet Data” as of September 30, 2011, have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus.

The historical results presented below are not necessarily indicative of the financial results to be expected for future periods, and the results for the nine months ended September 30, 2011 are not necessarily indicative of results to be expected for the full year or for any other period.

	Years Ended December 31,					Nine Months Ended September 30,	
	2006	2007	2008	2009	2010	2010	2011
(in thousands, except share and per share data)							
<b>Consolidated Statements of Operations Data:</b>							
<b>Revenues:</b>							
ETF advisory fees	\$ 1,740	\$ 18,158	\$ 21,643	\$ 20,812	\$40,567	\$27,456	\$48,341
Other income	435	2,761	1,968	1,283	1,045	743	644
Total revenues	2,175	20,919	23,611	22,095	41,612	28,199	48,985
<b>Expenses:</b>							
Compensation and benefits	11,971	21,465	20,338	18,943	19,193	14,260	14,912
Fund management and administration	3,178	11,082	14,772	13,387	14,286	10,272	14,991
Marketing and advertising	2,788	6,434	5,875	2,762	3,721	2,331	3,240
Sales and business development	717	1,611	3,642	2,495	2,730	1,972	2,612
Professional and consulting fees	1,822	3,249	1,871	1,780	3,779	2,526	3,922
Occupancy, communication and equipment	525	1,010	1,564	1,087	1,118	829	846
Depreciation and amortization	36	78	337	360	314	235	200
Third party sharing arrangements	—	—	(320)	89	2,296	1,485	4,434
Other	481	1,120	2,577	2,420	1,724	1,258	1,625
Total expenses	21,518	46,049	50,656	43,323	49,161	35,168	46,782
Income/(loss) before provision for income taxes	(19,343)	(25,130)	(27,045)	(21,228)	(7,549)	(6,969)	2,203
Provision for income taxes	—	—	—	—	—	—	1,013
Tax benefit	—	—	—	—	—	—	(1,013)
<b>Net income/(loss)</b>	<b><u>\$(19,343)</u></b>	<b><u>\$(25,130)</u></b>	<b><u>\$(27,045)</u></b>	<b><u>\$(21,228)</u></b>	<b><u>\$(7,549)</u></b>	<b><u>\$(6,969)</u></b>	<b><u>\$ 2,203</u></b>

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	Years Ended December 31,					Nine Months Ended September 30,	
	2006	2007	2008	2009	2010	2010	2011
	(in thousands, except share and per share data)						
Net income/(loss) per share—basic	\$ (0.25)	\$ (0.26)	\$ (0.27)	\$ (0.21)	\$ (0.07)	\$ (0.06)	\$ 0.02
Net income/(loss) per share—diluted	\$ (0.25)	\$ (0.26)	\$ (0.27)	\$ (0.21)	\$ (0.07)	\$ (0.06)	\$ 0.02
Weighted average common shares—basic:	78,482	98,518	100,236	100,397	111,981	111,675	113,886
Weighted average common shares—diluted:	78,482	98,518	100,236	100,397	111,981	111,675	135,615

	As of December 31,					As of September 30,	
	2006	2007	2008	2009	2010	2010	2011
	(in thousands)						
<b>Consolidated Balance Sheet Data:</b>							
Cash and cash equivalents	\$57,734	\$15,138	\$13,275	\$11,476	\$14,233	\$	21,052
Total assets	\$59,032	\$52,303	\$34,856	\$25,703	\$29,142	\$	37,905
Total liabilities	\$ 5,626	\$12,998	\$12,800	\$ 9,675	\$11,907	\$	14,849
Stockholders' equity	\$53,406	\$39,304	\$22,056	\$16,028	\$17,235	\$	23,056

## 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 prospectus. 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 the section titled "Risk Factors" above. 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

We are the seventh largest sponsor of ETFs in the United States based on AUM, with AUM of approximately \$13.6 billion as of January 27, 2012. An ETF is an investment fund that holds securities such as stocks or bonds and trades at approximately the same price as the net asset value of its underlying assets. ETFs offer exposure to a wide variety of investment themes, including domestic, international and global equities, fixed income securities, currencies or commodities, as well as securities in specific industries and countries. We currently offer a comprehensive family of 47 ETFs, which includes 34 international and domestic equity ETFs, seven currency ETFs, four international fixed income ETFs and two alternative strategy ETFs.

Through our operating subsidiary, we provide investment advisory and other management services to the WisdomTree ETFs. In exchange for providing these services, we receive advisory fee revenues based on a percentage of the ETFs average daily net assets under management.

Our expenses are predominantly related to selling, operating and marketing our ETFs. We have contracted with third parties to provide certain operational services for the ETFs. We have contracted with BNY Mellon to act as sub-advisor and provide portfolio management services, fund administration, custody, accounting and other related services for the WisdomTree ETFs.

We distribute our ETFs through all major channels within the asset management industry, including brokerage firms, registered investment advisors, institutional investors, private wealth managers and discount brokers. We do not target our ETFs for sale directly to the retail segment but rather to the financial advisor who acts as the intermediary between the end-client and us.

Our revenues have increased since we launched in June 2006 and reached a record of \$65.2 million for 2011 compared to \$41.6 million in 2010, \$22.1 million in 2009 and \$23.6 million in 2008. Our expenses have been \$62.1 million in 2011, \$49.2 million in 2010, \$43.3 million in 2009, and \$50.7 million in 2008. We had net income of \$3.1 million in 2011, a loss of \$7.5 million in 2010, a loss of \$21.2 million in 2009 and a loss of \$27.0 million in 2008.

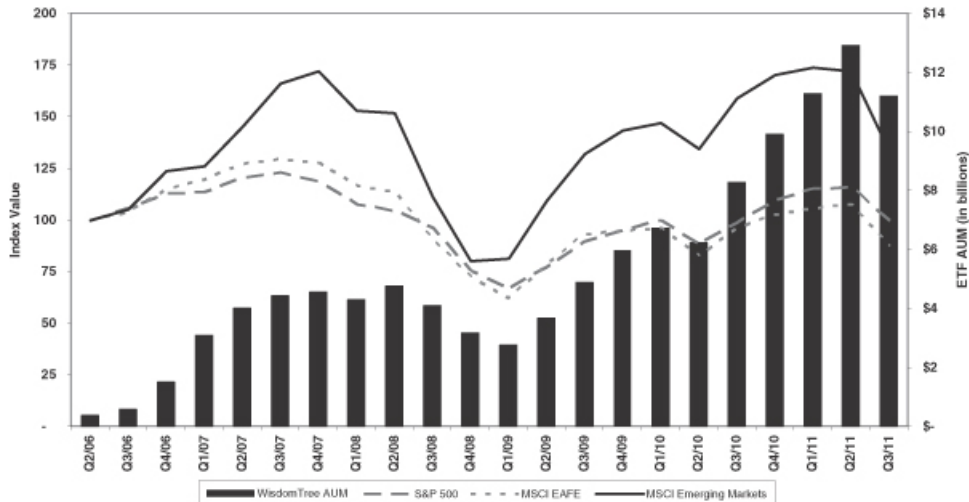
Our revenues are highly correlated to the level and relative mix of our AUM, as well as the fee rate associated with our ETFs. While our AUM has increased on an annual basis, we have experienced fluctuations on a quarterly basis due to changes in net inflows and, most significantly, market movement. A significant portion of our AUM is invested in securities issued outside of the United States. Therefore, our AUM and our revenues are affected by movements in global capital market levels and the strengthening or weakening of the U.S. dollar against other currencies. Another factor impacting our revenues is the fees associated with our ETFs. Our overall average fee rate is affected by the mix of flows into our ETFs. With a significant portion of our AUM invested in securities issued outside of the U.S., favorable market sentiment to emerging markets, currencies and

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international fixed income is likely to have a positive effect on our overall revenue. In addition, we currently compete within the ETF market against several large ETF sponsors, many smaller sponsors, as well as new entrants to the marketplace, and will compete against large asset management companies who have recently launched or announced intentions to launch ETF products. However, it is our belief that our ability to gather inflows into our ETFs, coupled with general stock market trends, will have the greatest impact on our business.

**Market Environment**

We have been and continue to operate in an extremely challenging and highly competitive business environment. Since we launched our first ETFs in June 2006, the global equity markets have experienced significant volatility. The following chart reflects our ETF assets under management and major market equity indexes since we launched our ETFs:



Equity markets worldwide were in a general upward trend when we launched our ETFs; however, the U.S. equity markets started to significantly decline in the second half of 2008 for many reasons, including concerns over home values and mortgage-related financial products, the safety of major financial institutions and the resulting freeze in the credit markets. The decline then spread worldwide. Investors sold their investments in equities and corporate debt and invested in U.S. government securities and commodities, particularly gold, a trend that continues today. The response from governments and central banks around the world to the financial crisis in 2008 was to provide an unprecedented amount of monetary and fiscal stimulus. Many central banks lowered interest rates to near zero, issued a number of debt guarantees for banks and other non-bank financial institutions, and began to increase the supply of money through open market asset purchases. Additionally, many governments passed legislation that increased spending and added billions of dollars into the global economy. The major global equity market indexes ended 2008 lower with the S&P 500, MSCI EAFE and MSCI Emerging Market indexes all significantly declining. Our AUM in turn also significantly declined as a result of decreases in the market value of the securities our ETFs hold, not as result of outflows from our ETFs.

After reaching a market bottom in March 2009, global financial markets staged a dramatic recovery, with major global market indexes rebounding strongly off of significant declines. As general market conditions improved, financial markets rallied, investor sentiment turned more positive and share prices rose. Our AUM also increased due to strong inflows into our ETFs.

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This positive momentum continued into 2010 and first half of 2011 and we continued to experience robust growth and expansion. However, despite the recovery, concerns remained regarding high unemployment and the rate of economic recovery in the United States, the stability of European economies and their banks, and rising inflation in the emerging market countries. These concerns came to the forefront recently as the U.S. equity markets together with other equity markets worldwide again experienced significant volatility. This recent volatility was led by the U.S. debt ceiling debates in Congress and the subsequent downgrade of U.S. government debt by Standard and Poor's coupled with significant concerns over stability of European banks and the possibility of Greece defaulting on its debt.

The severe downturns in the global financial markets, especially during the second half of 2008 and early 2009, caused significant declines in our assets under management, impacting our financial results and operating cash flows. As a result, we took steps to lower our cost structure to respond to the deteriorating market conditions. We began a series of cost reduction initiatives including decreasing marketing, advertising and business-development related spending, renegotiating fees or changing third party service providers, initiating headcount reductions and deferring non-business critical initiatives and hiring, and lastly, closing 10 of our ETFs in March 2010. In addition, in October 2009, we raised \$5 million predominantly from existing investors through the issuance of common stock.

We also took initiatives to address the decline in our revenues as a result of the deteriorating markets, principally through diversifying our product offering and revenue stream, which were predominantly equity based. In 2008, we launched the industry's first 1940 Act currency ETFs. In August 2010, we launched our first international fixed income ETF and in March 2011, we launched another international fixed income ETF. In January 2011, we launched the industry's first managed futures strategy ETF and in July 2011, we launched our second alternative strategy ETF. We believe expanding our product offering into different asset classes will better diversify our revenue stream and sustain our operating results and financial condition across various market conditions.

We expect challenging and volatile market conditions, and competition from other ETF sponsors and new entrants to the marketplace, to continue in the foreseeable future. As we confront these challenges, we expect to continue to focus on executing our growth strategy and leveraging our core strengths as described in the section entitled "Business" in this prospectus.

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### Recent Developments

On January 30, 2012, we announced our unaudited preliminary results for the fourth quarter and full year of 2011. The following presents an overview of those results, which are preliminary and subject to change.

(in thousands)	Three Months Ended Dec. 31, 2011	Year Ended Dec. 31, 2011
<b>Revenues</b>		
ETF advisory fees	\$ 16,025	\$ 64,366
Other income	150	794
Total revenues	16,175	65,160
<b>Expenses</b>		
Compensation and benefits	4,722	19,634
Fund management and administration	4,891	19,882
Marketing and advertising	1,235	4,475
Sales and business development	991	3,603
Professional and consulting fees	1,264	5,186
Occupancy, communication and equipment	281	1,127
Depreciation and amortization	67	267
Third party sharing arrangements	1,217	5,651
Other	618	2,243
Total expenses	15,286	62,068
Income before provision for income taxes	889	3,092
Provision for income taxes	—	—
<b>Net income</b>	<b>\$ 889</b>	<b>\$ 3,092</b>

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	Year Ended December 31, 2011
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 25,630
Accounts receivable	5,625
Other current assets	1,601
Total current assets	32,856
Fixed assets, net	597
Investments	9,056
Other noncurrent assets	58
Total assets	<u>\$ 42,567</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
<b>LIABILITIES</b>	
Current liabilities:	
Fund management and administration payable	\$ 10,035
Compensation and benefits payable	4,168
Accounts payable and other liabilities	2,360
Total current liabilities	16,563
Other noncurrent liabilities	151
Total liabilities	<u>16,714</u>
<b>STOCKHOLDERS' EQUITY</b>	<u>25,853</u>
Total liabilities and stockholders' equity	<u>\$ 42,567</u>

We reported net income of \$0.9 million for the fourth quarter of 2011 as compared to a net loss of \$0.6 million in the fourth quarter of the prior year and net income of \$1.4 million in the third quarter of 2011. Revenues for the fourth quarter increased 21% to \$16.2 million from \$13.4 million in the fourth quarter of the prior year primarily due to higher average assets under management. Despite positive market movement and net inflows experienced in the fourth quarter of 2011, total revenues decreased 8.8% compared to the third quarter of 2011 primarily due to a 7.3% decline in our average AUM. This average AUM decline in the fourth quarter resulted from \$1.9 billion of negative market movement and outflows from our emerging market currency and fixed income ETFs in the third quarter. Expenses increased 9.2% to \$15.3 million from \$14.0 million in the fourth quarter of last year primarily as a result of higher fund management and administration expenses and third party sharing arrangements due to higher assets under management. As compared to the third quarter of 2011, expenses decreased 6.7% primarily as a result of lower fund management and administration expenses and third party sharing arrangements due to lower assets under management.

For the full year of 2011, we reported net income of \$3.1 million as compared to a loss of \$7.5 million in 2010. Revenues increased 56.6% to \$65.2 million from \$41.6 million for the full year 2010 primarily due to higher average assets under management. Expenses increased 26.3% to \$62.1 million from \$49.2 million in 2010 primarily as a result of higher fund management and administration expenses and third party sharing arrangements due to higher assets under management as well as higher professional fees, sales and marketing related expenses.

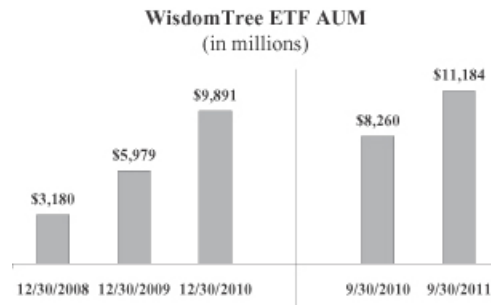
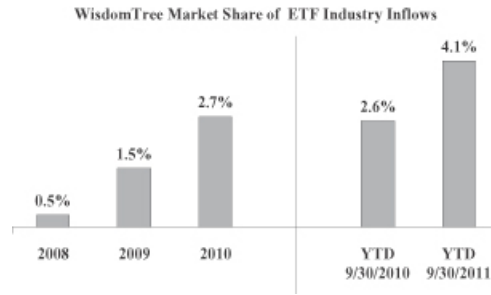
Our AUM was \$12.2 billion as of December 31, 2011, up from \$11.2 billion at September 30, 2011, due in large part to \$756 million in net inflows primarily into our dividend-based U.S. equity strategies and emerging market equity ETFs. Our AUM has further increased to a record \$13.6 billion as of January 27, 2012. Our month to date net inflows as of that same date is approximately \$665 million.



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**Historical Net ETF Inflows and AUM**

The following charts reflect our market share of ETF industry inflows, historical net ETF inflows and ETF AUM in and as of the years ended 2008, 2009 and 2010 and as of and for the nine months ended September 30, 2010 and 2011:



We have experienced positive net inflows each year since we launched our first ETFs in June 2006. While we have experienced significant fluctuations in our net inflows quarter to quarter, we have only experienced one quarter of net outflows—approximately \$15.5 million of net outflows in the third quarter of 2008—when the overall market sentiment was extremely negative.

Over the last several quarters, our market share of net ETF inflows has been increasing. We believe this trend is a result of our strong product offering in emerging market equities, new product launches to further

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diversify our product offering, as well as a longer track record for the funds we launched in 2006 and 2007. Our growth strategy seeks to increase our market share of ETF industry inflows through continued product diversification and execution of our marketing and sales strategies.

### Components of Revenue

#### *ETF advisory fees*

Approximately 98% of our revenues are comprised of advisory fees we earn from our ETFs. We earn this revenue based on a percentage of the average daily value of AUM. Our average daily value of AUM is the average of the daily aggregate AUM of our ETFs as determined by the then current net asset value (as defined under Investment Company Act Rule 2a-4) of such ETFs as of the close of business each day. Our fee percentages for individual ETFs range from 0.28% to 0.95%. A summary of the average advisory fee we earn and AUM as of January 27, 2012 by asset class is as follows:

	<u>Average Advisory Fee</u>	<u>AUM (in millions)</u>
Emerging Markets Equity ETFs	0.67%	\$ 4,358
International Developed Equity ETFs	0.54%	\$ 2,368
U.S. Equity ETFs	0.34%	\$ 3,885
Currency ETFs	0.49%	\$ 974
International Sector Equity ETFs	0.58%	\$ 209
International Fixed Income ETFs	0.55%	\$ 1,575
Alternative Strategy ETFs	0.94%	\$ 239
Total Average Advisory Fee and AUM	0.53%	\$ 13,608

We determine the appropriate advisory fee to charge for our ETFs based on the cost of operating each particular ETF taking into account the types of securities the ETFs will hold, fees third party service providers will charge us for operating the ETFs and our competitors' fees for similar ETFs. Generally, our actively managed ETFs, such as our Alternative Strategy and Currency ETFs, along with our Emerging Market ETFs, are priced higher than our other index based ETFs as the former are more costly to operate.

Each of our ETFs has a fixed advisory fee. In order to increase the advisory fee, we would need to obtain the approval from a majority of the ETF shareholder which may be difficult or not possible to achieve. There may also be a significant cost in obtaining such ETF shareholder approval. We do not need ETF shareholder approval to lower our advisory fee.

The advisory fee charged for our Currency ETFs and one Fixed Income ETF is subject to a mutual participation agreement that we entered into with Mellon Capital Management Corporation and The Dreyfus Corporation. We have determined that we are the principal participant for transactions under this collaborative arrangement and as such, the advisory fee above reflects the gross fee under this arrangement—see “Notes to the Consolidated Financial Statements” included in this prospectus.

Our ETF advisory fee revenue may fluctuate based on general stock market trends which include market value appreciation or depreciation, currency fluctuations against the U.S. dollar and level of inflows or outflows from our ETFs. In addition, these revenues may fluctuate due to increased competition or a determination by the independent trustees of the WisdomTree ETFs to terminate or significantly alter the funds' investment management agreements with us.

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### ***Other income***

Other income includes fees from licensing our indexes to third parties and interest income from investing our corporate cash. These revenues are immaterial to our financial results and we do not expect them to be material in the near term.

### **Components of Expenses**

Our operating expenses consist primarily of costs related to selling, operating and marketing our ETFs as well as the infrastructure needed to run our business.

### ***Compensation and benefits***

Employee compensation and benefits expenses are expensed when incurred and include salaries, incentive compensation, and related benefit costs. Virtually all our employees receive incentive compensation which is based on our operating results as well as their individual performance. Therefore, a portion of this expense will fluctuate with our business results. In order to attract and retain qualified personnel, we must maintain competitive employee compensation and benefit plans. In normal circumstances, we expect to experience a general rise in employee compensation and benefit expenses over the long term as we grow; however the rate of increase should be less than the rate of increase in our revenues.

Also included in compensation and benefits are costs related to equity awards granted to our employees. We generally grant restricted stock and/or options when employees are hired and in intervals thereafter. In addition, we grant restricted stock and options to our employees as part of year end incentive compensation. Our executive management and Board of Directors believes very strongly that equity awards are an important part of our employees overall compensation package and that incentivizing our employees with equity in the Company aligns the interest of our employees with that of our stockholders. We use the fair value method in recording compensation expense for restricted stock and options grants. Under the fair value method, compensation expense is measured at the grant date based on the estimated fair value of the award and is recognized as an expense over the vesting period. Fair value is determined on the date granted using the Black-Scholes option pricing model for the stock options and is determined by the market value of our common stock for restricted stock awards.

### ***Fund management and administration***

Fund management and administration expenses are expensed when incurred and are comprised of costs we pay third-party service providers to operate our ETFs. Under our advisory agreement with the WisdomTree Trust, the Trustees have approved us and other third parties to provide essential management and administrative services to the Trust and each ETF in exchange for an advisory fee. The costs include:

- portfolio management of our ETFs (sub-advisory);
- fund accounting and administration;
- custodial services;
- accounting and tax services;
- printing and mailing of stockholder materials;
- index calculation;
- distribution fees;
- legal and compliance services;

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- exchange listing fees;
- trustee fees and expenses;
- preparation of regulatory reports and filings;
- insurance; and
- other administrative services.

Of significance, we have contracted with BNY Mellon to act as sub-advisor and provide portfolio management, fund administration, custody and accounting related services for the WisdomTree ETFs. The fees we pay BNY Mellon have minimums per fund which range from \$25,000 to \$60,000 depending on the nature of the ETF. In addition, we pay additional fees ranging between 0.015% and 0.15% of average daily AUM at various breakpoint levels. The fees we pay for accounting, tax, index calculation and exchange listing are based on the number ETFs we have. The remaining fees are based on a combination of both assets under management and number of funds, or as incurred.

### ***Marketing and advertising***

Marketing and advertising expenses are recorded when incurred and include the following costs:

- advertising, public relations and product promotion campaigns that are initiated to promote our existing and new ETFs as well as brand awareness;
- development and maintenance of our website; and
- creation and preparation of marketing materials.

Our discretionary advertising comprises the largest portion of this expense and we expect these costs to increase in the future as we continue to execute our growth strategy and compete against other ETF sponsors and new market entrants. In the past, we have advertised primarily in the first and fourth quarters of the year but we may change that strategy going forward based on our financial results, competitive pressures and market conditions. Therefore, we may incur expenditures in certain periods to attract inflows, the benefit of which may or may not be recognized from increases to our assets under management in future periods. However, due to the discretionary nature of some of these costs, they can generally be reduced if there were a decline in the markets.

### ***Sales and business development***

Sales and business development expenses are recorded when incurred and includes the following costs:

- travel and entertainment or conference related expenses for our sales force;
- market data services for our research team;
- sales related software tools; and
- legal and other advisory fees associated with the development of new funds.

### ***Professional and consulting fees***

Professional fees are expensed when incurred and consist of fees we pay to corporate advisors including accountants, tax advisors, legal counsel, investment bankers or other consultants. These expenses fluctuate based on our needs or requirements at the time. Certain of these costs are at our discretion and can fluctuate year to year. In future periods we expect our professional fees to increase in absolute dollars as we incur additional personnel and professional services costs to meet the compliance requirements of operating as a public company, including those costs incurred in connection with Section 404 of the Sarbanes-Oxley Act.

Also included in professional fees is stock based compensation related to restricted stock or option awards we granted to senior advisers to our Board of Directors. Under generally accepted accounting principles,

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these awards are considered variable expenses and are re-measured each reporting period with a corresponding impact to stockholders' equity. As such, this expense may fluctuate based upon the market price of our common stock.

### ***Occupancy, communications and equipment***

Occupancy, communications and equipment expense includes costs for our corporate headquarters in New York City. Our office space lease expires in January 2014. We have sub-leased a portion of our office space to an unrelated third party until March 2012. We expect our office space costs to increase as we assume the sub-leased space.

### ***Depreciation and amortization***

Depreciation and amortization expense results primarily from amortization of leasehold improvements to our office space as well as depreciation on fixed assets we purchase which is depreciated over three or seven years.

### ***Third-party sharing arrangements***

Included in third-party sharing arrangements expense are payments from and reimbursements to us with respect to (i) a collaborative arrangement with Mellon Capital Management Corporation and The Dreyfus Corporation and (ii) marketing agreements with Advisors Asset Management, Inc. and Compass Group Holdings S.A. The material terms of these arrangements are:

- **Collaborative Arrangement:** In 2008, we entered into a mutual participation agreement with Mellon Capital Management Corporation and Dreyfus Corporation in which the parties agreed to collaborate in developing currency and fixed income ETFs under the WisdomTree Trust. Under this agreement, we are responsible for operating the ETFs and providing sales, marketing and research support at our own cost. Each of Mellon Capital and Dreyfus are responsible for providing sub-advisory, fund administration and accounting services for these collaborated ETFs at its own cost. Any revenues, less third party costs such as marketing, legal, accounting or fund management, related to these collaborative products are shared equally, including any losses ("net profit/loss"). We are responsible for arranging any third party costs related to this collaborative arrangement. This agreement expires in March 2013. We have determined we are the principal participant for transactions under this collaborative arrangement and as such we record these transactions on a gross basis reflecting all of the revenues and third party expenses on our financial statements in accordance with the nature of the revenue or expense. Any net profit/loss payments are reflected in the "Third Party Sharing Arrangement" expense line.
- **Marketing agreements:** In 2010, we entered into marketing agreements with Advisors Asset Management, Inc. and Compass Group Holdings, S.A. to serve as the external marketing agents for the WisdomTree ETFs in the U.S. independent broker-dealer channel and in Latin America, respectively. Under these agreements, we pay a percentage of our advisory fee revenue to the marketing agents based on incremental growth in assets under management in the respective sales channel. Since inception we have incurred in total approximately \$0.4 million in expenses as of September 30, 2011 related to these marketing arrangements and we may enter into additional marketing agreements in the future. We are currently evaluating our relationship with Advisors Asset Management and will likely terminate the arrangement and handle the function with our own sales force.

### ***Other***

Other expenses consist primarily of insurance premiums, general office related expenses, securities license fees for our sales force, public company related expenses, corporate related travel and entertainment and

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board of director fees, including stock-based compensation related to equity awards we granted to our directors. In 2008 and 2009, other expenses also included stock-based compensation related to common stock we issued to Treasury Equity, LLC.

### **Future Outlook on Expenses**

We believe the ETF industry is still in its infancy and we have significant growth opportunities; therefore, it is important for us to strategically invest in our business. Our investment in strategic growth initiatives includes anticipated higher spending on marketing, advertising and sales efforts, as well as conservative increases to our headcount, in both sales and operational support. We also intend to launch additional ETFs and may close some ETFs in the future, which will have an effect on our fund related costs. We also have established an international fund company to capitalize on growth opportunities outside of the United States. The investment in strategic growth initiatives is an estimate of planned expenses and some of these costs may or may not be incurred depending on the nature of the growth initiatives or market conditions.

Along with expenses for our strategic growth initiatives, we expect to incur approximately \$1.5 million to \$2.0 million in costs in 2012 for obtaining approval from the shareholders of the WisdomTree ETFs for us to continue as investment advisor for the WisdomTree ETFs if our largest stockholder, Michael Steinhardt, who will beneficially own 26.3% of our common stock after this offering, were to sell or otherwise transfer shares of common stock in the future such that his beneficial ownership would fall below 25%. We intend to commence this approval process on a proactive basis as the Investment Company Act presumes a change in control of our Company if Mr. Steinhardt's ownership falls below the 25% threshold. A change in control of our Company would trigger an automatic termination of our investment advisory agreements with the WisdomTree Trust. We also intend to seek approval from the WisdomTree ETF shareholders to give us the option to change sub-advisors in the future from BNY-Mellon.

In addition, we will incur legal expenses in connection with our litigation with Research Affiliates, LLC. These legal costs could potentially be between \$4.0 to \$7.5 million over the next eighteen months. While at this early stage of this litigation, it is not possible to determine the probability of any outcome or probability or amount of any loss, we are confident in the merits of our position.

Our current gross margin, which we define as our total revenues less our fund management and administration expenses and less third-party sharing arrangements, was approximately 61% as of September 30, 2011. Based on our current AUM levels and mix, we currently do not expect any significant deviation from this metric in the near term.

We estimate the cost of new equity awards in 2012 to be approximately \$1.6 million. Lastly, we have sub-leased a portion of our office space to an unrelated third party until March 2012. We expect our office space costs to increase as we take back the subleased space. With the exception of marketing and sales related expenses which are subject to seasonal fluctuations, we expect our operating expenses to decline as a percent of our revenues as we mature.

### **Seasonality**

We believe seasonal fluctuations in the asset management industry are common. However, since we began our operations, we believe these seasonal trends may have been masked by the unprecedented volatility and negative market conditions in the global equity markets. Therefore, period to period comparisons of ours or the industry's net inflows may not be meaningful and not indicative of results in future periods.

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**Key Operating Statistics**

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

	As of and for the Years Ended December 31,			As of and for the Nine Months Ended September 30,	
	2010	2009	2008	2011	2010
<b>Total ETF Assets Under Management (in millions):</b>					
Beginning of period assets	\$5,979	\$3,180	\$ 4,559	\$ 9,891	\$5,979
Inflows/(outflows)	3,134	1,773	907	3,142	1,864
Market appreciation/(depreciation)	778	1,026	(2,286)	(1,849)	417
End of period assets	<u>\$9,891</u>	<u>\$5,979</u>	<u>\$ 3,180</u>	<u>\$11,184</u>	<u>\$8,260</u>
Average assets during the period	\$7,308	\$3,964	\$ 4,327	\$11,706	\$6,709
<b>ETF Industry and Market Share (in billions):</b>					
ETF industry net inflows	\$ 115	\$ 116	\$ 178	\$ 77	\$ 73
WisdomTree market share of inflows	2.7%	1.5%	0.5%	4.1%	2.6%
<b>International Developed Equity ETFs (in millions):</b>					
Beginning of period assets	\$1,953	\$1,339	\$ 2,813	\$ 2,062	\$1,953
Inflows/(outflows)	29	281	(235)	564	(32)
Market appreciation/(depreciation)	81	333	(1,239)	(327)	(21)
End of period assets	<u>\$2,063</u>	<u>\$1,953</u>	<u>\$ 1,339</u>	<u>\$ 2,299</u>	<u>\$1,900</u>
Average assets during the period	\$1,902	\$1,471	\$ 2,113	\$ 2,434	\$1,957
<b>Emerging Markets Equity ETFs (in millions):</b>					
Beginning of period assets	\$1,431	\$ 384	\$ 172	\$ 3,780	\$1,431
Inflows/(outflows)	1,911	650	520	506	1,043
Market appreciation/(depreciation)	438	397	(308)	(1,056)	322
End of period assets	<u>\$3,780</u>	<u>\$1,431</u>	<u>\$ 384</u>	<u>\$ 3,230</u>	<u>\$2,796</u>
Average assets during the period	\$2,202	\$ 793	\$ 439	\$ 3,733	\$1,741
<b>International Sector Equity ETFs (in millions):</b>					
Beginning of period assets	\$ 358	\$ 247	\$ 547	\$ 249	\$ 358
Inflows/(outflows)	(117)	58	(47)	1	(105)
Market appreciation/(depreciation)	8	53	(253)	(48)	(6)
End of period assets	<u>\$ 249</u>	<u>\$ 358</u>	<u>\$ 247</u>	<u>\$ 202</u>	<u>\$ 247</u>
Average assets during the period	\$ 259	\$ 257	\$ 453	\$ 246	\$ 259
<b>U.S. Equity ETFs (in millions):</b>					
Beginning of period assets	\$1,330	\$ 987	\$ 1,027	\$ 2,057	\$1,330
Inflows/(outflows)	486	137	409	668	368
Market appreciation/(depreciation)	241	206	(449)	(202)	81
End of period assets	<u>\$2,057</u>	<u>\$1,330</u>	<u>\$ 987</u>	<u>\$ 2,523</u>	<u>\$1,779</u>
Average assets during the period	\$1,592	\$1,084	\$ 984	\$ 2,352	\$1,484
<b>Currency ETFs (in millions):</b>					
Beginning of period assets	\$ 906	\$ 224	—	\$ 1,179	\$ 907
Inflows/(outflows)	253	646	\$ 260	87	328
Market appreciation/(depreciation)	20	36	(36)	(72)	31
End of period assets	<u>\$1,179</u>	<u>\$ 906</u>	<u>\$ 224</u>	<u>\$ 1,194</u>	<u>\$1,266</u>
Average assets during the period	\$1,217	\$ 359	\$ 337	\$ 1,599	\$1,226

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	As of and for the Years Ended December 31,			As of and for the Nine Months Ended September 30,	
	2010	2009	2008	2011	2010
<b>International Fixed Income ETF (in millions):</b>					
Beginning of period assets	—	—	—	\$ 564	—
Inflows/(outflows)	\$ 571	—	—	1,057	262
Market appreciation/(depreciation)	(7)	—	—	(128)	10
End of period assets	<u>\$ 564</u>	—	—	<u>\$ 1,493</u>	<u>\$ 272</u>
Average assets during the period	\$ 136	—	—	\$ 1,218	\$ 42
<b>Alternative Strategy ETFs (in millions):</b>					
Beginning of period assets	—	—	—	—	—
Inflows/(outflows)	—	—	—	\$ 259	—
Market appreciation/(depreciation)	—	—	—	(16)	—
End of period assets	—	—	—	<u>\$ 243</u>	—
Average assets during the period	—	—	—	\$ 124	—
<b>Average ETF Asset Mix (during the period):</b>					
International Developed Equity ETFs	26%	37%	49%	32%	26%
Emerging Markets Equity ETFs	30%	20%	10%	21%	29%
International Sector Equity ETFs	4%	7%	10%	20%	22%
U.S. Equity ETFs	22%	27%	23%	14%	18%
Currency ETFs	16%	9%	8%	10%	1%
International Fixed Income ETF	2%	—	—	2%	4%
Alternative Strategy ETFs	—	—	—	1%	0%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
<b>Average ETF Advisory Fee (during the period)</b>	<u><b>0.56%</b></u>	<u><b>0.52%</b></u>	<u><b>0.52%</b></u>	<u><b>0.55%</b></u>	<u><b>0.55%</b></u>
<b>Number of ETFs (end of the period):</b>					
International Developed Equity ETFs	14	15	14	14	14
Emerging Markets Equity ETFs	4	4	4	4	4
International Sector Equity ETFs	4	11	11	4	4
U.S. Equity ETFs	12	13	13	12	12
Currency ETFs	9	9	8	9	9
International Fixed Income ETF	1	—	—	2	1
Alternative Strategy ETFs	—	—	—	2	—
Total	<u>44</u>	<u>52</u>	<u>50</u>	<u>47</u>	<u>44</u>
<b>Headcount</b>	<b>60</b>	<b>54</b>	<b>57</b>	<b>64</b>	<b>56</b>



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### Nine Months Ended September 30, 2011 compared to September 30, 2010

#### Overview

	As of and for the Nine Months Ended September 30,		Change	Percent Change
	2011	2010		
<b>Assets Under Management (in millions)</b>				
Beginning of period assets	\$ 9,891	\$ 5,979		
Net inflows	3,142	1,864	\$ 1,278	68.6%
Market appreciation/(depreciation)	(1,849)	417		
End of period assets	<u>\$ 11,184</u>	<u>\$ 8,260</u>	\$ 2,924	35.4%
<b>Financial Results (in thousands)</b>				
Total revenues	\$ 48,985	\$ 28,199	\$20,786	73.7%
Total expenses	46,782	35,168	11,614	33.0%
Net income/(loss)	<u>\$ 2,203</u>	<u>(\$ 6,969)</u>	<u>\$ 9,172</u>	

Our AUM in the nine months ended September 30, 2011 increased 13.1% primarily due to strong net inflows into our ETFs partly offset by negative market movement. We reported net income of \$2.2 million in the nine months ended September 30, 2011, compared to a loss of \$7.0 million in the comparable period in 2010.

#### Revenues

	Nine Months Ended September 30,		Change	Percent Change
	2011	2010		
Average assets under management (in millions)	\$11,706	\$ 6,709	\$ 4,997	74.5%
Average ETF advisory fee	0.55%	0.55%	—	—
ETF advisory fees (in thousands)	\$48,341	\$27,456	\$20,885	76.1%
Other income (in thousands)	644	743	(99)	(13.3%)
Total revenues (in thousands)	<u>\$48,985</u>	<u>\$28,199</u>	<u>\$20,786</u>	73.7%

Our total revenues for the nine months ended September 30, 2011 increased 73.7% to \$49.0 million as compared to \$28.2 million in the comparable period in 2010, primarily due to higher average assets under management from strong net ETF inflows.

#### ETF advisory fees

ETF advisory fees revenue increased 76.1% from \$27.5 million in the nine months ended September 30, 2010 to a record \$48.3 million in the comparable period in 2011. This increase was primarily due to higher average asset balances due to strong net inflows. The average fee earned remained unchanged at 0.55% during the nine months ended September 30, 2011 and September 30, 2010.

#### Other income

Other income decreased 13.3% from \$0.7 million in the nine months ended September 30, 2010 to \$0.6 million in the comparable period in 2011. This decline was primarily due to lower separate account revenues. Following the first quarter of 2011, we no longer managed separate accounts.

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### Expenses

(in thousands)	Nine Months Ended September 30,		Change	Percent Change
	2011	2010		
Compensation and benefits	\$14,912	\$14,260	\$ 652	4.6%
Fund management and administration	14,991	10,272	4,719	45.9%
Marketing and advertising	3,240	2,331	909	39.0%
Sales and business development	2,612	1,972	640	32.5%
Professional and consulting fees	3,922	2,526	1,396	55.3%
Occupancy, communications and equipment	846	829	17	2.1%
Depreciation and amortization	200	235	(35)	(14.9%)
Third-party sharing arrangements	4,434	1,485	2,949	198.6%
Other	1,625	1,258	367	29.2%
Total expenses	<u>\$46,782</u>	<u>\$35,168</u>	<u>\$11,614</u>	<u>33.0%</u>

As a Percent of Revenues:	Nine Months Ended September 30,	
	2011	2010
Compensation and benefits	30.4%	50.6%
Fund management and administration	30.6%	36.4%
Marketing and advertising	6.6%	8.3%
Sales and business development	5.3%	7.0%
Professional and consulting fees	8.0%	9.0%
Occupancy, communications and equipment	1.7%	2.9%
Depreciation and amortization	0.4%	0.8%
Third-party sharing arrangements	9.1%	5.3%
Other	3.3%	4.5%
Total expenses	<u>95.5%</u>	<u>124.7%</u>

For the nine months ended September 30, 2011, our total expenses increased \$11.6 million, or 33.0%, to \$46.8 million as compared to \$35.2 million in the comparable period in 2010. This increase was primarily due to higher fund management and administration expenses due to higher average asset balances, higher third-party sharing arrangements due to higher asset balances in our currency and fixed income ETFs, and higher marketing and advertising and sales and business development expenses to support our growth.

#### Compensation and benefits

Compensation and benefits expense increased 4.6% from \$14.3 million in the nine months ended September 30, 2010 to \$14.9 million in the comparable period in 2011 primarily due to higher accrued incentive compensation due to our strong year-to-date results, as well as costs associated with higher headcount. Our headcount increased from 56 at September 30, 2010 to 64 at September 30, 2011. Partly offsetting this increase was a decrease of \$2.0 million in stock-based compensation as equity awards granted to employees in prior years with higher fair values become fully vested and replaced with a lower number of awards at lower fair values.

#### Fund management and administration

Fund management and administration expense increased 45.9% from \$10.3 million in the nine months ended September 30, 2010 to \$15.0 million in the comparable period in 2011. Higher average assets under management led to an increase of \$3.3 million in portfolio management, fund administration and accounting, index licensing, and distribution fees. Included in the nine months ended September 30, 2011 is a one-time charge of \$0.7 million related to reimbursing the WisdomTree India ETF for excess fees we collected as a result

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of overestimating the operating expense recapture fees for the India ETF's fiscal year ended March 31, 2011. Lastly, printing related fees increased \$0.3 million due to an increase in the number of shareholders owning our ETFs. We had 47 ETFs at the end of September 2011 compared to 44 at the end of September 2010.

### *Marketing and advertising*

Marketing and advertising expense increased 39.0% from \$2.3 million in the nine months ended September 30, 2010 to \$3.2 million in the comparable period in 2011 primarily due to higher levels of television, print and online advertising to support our growth.

### *Sales and business development*

Sales and business development expense increased 32.5% from \$2.0 million in the nine months ended September 30, 2010 to \$2.6 million in the comparable period in 2011 primarily due to higher new product related spending and sales activities to support our growth.

### *Professional and consulting fees*

Professional and consulting fees increased 55.3% from \$2.5 million in the nine months ended September 30, 2010 to \$3.9 million in the comparable period in 2011 primarily due to a \$0.8 million increase in variable stock based compensation expense from \$1.2 million to \$2.1 million, due to the higher price of our common stock. Legal and accounting fees associated with the preparation of our SEC registration statement on Form 10 in connection with the listing of our common stock onto the NASDAQ Global Market were \$0.7 million in the nine months ended September 30, 2011.

### *Occupancy, communications and equipment*

Occupancy, communications and equipment expense remained relatively unchanged at \$0.8 million in the nine months ended September 30, 2010 and the comparable period in 2011.

### *Depreciation and amortization*

Depreciation and amortization expense remained relatively unchanged at \$0.2 million in the nine months ended September 30, 2010 and the comparable period in 2011.

### *Third-party sharing arrangements*

Third-party sharing arrangements increased \$2.9 million from \$1.5 million in the nine months ended September 30, 2010 to \$4.4 million in the comparable period in 2011. This increase was primarily due to a \$2.5 million increase in net profits in our currency and fixed income ETFs, which are subject to a profit sharing agreement with Mellon Capital and Dreyfus. Under the agreement, we share revenues and third party costs equally. This expense increased due to the higher average asset balances in these ETFs. In addition, fees paid to third parties for marketing our ETFs in the independent broker-dealer channel and Latin America increased by \$0.4 million.

### *Other*

Other expenses increased 29.2% to \$1.6 million in the nine months ended September 30, 2011 from \$1.3 million in the comparable period in 2010 primarily due to higher corporate insurance and administrative related expenses.

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### Year Ended December 31, 2010 Compared to December 31, 2009

#### Overview

	At or For the Years Ended December 31,		Change	Percent Change
	2010	2009		
<b>Assets Under Management (in millions)</b>				
Beginning of period assets	\$ 5,979	\$ 3,180		
Net inflows	3,134	1,773	\$ 1,361	76.8%
Market appreciation/(depreciation)	778	1,026		
End of period assets	<u>\$ 9,891</u>	<u>\$ 5,979</u>	\$ 3,912	65.4%
<b>Financial Results (in thousands)</b>				
Total revenues	\$ 41,612	\$ 22,095	\$19,517	88.3%
Total expenses	49,161	43,323	5,838	13.5%
Net loss	<u>(\$ 7,549)</u>	<u>(\$ 21,228)</u>	<u>\$13,679</u>	(64.4%)

Our AUM increased 65.4% from \$6.0 billion in 2009 to \$9.9 billion in 2010 primarily from \$3.1 billion of net inflows. Our net loss narrowed to a loss of \$7.5 million for the year ended 2010 as compared to a loss of \$21.2 million in 2009 primarily due to higher average asset levels, cost reduction initiatives we initiated in 2008 and 2009 and higher average ETF advisory fee revenue.

#### Revenues

	Year Ended December 31,		Change	Percent Change
	2010	2009		
Average assets under management (in millions)	\$ 7,308	\$ 3,964	\$ 3,344	84.4%
Average ETF advisory fee	0.56%	0.52%	0.04%	7.7%
ETF advisory fees (in thousands)	\$40,567	\$20,812	\$19,755	94.9%
Other income (in thousands)	\$ 1,045	\$ 1,283	\$ (238)	(18.6%)
Total revenues (in thousands)	<u>\$41,612</u>	<u>\$22,095</u>	<u>\$19,517</u>	<u>88.3%</u>

#### ETF advisory fees

ETF advisory fee revenues increased 94.9% from \$20.8 million in 2009 to a record \$40.6 million in 2010. This increase was primarily due to higher average asset balances, which increased 84.4% due to strong net inflows, market appreciation and higher average ETF advisory fees, which increased from 0.52% to 0.56%. Approximately 61.0% of our ETF inflows were in our higher-priced emerging market equity ETFs, which contributed to the higher average ETF advisory fee we earned.

#### Other income

Other income decreased 18.6% from \$1.3 million in 2009 to \$1.0 million in 2010 primarily due to \$0.4 million of lower interest and investment income as a result of low market interest rates and lower average cash balances, partly offset by \$0.1 million of higher income from index licensing revenues.

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### Expenses

(in thousands)	Year Ended December 31,		Change	Percent Change
	2010	2009		
Compensation and benefits	\$19,193	\$18,943	\$ 250	1.3%
Fund management and administration	14,286	13,387	899	6.7%
Marketing and advertising	3,721	2,762	959	34.7%
Sales and business development	2,730	2,495	235	9.4%
Professional and consulting fees	3,779	1,780	1,999	112.3%
Occupancy, communications and equipment	1,118	1,087	31	2.9%
Depreciation and amortization	314	360	(46)	(12.8%)
Third-party sharing arrangements	2,296	89	2,207	nm
Other	1,724	2,420	(696)	(28.8%)
Total expenses	<u>\$49,161</u>	<u>\$43,323</u>	<u>\$5,838</u>	<u>13.5%</u>

As a Percent of Revenues:	Year Ended December 31,	
	2010	2009
Compensation and benefits	46.1%	85.7%
Fund management and administration	34.3%	60.6%
Marketing and advertising	8.9%	12.5%
Sales and business development	6.6%	11.3%
Professional and consulting fees	9.1%	8.1%
Occupancy, communications and equipment	2.7%	4.9%
Depreciation and amortization	0.8%	1.6%
Third-party sharing arrangements	5.5%	0.4%
Other	4.1%	11.0%
Total expenses	<u>118.1%</u>	<u>196.1%</u>

#### Compensation and benefits

Compensation and benefits expense increased 1.3% from \$18.9 million in 2009 to \$19.2 million in 2010. This increase was primarily due to an increase of \$1.2 million related to higher incentive compensation due to our strong net inflows and overall business results, as well as costs related to increased headcount. Our headcount increased from 54 at the end of 2009 to 60 at the end of 2010, primarily in our sales related functions. Partly offsetting this increase was a decrease of \$1.4 million in stock-based compensation as equity awards granted to employees in prior years become fully vested and replaced with a lower number of awards.

#### Fund management and administration

Fund management and administration expense increased 6.7% from \$13.4 million in 2009 to \$14.3 million in 2010. Higher average assets under management as well as fund processing expenses led to an increase of \$0.6 million in portfolio management and fund accounting, administration and custody related fees. We also incurred \$0.5 million in higher printing and legal related fees due to higher activity as well as \$0.2 million in higher exchange listing fees for our ETFs due to a fee increase at the exchange. Partly offsetting these increases was a decrease of \$0.8 million in fund related fees due to the closure of 10 of our ETFs in March 2010 along with lower costs from renegotiating vendor agreements. In addition, 2009 included a reduction of \$0.3 million related to resolution of a portfolio management fee disagreement with BNY Mellon. We ended 2010 with 44 ETFs, down from 52 at the end of 2009. We also launched two new funds during the year.

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### *Marketing and advertising*

Marketing and advertising expense increased 34.7% from \$2.8 million in 2009 to \$3.7 million in 2010 primarily due to higher discretionary advertising related expenses to promote our ETFs on television and online.

### *Sales and business development*

Sales and business development expense increased 9.4% from \$2.5 million in 2009 to \$2.7 million in 2010 primarily due to higher sales related spending to support our growth.

### *Professional and consulting fees*

Professional fees increased \$2.0 million from \$1.8 million in 2009 to \$3.8 million in 2010. This increase was primarily due to \$0.9 million of higher stock-based compensation related to equity awards granted to special advisors to our Board which fluctuates based upon the value of our common stock. Our stock price increased from \$1.85 to \$4.15 at the end of 2010. We also incurred \$1.1 million in higher corporate advisory fees related to business strategy and related legal fees.

### *Occupancy, communications and equipment*

Occupancy, communications and equipment expense remained relatively unchanged between 2009 and 2010.

### *Depreciation and amortization*

Depreciation and amortization expense remained relatively unchanged between 2009 and 2010.

### *Third-party sharing arrangements*

Third-party sharing arrangements increased \$2.2 from \$0.1 million in 2009 to \$2.3 million in 2010. This increase was primarily due to higher net profits in our currency and fixed income ETFs which are subject to profit sharing agreement with Mellon Capital and Dreyfus. Under the agreement, we share revenues and third party costs equally. This expense increased due to the higher average asset balances in these ETFs partly offset by higher marketing related costs. Average AUM for our currency funds increased from \$359 million in 2009 to \$1.2 billion in 2010.

### *Other*

Other expense decreased 28.8% from \$2.4 million in 2009 to \$1.7 million in 2010. 2009 included a charge of \$1.0 million as a result of our final issuance of common stock to Treasury Equity, LLC for satisfaction of certain conditions related to our currency ETFs.

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### Year Ended December 31, 2009 Compared to December 31, 2008

#### Overview

	At or For the Years Ended December 31,		Change	Percent Change
	2009	2008		
<b>Assets Under Management</b> (in millions)				
Beginning of period assets	\$ 3,180	\$ 4,559		
Net inflows	1,773	907	\$ 866	95.5%
Market appreciation/(depreciation)	1,026	(2,286)		
End of period ETF assets	<u>\$ 5,979</u>	<u>\$ 3,180</u>	\$ 2,799	88.0%
<b>Financial Results</b> (in thousands)				
Total revenues	\$ 22,095	\$ 23,611	\$(1,516)	(6.4%)
Total expenses	\$ 43,323	\$ 50,656	\$(7,333)	(14.5%)
Net loss	<u>\$ (21,228)</u>	<u>\$ (27,045)</u>	<u>\$ 5,817</u>	<u>21.5%</u>

Assets under management increased 88.0% from \$3.2 billion in 2008 to \$6.0 billion in 2009 primarily from \$1.8 billion of net inflows and \$1.0 billion of market appreciation. Total revenues decreased 6.4% primarily due to a significant decline in the equity markets in the first quarter of 2009. However, our expenses decreased at a higher rate of 14.5% primarily due to cost reduction initiatives we initiated in 2008 and 2009. Our net loss narrowed to \$21.2 million for the year ended December 31, 2009 as compared to \$27.0 million for the year ended December 31, 2008 primarily due to these cost reduction initiatives.

#### Revenues

	Year Ended December 31,		Change	Percent Change
	2009	2008		
Average assets under management (in millions)	\$ 3,964	\$ 4,327	\$ (363)	(8.4%)
Average ETF advisory fee	0.52%	0.52%	—	—
ETF advisory fees (in thousands)	\$20,812	\$21,643	\$ (831)	(3.8%)
Other income (in thousands)	\$ 1,283	\$ 1,968	\$(685)	(34.8%)
Total revenues (in thousands)	<u>\$22,095</u>	<u>\$23,611</u>	<u>\$(1,516)</u>	<u>(6.4%)</u>

##### ETF advisory fees

ETF advisory fee revenues decreased 3.8% from \$21.6 million in 2008 to \$20.8 million in 2009. This decrease was primarily a result of significant declines in our assets under management in the first quarter of 2009 due to overall equity market declines in the first quarter of 2009. Our assets under management decreased to a low of \$2.4 billion on March 9, 2009. Even though our assets under management increased from that low point, it did not cause a corresponding increase in our average assets under management at the same rate because of the severe decline during the first quarter of 2009.

##### Other income

Other income decreased 34.8% from \$2.0 million in 2008 to \$1.3 million in 2009 primarily due to lower interest and investment income of \$0.9 million as a result of low market interest rates and lower average cash balances. Partly offsetting this decrease was an increase of \$0.2 million from licensing and separate account revenues.

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### Expenses

(in thousands)	Year Ended December 31,		Change	Percent Change
	2009	2008		
Compensation and benefits	\$18,943	\$20,338	\$(1,395)	(6.9%)
Fund management and administration	13,387	14,772	(1,385)	(9.4%)
Marketing and advertising	2,762	5,875	(3,113)	(53.0%)
Sales and business development	2,495	3,642	(1,147)	(31.5%)
Professional and consulting fees	1,780	1,871	(91)	(4.9%)
Occupancy, communications and equipment	1,087	1,564	(477)	(30.5%)
Depreciation and amortization	360	337	23	6.8%
Third-party sharing arrangements	89	(320)	409	nm
Other	2,420	2,577	(157)	(6.1%)
Total expenses	<u>\$43,323</u>	<u>\$50,656</u>	<u>\$(7,333)</u>	<u>(14.5%)</u>

Percent of Revenue	Year Ended December 31,	
	2009	2008
Compensation and benefits	85.7%	86.1%
Fund management and administration	60.6%	62.6%
Marketing and advertising	12.5%	24.9%
Sales and business development	11.3%	15.4%
Professional and consulting fees	8.1%	7.9%
Occupancy, communications and equipment	4.9%	6.6%
Depreciation and amortization	1.6%	1.4%
Third-party sharing arrangements	0.4%	(1.4%)
Other	11.0%	10.9%
Total expenses	<u>196.1%</u>	<u>214.5%</u>

#### Compensation and benefits

Compensation and benefits expense decreased 6.9% from \$20.3 million in 2008 to \$18.9 million in 2009. This decrease was primarily due to savings of \$1.1 million from headcount related reductions in 2008 as well \$0.3 million in lower incentive compensation.

#### Fund management and administration

Fund management and administration expense decreased 9.4% from \$14.8 million in 2008 to \$13.4 million in 2009. Higher average assets under management as well as higher fund processing expenses led to an increase of \$0.6 million in portfolio management and fund accounting, administration and custody related fees. Offsetting this increase was a decrease of \$1.3 million in printing, legal, accounting and index calculation fees. In addition, 2008 included a charge of \$0.7 million related to portfolio management fees incurred in prior years due to a fee disagreement with BNY Mellon.

#### Marketing and advertising

Marketing and advertising expense decreased 53.0% from \$5.9 million in 2008 to \$2.8 million in 2009. This decrease in discretionary spending was a result of cost reduction initiatives implemented by management in reaction to the severe declines in the equity markets.



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### *Sales and business development*

Sales and business development expenses decreased 31.5% from \$3.6 million in 2008 to \$2.5 million in 2009. This decrease in discretionary spending was a result of cost reduction initiatives.

### *Professional and consulting fees*

Professional fees decreased 4.9% from \$1.9 million in 2008 to \$1.8 million in 2009. This decline was primarily due to a decrease of \$0.8 million in lower corporate related legal and other consulting expenses, partly offset by \$0.7 million in higher stock-based compensation related to equity awards granted to the senior advisors to our Board which fluctuates based upon the value of our common stock.

### *Occupancy, communications and equipment*

Occupancy, communications and equipment expense decreased 30.5% from \$1.6 million in 2008 to \$1.1 million in 2009 primarily due to sub-leasing excess office space in our corporate offices.

### *Depreciation and amortization*

Depreciation and amortization expense remained relatively unchanged between 2008 and 2009.

### *Third-party sharing arrangements*

Third-party sharing arrangements increased from a reimbursement of \$0.3 million to us in 2008 to a payment of \$0.1 million from us in 2009. This change was primarily due to higher net profits in our currency ETFs which are subject to a profit sharing agreement with Mellon Capital and Dreyfus. Under the agreement, we share revenues and third party costs equally. This expense increased due to the higher average asset balances in these ETFs and lower third party costs. Average assets under management for our currency funds increased 6.4% from 2008 to 2009.

### *Other*

Other expense decreased 6.1% from \$2.6 million in 2008 to \$2.4 million in 2009. In 2008, we recorded a \$0.2 million charge related to a loss on our sub-leased space.

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### Quarterly Results

The following tables set forth our unaudited consolidated quarterly statement of operations data, both in dollar amounts and as a percentage of total revenues, and our unaudited consolidated quarterly operating data for the nine quarters ended September 30, 2011. In our opinion, this unaudited information has been prepared on substantially the same basis as the consolidated financial statements appearing elsewhere in this prospectus and includes all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the unaudited consolidated quarterly data. The unaudited consolidated quarterly data should be read together with the consolidated financial statements and related notes included elsewhere in this prospectus. The results for any quarter are not necessarily indicative of results for any future period, and you should not rely on them as such.

(in thousands)	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11
<b>Revenues</b>									
ETF advisory fees	\$ 5,536	\$ 7,428	\$ 8,467	\$ 9,129	\$ 9,860	\$ 13,111	\$14,273	\$16,514	\$17,554
Other income	285	303	247	226	270	302	260	202	182
Total revenues	5,821	7,731	8,714	9,355	10,130	13,413	14,533	16,716	17,736
<b>Expenses</b>									
Compensation and benefits	5,153	4,775	5,255	4,600	4,405	4,933	5,217	4,610	5,085
Fund management and administration	3,317	3,674	3,397	3,306	3,569	4,014	4,162	5,736	5,093
Marketing and advertising	452	1,288	1,160	426	745	1,390	972	1,357	911
Sales and business development	661	813	460	746	766	758	745	913	954
Professional and consulting fees	432	631	1,024	707	795	1,253	1,359	1,090	1,473
Occupancy, communication and equipment	283	249	267	289	273	289	273	285	288
Depreciation and amortization	88	88	77	78	80	79	65	67	68
Third party sharing arrangements	62	(36)	240	636	609	811	1,128	1,512	1,794
Other	361	1,281	426	427	405	466	457	457	711
Total expenses	10,809	12,763	12,306	11,215	11,647	13,993	14,378	16,027	16,377
Net income/(loss)	(\$ 4,988)	(\$ 5,032)	(\$ 3,592)	(\$ 1,860)	(\$ 1,517)	(\$ 580)	\$ 155	\$ 689	\$ 1,359
<b>Percent of Revenues</b>									
<b>Revenues</b>									
ETF advisory fees	95.1%	96.1%	97.2%	97.6%	97.3%	97.7%	98.2%	98.8%	99.9%
Other income	4.9%	3.9%	2.8%	2.4%	2.7%	2.3%	1.8%	1.2%	0.1%
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Expenses</b>									
Compensation and benefits	88.5%	61.8%	60.3%	49.2%	43.5%	36.8%	35.9%	27.6%	28.7%
Fund management and administration	57.0%	47.5%	39.0%	35.3%	35.2%	29.9%	28.6%	34.3%	28.7%
Marketing and advertising	7.8%	16.7%	13.3%	4.6%	7.4%	10.4%	6.7%	8.1%	5.1%
Sales and business development	11.4%	10.5%	5.3%	8.0%	7.6%	5.7%	5.1%	5.5%	5.4%
Professional and consulting fees	7.4%	8.2%	11.8%	7.6%	7.8%	9.3%	9.4%	6.5%	8.3%
Occupancy, communication and equipment	4.9%	3.2%	3.1%	3.1%	2.7%	2.2%	1.9%	1.7%	1.6%
Depreciation and amortization	1.5%	1.1%	0.9%	0.8%	0.8%	0.6%	0.4%	0.4%	0.4%
Third party sharing arrangements	1.1%	(0.5%)	2.8%	6.8%	6.0%	6.0%	7.8%	9.0%	10.1%
Other	6.2%	16.6%	4.9%	4.6%	4.0%	3.5%	3.1%	2.7%	4.0%
Total expenses	185.7%	165.1%	141.2%	119.9%	115.0%	104.3%	98.9%	95.9%	92.3%
Net income/(loss)	(85.7%)	(65.1%)	(41.2%)	(19.9%)	(15.0%)	(4.3%)	1.1%	4.1%	7.7%
<b>Operating Statistics</b>									
<b>Total ETF AUM (in millions)</b>									
Beginning of period assets	\$ 3,663	\$ 4,902	\$ 5,979	\$ 6,713	\$ 6,240	\$ 8,260	\$ 9,891	\$11,284	\$12,934
Inflows/(outflows)	559	911	582	121	1,161	1,271	1,264	1,699	179
Market appreciation/(depreciation)	680	166	152	(594)	859	360	129	(49)	(1,929)
End of period assets	\$ 4,902	\$ 5,979	\$ 6,713	\$ 6,240	\$ 8,260	\$ 9,891	\$11,284	\$12,934	\$11,184
Average assets during the period	\$ 4,182	\$ 5,439	\$ 6,311	\$ 6,760	\$ 7,055	\$ 9,104	\$10,294	\$12,062	\$12,762
<b>International Developed Markets Equity ETFs (in millions)</b>									
Beginning of period assets	\$ 1,324	\$ 1,794	\$ 1,953	\$ 1,994	\$ 1,674	\$ 1,900	\$ 2,062	\$ 2,613	\$ 2,619
Inflows/(outflows)	204	136	26	(38)	(20)	61	481	33	50
Market appreciation/(depreciation)	266	23	15	(282)	246	101	70	(27)	(370)
End of period assets	\$ 1,794	\$ 1,953	\$ 1,994	\$ 1,674	\$ 1,900	\$ 2,062	\$ 2,613	\$ 2,619	\$ 2,299
Average assets during the period	\$ 1,510	\$ 1,896	\$ 2,169	\$ 1,907	\$ 1,794	\$ 1,981	\$ 2,217	\$ 2,596	\$ 2,488

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	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11
<b>Emerging Markets Equity ETFs (in millions)</b>									
Beginning of period assets	\$ 759	\$1,119	\$1,431	\$1,738	\$1,728	\$2,796	\$3,780	\$3,759	\$3,988
Inflows/(outflows)	197	232	230	106	707	869	60	344	102
Market appreciation/(depreciation)	163	80	77	(116)	361	115	(81)	(115)	(860)
End of period assets	<u>\$1,119</u>	<u>\$1,431</u>	<u>\$1,738</u>	<u>\$1,728</u>	<u>\$2,796</u>	<u>\$3,780</u>	<u>\$3,759</u>	<u>\$3,988</u>	<u>\$3,230</u>
Average assets during the period	\$ 887	\$1,297	\$1,308	\$1,763	\$2,153	\$3,342	\$3,617	\$3,863	\$3,719
<b>International Sector Equity ETFs (in millions)</b>									
Beginning of period assets	\$ 222	\$ 322	\$ 358	\$ 228	\$ 190	\$ 247	\$ 249	\$ 252	\$ 248
Inflows/(outflows)	52	34	(124)	(1)	20	(11)	(7)	1	7
Market appreciation/(depreciation)	48	2	(6)	(37)	37	13	10	(5)	(53)
End of period assets	<u>\$ 322</u>	<u>\$ 358</u>	<u>\$ 228</u>	<u>\$ 190</u>	<u>\$ 247</u>	<u>\$ 249</u>	<u>\$ 252</u>	<u>\$ 248</u>	<u>\$ 202</u>
Average assets during the period	\$ 269	\$ 338	\$ 345	\$ 214	\$ 218	\$ 258	\$ 246	\$ 258	\$ 234
<b>U.S. Equity ETFs (in millions)</b>									
Beginning of period assets	\$1,039	\$1,271	\$1,330	\$1,468	\$1,406	\$1,779	\$2,057	\$2,218	\$2,612
Inflows/(outflows)	43	(2)	72	85	211	118	53	374	241
Market appreciation/(depreciation)	189	61	66	(147)	162	160	108	20	(330)
End of period assets	<u>\$1,271</u>	<u>\$1,330</u>	<u>\$1,468</u>	<u>\$1,406</u>	<u>\$1,779</u>	<u>\$2,057</u>	<u>\$2,218</u>	<u>\$2,612</u>	<u>\$2,523</u>
Average assets during the period	\$1,164	\$1,273	\$1,406	\$1,506	\$1,540	\$1,917	\$2,165	\$2,364	\$2,528
<b>Currency ETFs (in millions)</b>									
Beginning of period assets	\$ 319	\$ 396	\$ 906	\$1,284	\$1,242	\$1,266	\$1,179	\$1,467	\$1,896
Inflows/(outflows)	62	511	379	(31)	(19)	(75)	271	382	(566)
Market appreciation/(depreciation)	15	(1)	(1)	(11)	43	(12)	17	47	(136)
End of period assets	<u>\$ 396</u>	<u>\$ 906</u>	<u>\$1,284</u>	<u>\$1,242</u>	<u>\$1,266</u>	<u>\$1,179</u>	<u>\$1,467</u>	<u>\$1,896</u>	<u>\$1,194</u>
Average assets during the period	\$ 352	\$ 634	\$1,084	\$1,370	\$1,224	\$1,189	\$1,335	\$1,677	\$1,786
<b>International Fixed Income ETFs (in millions)</b>									
Beginning of period assets	—	—	—	—	\$ 0	\$ 272	\$ 564	\$ 902	\$1,379
Inflows/(outflows)	—	—	—	—	262	309	335	442	280
Market appreciation/(depreciation)	—	—	—	—	10	(17)	3	35	(166)
End of period assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>\$ 272</u>	<u>\$ 564</u>	<u>\$ 902</u>	<u>\$1,379</u>	<u>\$1,493</u>
Average assets during the period	—	—	—	—	\$ 126	\$ 417	\$ 679	\$1,195	\$1,780
<b>Alternative Strategy ETFs (in millions)</b>									
Beginning of period assets	—	—	—	—	—	—	\$ —	\$ 73	\$ 192
Inflows/(outflows)	—	—	—	—	—	—	71	123	65
Market appreciation/(depreciation)	—	—	—	—	—	—	2	(4)	(14)
End of period assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>\$ 73</u>	<u>\$ 192</u>	<u>\$ 243</u>
Average assets during the period	—	—	—	—	—	—	\$ 35	\$ 109	\$ 227
<b>Average ETF Asset Mix (during the period)</b>									
International Developed Markets Equity ETFs	37%	35%	34%	29%	25%	22%	22%	21%	29%
Emerging Markets Equity ETFs	21%	24%	21%	26%	31%	37%	35%	32%	20%
International Sector Equity ETFs	6%	6%	5%	3%	3%	3%	2%	2%	20%
U.S. Equity ETFs	28%	23%	22%	22%	22%	21%	21%	20%	14%
Currency ETFs	8%	12%	18%	20%	17%	13%	13%	14%	14%
International Fixed Income ETFs	—	—	—	—	2%	4%	7%	10%	2%
Alternative Strategy ETFs	—	—	—	—	—	—	0%	1%	1%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
<b>Average ETF Advisory Fee (during the period)</b>									
	0.53%	0.54%	0.54%	0.54%	0.56%	0.57%	0.56%	0.55%	0.55%
<b>Number of ETFs (end of the period)</b>									
International Developed Markets Equity ETFs	14	15	14	14	14	14	14	14	14
Emerging Markets Equity ETFs	4	4	4	4	4	4	4	4	4
International Sector Equity ETFs	11	11	4	4	4	4	4	4	4
U.S. Equity ETFs	13	13	12	12	12	12	12	12	12
Currency ETFs	9	9	8	8	9	9	9	9	9
International Fixed Income ETFs	—	—	—	—	1	1	2	2	2
Alternative Strategy ETFs	—	—	—	—	—	—	1	1	2
Total	<u>51</u>	<u>52</u>	<u>42</u>	<u>42</u>	<u>44</u>	<u>44</u>	<u>46</u>	<u>46</u>	<u>47</u>
Headcount	55	54	55	54	56	60	61	61	64

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### 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, 2011	December 31,		
		2010	2009	
<b>Balance Sheet Data (in thousands):</b>				
Cash and cash equivalents	\$ 21,052	\$ 14,233	\$11,476	
Investments	9,233	8,595	9,320	
Accounts receivable	5,737	4,825	2,884	
Total liabilities	<u>(14,849)</u>	<u>(11,907)</u>	<u>(9,675)</u>	
	<u>\$ 21,173</u>	<u>\$ 15,746</u>	<u>\$14,005</u>	
	Nine Months Ended September 30, 2011	Year Ended December 31,		
		2010	2009	2008
<b>Cash Flow Data (in thousands):</b>				
Operating cash flows	\$ 9,429	\$2,128	\$(15,027)	\$(15,615)
Investing cash flows	(801)	628	8,240	13,748
Financing cash flows	<u>(1,809)</u>	<u>1</u>	<u>4,988</u>	<u>4</u>
Increase/(decrease) in cash and cash equivalents	<u>\$ 6,819</u>	<u>\$2,757</u>	<u>\$ (1,799)</u>	<u>\$ (1,863)</u>

#### Liquidity

We consider our available liquidity to be our liquid assets less our liabilities. Liquid assets consist of cash and cash equivalents, current receivables, and investments. Cash and cash equivalents include cash on hand and non-interest-bearing and interest-bearing deposits with financial institutions. Accounts receivable primarily represents advisory fees we earn from the WisdomTree ETFs which is collected by the fifth business day of the month following the month earned. Investments represent debt instruments of U.S. government and agency securities. Our liabilities consist primarily of payments owed to vendors and third parties in the normal course of business as well as accrued year end incentive compensation for employees.

Cash and cash equivalents increased \$6.8 million in the nine months ended September 30, 2011 primarily due to \$9.4 million of cash flows generated by our operating activities as a result of higher revenues from higher AUM offset by \$1.8 million of cash flows used to repurchase our common stock and \$0.8 million to purchase investments with our excess cash.

Cash and cash equivalents increased \$0.3 million in the nine months ended September 30, 2010 primarily due to \$1.0 million of proceeds from net redemptions of our investments offset by \$0.7 million of cash used to operate our business as we incurred a loss during the period.

Cash and cash equivalents increased \$2.8 million in 2010 primarily due to \$2.1 million of cash flows generated by our operating activities due to higher revenues from higher assets under management as well as proceeds from net redemptions of our investments.

Cash and cash equivalents decreased \$1.8 million in 2009 primarily due to \$15.0 million of cash used to fund our operations as a result of losses we incurred during the year. We received \$5.0 million in financing during 2009 from investors in a private placement of our common stock in order to increase our liquidity. We also received proceeds from net redemptions of our investments.

Cash and cash equivalents decreased \$1.9 million in 2008 primarily due to \$15.6 million of cash used to fund our operations as a result of losses we incurred during the year. We also received proceeds from net redemptions of our investments.

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### **Capital Resources**

Currently, our principal source of financing is our operating cash flow, though historically, our principal source of financing was through the private placement of our common stock. We believe that current cash flows generated by our operating activities and the net proceeds raised through this offering should be sufficient for us to fund our operations for at least the next 12 months. The table below reflects the capital contributions we have received from our private placements:

(\$ in millions)	
November 2004	\$ 9.0
July 2005	7.5
December 2006	56.5
October 2009	5.0
Total	<u>\$78.0</u>

### **Use of Capital**

Our business does not require us to maintain a significant cash position. We expect that our main uses of cash will be to fund the ongoing operations of our business, invest in strategic growth initiatives, re-acquire shares of our common stock issued to our employees as incentive compensation as discussed below or expand our business through strategic acquisitions.

During the nine months ended September 30, 2011, we repurchased approximately 383,000 shares from our employees at then current market prices at a cost of \$2.1 million in connection with vesting of restricted stock. The amount repurchased represented the estimated tax liability the employees owed to the various taxing authorities related to the income they earned from vested shares. We expect to continue purchasing shares for similar reasons.

### **Contractual Obligations**

The following table summarizes our future cash payments associated with contractual obligations as of September 30, 2011.

	Total	Payments Due by Period			
		(in thousands)			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Operating lease	\$3,096	\$ 352	\$2,744	—	—

### **Off-Balance Sheet Arrangements**

Other than operating leases, which are included in the table above, we do not have any off-balance sheet financing or other arrangements. We 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.

### **Business Transactions**

#### ***Joint Venture with Mellon Capital Management Corporation and The Dreyfus Corporation***

In 2008, we entered into a mutual participation agreement with Mellon Capital Management Corporation and The Dreyfus Corporation in which we agreed to collaborate in developing currency and fixed income ETFs under the WisdomTree Trust. Under the agreement, we contribute our expertise in operating the ETFs, sales, marketing and research, and Mellon Capital and Dreyfus contributed sub-advisory, fund administration and accounting services for these collaborated ETFs. All third-party costs and profits and losses

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are shared equally. This agreement expires in March 2013. As of September 30, 2011, approximately \$2.3 billion of our AUM is related to this agreement. If this agreement were to expire, we would be required to contract separately with Mellon Capital and Dreyfus, or pay another third party to provide for these services. Although we would then have to pay for these services, we would not have to share any profits or losses related to these ETFs. At this time, we have no information whether this agreement will expire or be renewed.

### ***Treasury Equity, LLC***

In 2007, we acquired the rights to an application pending with the SEC for exemptive relief to operate currency funds from Treasury Equity, LLC, a private company. Following this purchase we continued to pursue the application for the exemptive relief and ultimately it formed the basis for our regulatory ability to operate currency ETFs. In exchange, we issued approximately 1.2 million shares of common stock valued at approximately \$2.3 million during 2008 and 2009. In addition, until March 2017, we will pay Treasury Equity, LLC a quarterly fee which is calculated as the lesser of 0.03% of the average daily assets under management for our currency ETFs or 10% of revenues we earn from our currency ETFs. We have paid in total \$0.2 million in trailer fees as of September 30, 2011.

### **Critical Accounting Policies**

#### ***Stock-Based Compensation***

Stock-based compensation expense reflects the fair value of stock-based awards measured at grant date and is recognized over the relevant service period. The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model we use includes the input of certain variables that are dependent on future expectations, including the expected lives of our options from grant date to exercise date, the volatility of our underlying common shares in the market over that time period, the rate of dividends that we may pay during that time and an appropriate risk-free interest rate. Many of these assumptions require management's judgment. If actual experience differs significantly from these estimates, stock-based compensation expense and our results of operations could be materially affected.

#### ***Income and Deferred Taxes***

We recognize an asset or liability for the deferred tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. These temporary differences will result in taxable or deductible amounts in future years when the reported amounts of assets are recovered or liabilities are settled. A valuation allowance is recorded to reduce the carrying values of deferred tax assets and liabilities to the amount that is more likely than not to be realized. As of September 30, 2011, we have net operating loss carry forwards and we have recognized a deferred tax asset for such carry forwards. Given the significant losses we have incurred since we began our operations, a valuation allowance has been recorded for the full amount of the deferred tax asset.

### **Recently Issued Accounting Pronouncements**

In January 2010, ASU No. 2010-6, *Improving Disclosures About Fair Value Measurement*, adds required disclosures about items transferring into and out of Levels 1 and 2 in the fair value hierarchy; adding separate disclosures about purchase, sales, issuances, and settlements relative to Level 3 measurements; and clarifying, among other things, the existing fair value disclosures about the level of disaggregation. ASU No. 2010-6 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the requirement to provide Level 3 purchases, sales, issuances, and settlements on a gross basis, which is effective for fiscal years beginning after December 15, 2010. This standard impacts disclosure requirements only and did not have a material impact on our consolidated financial statements.

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In May 2011, the Financial Accounting Standards Board, or FASB, issued ASU No. 2011-04 “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (“IFRS”)”. ASU No. 2011-04 includes common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. ASU No. 2011-04 will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, ASU No. 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. At this time, management is evaluating the implications of ASU No. 2011-04 and its impact on the Company’s financial statements.

### **Quantitative and Qualitative Disclosures about Market Risk**

In the normal course of business, our financial results are subject to market risk. Market risk to us generally represents the risk of changes in the value of financial instruments held in the portfolios of the WisdomTree ETFs that generally results from fluctuations in equity prices, foreign currency exchange rates against the U.S. dollar, and interest rates. Nearly all (in excess of 90%) of our revenue—for the years ended December 31, 2008, 2009 and 2010, and the nine months ended September 30, 2011, respectively—is derived from advisory agreements for the WisdomTree ETFs. Under these agreements, the advisory fee we receive is based on the market value of the assets in the WisdomTree ETF portfolios we manage.

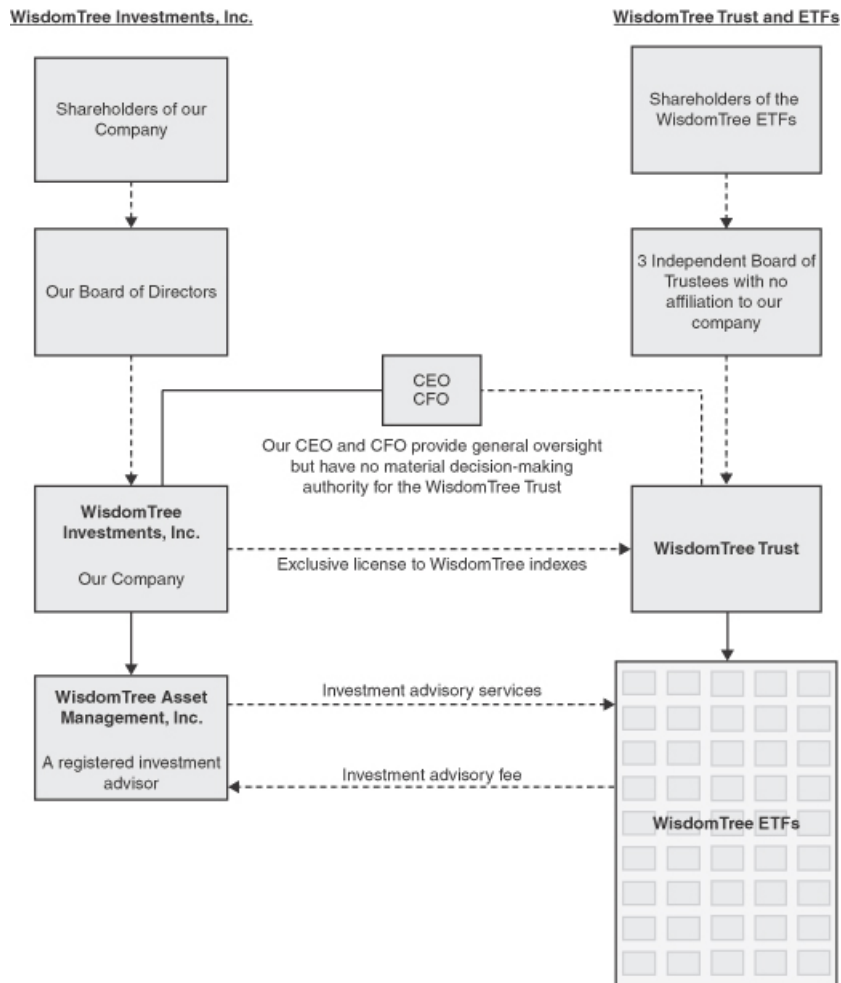
Fluctuations in the value of these securities are common and are generated by numerous factors such as market volatility, the overall economy, inflation, changes in investor strategies, availability of alternative investment vehicles, government regulations and others. Accordingly changes in any one or a combination of these factors may reduce the value of investment securities and, in turn, the underlying assets under management on which our revenues are earned. These declines may cause investors to withdraw funds from our ETFs in favor of investments that they perceive as offering greater opportunity or lower risk, thereby compounding the impact on our revenues. Beginning in the second half of 2008 and into 2009, global equity markets experienced unprecedented volatility which caused significant declines in our assets under management and revenues during the quarters in that time period. Challenging and volatile market conditions might continue to be present in the foreseeable future.

In order to maximize yields, we invest our corporate cash in short-term interest earning assets, primarily money market instruments at a commercial bank and U.S. government and agency debt instruments which totaled \$9.3 million, \$8.6 million and \$9.2 million as of December 31, 2009, 2010 and as of September 30, 2011, respectively. We do not anticipate that changes in interest rates will have a material impact on our financial condition, operating results or cash flows.

**CORPORATE AND FUND STRUCTURE**

WisdomTree Investments, Inc. is a New York-based exchange traded fund sponsor and asset manager. Through its operating subsidiary, WisdomTree Investments, Inc. provides investment advisory and other management services to the WisdomTree Trust, or WTT, and the WisdomTree ETFs. WisdomTree Investments, Inc. also licenses its indexes to third parties and promotes the use of WisdomTree ETFs in 401(k) plans. WisdomTree Asset Management, Inc., or WTAM, which is a wholly owned subsidiary of WisdomTree Investments, Inc. formed in February 2005, is an investment advisor registered with the SEC. WTAM provides investment advisory and other management services to WTT and the WisdomTree ETFs. In exchange for providing these services, the Company receives advisory fee revenues based on a percentage of the ETFs average daily net assets under management.

The following diagram depicts our corporate and fund structure:





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The WisdomTree ETFs are issued by the WisdomTree Trust. The WisdomTree Trust is a Delaware statutory trust registered with the SEC as an open-end management investment company. The Board of the WisdomTree Trust, or the Trustees, is separate from the Board of Directors of our Company, WisdomTree Investments, Inc. The Trustees are primarily responsible for overseeing the management and affairs of the WisdomTree ETFs and the Trust for the benefit of the WisdomTree ETF shareholders. We have licensed the use of our own fundamentally-weighted indexes for ETFs on an exclusive basis to the WisdomTree Trust for the WisdomTree ETFs.

Like most ETFs, the day-to-day business of the Trust is generally performed by third-party service providers, such as the adviser, sub-adviser, distributor and administrator, although the Trustees are responsible for overseeing the Trust's service providers. The Trustees have approved us to serve as the investment adviser to the WisdomTree Trust as well as to provide general management and administration of WisdomTree Trust and each of its ETFs. In turn, we have contracted with other third-party service providers for some of these services. In addition, Jonathan Steinberg, our Chief Executive Officer, serves as a Trustee and President of the WisdomTree Trust and Amit Muni, our Chief Financial Officer, serves as Treasurer of the Trust.

Our investment management agreement with the WisdomTree Trust and WisdomTree ETFs must be renewed and specifically approved at least annually by a majority vote of the Independent Trustees. The advisory agreements are subject to initial review and approval. After the initial two-year term of the agreement for each ETF, the continuation of such agreement must be reviewed and approved by a majority of the Independent Trustees at least annually. In determining whether to approve the agreements, the Independent Trustees consider factors such as (i) the nature and quality of the services provided by us, (ii) the fees charged by us and the costs and profits realized by us in connection with such services, as well as any ancillary or "fallout" benefits from such services, (iii) the extent to which economies of scale are shared with the WisdomTree ETFs, and (iv) the level of fees paid by other similar funds.

**BUSINESS**

**Our Company**

We are the only publicly-traded asset management company that focuses exclusively on ETFs. We are the seventh largest ETF sponsor in the United States with AUM of approximately \$13.6 billion as of January 27, 2012. Our family of ETFs includes both fundamentally weighted funds that track our own indexes, and actively managed funds. We distribute our ETFs through all major channels within the asset management industry, including brokerage firms, registered investment advisors, institutional investors, private wealth managers and discount brokers.

We focus on creating innovative and thoughtful ETFs for investors. We believe that our differentiated approach, employing a distinctive index-based methodology, delivers better risk adjusted returns over the long term. Our index-based funds employ a fundamental weighting investment methodology, which weights securities on the basis of factors such as dividends or earnings, whereas most other ETF indexes use a capitalization weighted methodology. Using our approach, 85% of the \$9.4 billion invested in our 34 equity ETFs were in funds that, since their respective inception through December 31, 2011, outperformed their market capitalization-weighted or competitive benchmarks. Similarly, 26 of our 34 equity ETFs have outperformed their market capitalization-weighted or competitive benchmarks over the same period. In addition, we are one of a small number of ETF sponsors that have received the necessary exemptive relief from the SEC to offer actively managed ETFs, which are ETFs that are not based on a particular index but rather are actively managed with complete transparency into the ETF's portfolio on a daily basis. Our exemptive relief enables us to use our own indexes for certain of our ETFs, actively manage other ETFs and incorporate the use of derivatives in certain products, thereby allowing us to develop certain ETFs not yet offered by other sponsors. For example, we are the only ETF sponsor that has launched a managed futures strategy ETF.

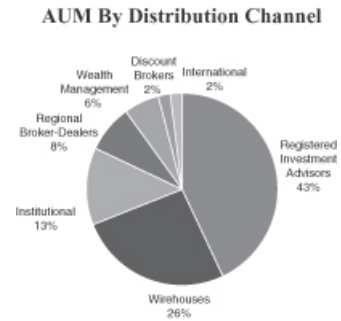
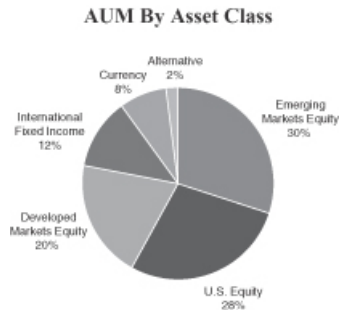
Despite a challenging economic environment, our AUM increased by \$2.3 billion, or 23%, from the beginning of 2011 to \$12.2 billion at December 31, 2011. Net inflows into our ETFs reached \$3.9 billion in 2011, up 24% from 2010, and our market share of the ETF industry net inflows reached 3.4% compared to 2.7% in 2010. As a result of strong net inflows and growth in our AUM, our revenues increased 56.6% to \$65.2 million in 2011, while our corresponding expenses increased 26.3% over the same period. We recorded net income of \$3.1 million in 2011 compared to a net loss of \$7.6 million in 2010.

The following charts show our AUM as of the dates indicated and the net inflows of our ETFs for the periods indicated:



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The following charts show the asset mix and distribution of our ETFs as of December 31, 2011:

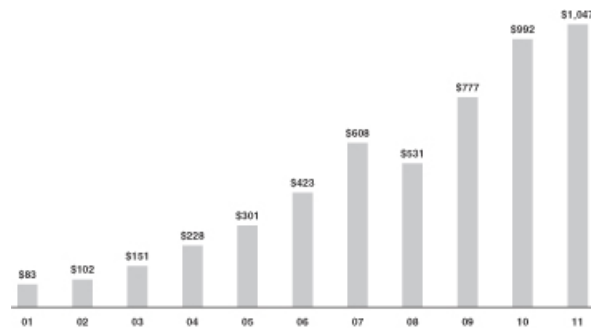


**Our Industry**

An ETF is an investment fund that holds securities such as equities or bonds and generally trades at approximately the same price as the net asset value of its underlying components over the course of the trading day. ETFs offer exposure to a wide variety of asset classes and investment themes, including domestic, international and global equities, fixed income securities, as well as securities in specific industries and countries. There are also ETFs that track certain specific investments, such as commodities, real estate or currencies.

We believe ETFs have been one of the most innovative, revolutionary and disruptive investment products to emerge in the last two decades in the asset management industry. As of December 31, 2011, there were approximately 937 ETFs in the United States with aggregate AUM over \$1 trillion. McKinsey & Company projects the global aggregate AUM of ETFs could grow by \$1.5 trillion by 2015, and Strategic Insight predicts the U.S. ETF market will hit \$2 trillion before the end of 2015. The chart below reflects the AUM of the ETF industry in the United States since 2001:

**U.S. ETF Industry AUM**  
(in billions)



Source: Investment Company Institute, Bloomberg, WisdomTree.

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As of January 27, 2012, we were the seventh largest ETF sponsor in the United States by AUM and had the highest percentage growth rate in AUM of the top ten ETF sponsors in 2011:

		AUM as of January 27, 2012 (in billions)	2011 % Growth in AUM
1	iShares	\$ 484.1	-0.3%
2	StateStreet	\$ 289.2	7.6%
3	Vanguard	\$ 187.3	14.7%
4	PowerShares	\$ 51.2	7.7%
5	Van Eck	\$ 26.2	17.7%
6	ProShares	\$ 22.6	-1.4%
<b>7</b>	<b>WisdomTree</b>	<b>\$ 13.6</b>	<b>23.2%</b>
8	Deutsche Bank	\$ 12.2	3.7%
9	Rydex	\$ 8.2	3.4%
10	Direxion	\$ 7.2	1.8%
	Top Ten Total	<u>\$ 1,102.0</u>	
	Other ETF Sponsors	<u>\$ 35.0</u>	
	Total U.S. ETF Industry AUM	<u>\$ 1,137.0</u>	

Source: Bloomberg, WisdomTree

According to Morningstar, Inc., ETFs were initially marketed mostly to institutional investors, but today, institutional investors account for only about half of the assets held in ETFs. ETFs have become more popular among a broad range of investors as they have come to realize their benefits and use them for a variety of purposes and strategies, including low cost index investing and asset allocation, access to specific asset classes, protective hedging, income generation, exploitation of arbitrage opportunities, and diversification strategies.

While ETFs are similar to mutual funds in many respects, they have some important differences as well:

- **Transparency.** ETFs disclose the composition of their underlying portfolios on a daily basis, unlike mutual funds which typically disclose their holdings only every 90 days.
- **Intraday trading, hedging strategies and complex orders.** Like stocks, ETFs can be bought and sold on exchanges throughout the trading day at market prices. ETFs update the indicative values of their underlying portfolios every 15 seconds. As publicly-traded securities, ETF shares can be purchased on margin and sold short, enabling the use of hedging strategies, and traded using stop orders and limit orders, which allow investors to specify the price points at which they are willing to trade.
- **Tax efficiency.** In the United States, whenever a mutual fund or ETF realizes a capital gain that is not balanced by a realized loss, it must distribute the capital gain to its shareholders. These gains are taxable to all shareholders, even those who reinvest the gain distributions in additional shares of the fund. However, most ETFs typically redeem their shares through “in-kind” redemptions in which low-cost securities are transferred out of the ETF in exchange for fund shares in a non-taxable transaction. As a practical matter, mutual funds cannot use this process. By using this process, ETFs avoid the transaction fees and tax impact incurred by mutual funds that sell securities to generate cash to pay out redemptions.
- **Uniform pricing.** From a cost perspective, ETFs are one of the most equitable investment products on the market. Investors, regardless of their size, structure or sophistication, pay identical advisory fees. Unlike mutual funds, there are not different share classes or different expense structures for retail and institutional clients and ETFs are not sold with sales loads or 12b-1 fees. In many cases, ETFs offer lower expense ratios than comparable mutual funds.

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ETFs are used in various ways by a range of investors, from conservative to speculative uses including:

- **Low cost index investing.** Because of their low cost, ETFs are used by investors seeking to track a variety of indexes encompassing equities, commodities or fixed income over the short and long term.
- **Improved access to specific asset classes.** Investors often use ETFs to gain access to specific market sectors or regions around the world by using an ETF that holds a portfolio of securities in that region or segment rather than buying individual securities.
- **Protective hedging.** Investors seeking to protect their portfolios may use ETFs as a hedge against unexpected declines in prices.
- **Income generation.** Investors seeking to obtain income from their portfolios may buy dividend-paying ETFs, which encompass a basket of dividend-paying stocks rather than buying individual stocks or a fixed income ETF that typically distributes monthly income.
- **Speculative investing.** Investors with a specific directional opinion about a market sector may choose to buy or sell (long or short) an ETF covering or leveraging that market sector.
- **Arbitrage.** Sophisticated investors may use ETFs in order to exploit perceived value differences between the ETF and the value of the ETF's underlying portfolio of securities.
- **Asset allocation.** Investors seeking to invest in various asset classes to develop an asset allocation model in a cost-effective manner can do so easily with ETFs, which offer broad exposure to various asset classes in a single security.
- **Diversification.** By definition, ETFs represent a basket of securities and each fund may contain hundreds or even thousands of different individual securities. The "instant diversification" of ETFs provides investors with broad exposure to an asset class, market sector or geography.

ETFs are one of the fastest growing sectors of the asset management industry, having expanded at a compound annual growth rate of 29% from \$66 billion in AUM in 2000 to over \$1 trillion in AUM at the end of 2011. According to the Investment Company Institute, ETF AUM increased from 4.2% of total ETF and long-term mutual fund AUM in 2005 to nearly 11% in 2011, while ETF inflows have increased from 23% of total ETF and long-term mutual fund inflows in 2005 to 34% in 2010. We expect this trend to continue. For example, during the recent market downturn in 2008, while traditional long-term mutual funds experienced outflows of \$225 billion, ETFs experienced inflows of \$177 billion. More recently, in 2011, ETFs experienced nearly four times the inflows of mutual funds.

We believe our growth, and the growth of the ETF industry in general, will continue to be driven by the following factors:

- **Education and greater investor awareness.** Over the last several years, ETFs have been taking a greater share of inflows and AUM from mutual funds. We believe as a result of the recent market downturns, investors have become more aware of some of the deficiencies of their mutual fund and other financial products. In particular, we believe investors are beginning to focus on important characteristics of their traditional investments—namely transparency, tradability, liquidity, tax efficiency and fees. Their attention and education focused on these important investment characteristics may be one of the drivers of the shift in inflows from traditional mutual funds to ETFs. We believe as investors become more aware and educated about ETFs and their benefits, ETFs will continue to take market share from traditional mutual funds and other financial products or structures such as hedge funds, separate accounts and single stocks.

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- **Move to fee-based models.** Over the last several years, many financial advisors have changed the revenue model that they charge clients from one that is “transaction-based,” that is, based on commissions for trades or receiving sales loads, to a “fee-based” approach, where an overall fee is charged based on the value of AUM. This fee-based approach lends itself to the advisor selecting no-load, lower-fee financial products, and in our opinion, better aligns advisors with the interests of their clients. Since ETFs generally charge lower fees than mutual funds, we believe this model shift will benefit the ETF industry. As major brokerage firms and asset managers encourage their advisors to move towards fee-based models, we believe overall usage of ETFs will likely increase.
- **Innovative product offerings.** Historically, ETFs tracked traditional equity indexes, but the volume of ETF growth has led to significant innovation and product development. As demand increased, the number of ETFs has also increased and today, ETFs are available for virtually every asset class including commodities, fixed income, alternative strategies, leveraged/inverse, real estate and currencies. We believe, though, that there remains substantial areas for ETF sponsors to continue to innovate, including alternative-based strategies, hard and soft commodities, and actively-managed strategies. We believe the further expansion of ETFs will fuel further growth and investments from investors who typically access these products through hedge funds, separate accounts, stock investments or the futures and commodity markets.
- **New distribution channels.** Discount brokers, including TD Ameritrade, Schwab and Fidelity, now offer free trading and promotion of select ETFs. We believe the promotion of ETF trading by discount brokers and their marketing of ETFs to a wider retail channel will contribute to the future growth of ETFs.
- **Changing demographics.** As the “baby boomer” generation continues to mature and retire, we expect that there will be a greater demand for a broad range of investment solutions, with a particular emphasis on income generation and principal protection, and that more of these investors will seek advice from professional financial advisors. We believe these financial advisors will migrate more of their clients’ portfolios to ETFs due to their lower fees, better fit within fee-based models, and their ability to (i) provide access to more diverse market sectors, (ii) improve multi-asset class allocation, and (iii) be used for different investment strategies, including income generation. Overall, we believe ETFs are well-suited to meet the needs of this large and important group of investors.
- **Expansion into 401(k) retirement plans.** Historically, 401(k) plans were almost exclusively comprised of mutual funds. However, we believe ETFs are particularly well-suited to 401(k) retirement plans and that these plans present a large and growing opportunity for our industry. ETFs are easy-to-implement, fully transparent investment vehicles covering the full range of asset allocation categories, and are available at significantly lower costs than most traditional mutual funds. In addition, regulatory reform laws are anticipated to go into effect in the future that will require 401(k) retirement plan sponsors to disclose all fees associated with their plans. We believe that as investors become aware of fees associated with using mutual funds in traditional 401(k) retirement plans, they will replace their mutual funds with ETFs because of their lower fees.

### **Our Competitive Strengths**

- **Well-positioned in large and growing markets.** We believe that ETFs are well-positioned to grow significantly faster than the asset management industry as a whole, making our concentration in ETFs a significant advantage versus other traditional asset management firms. In 2011, our AUM grew at a faster rate than any of the other top 10 ETF sponsors. We have markedly increased our

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share of ETF industry net flows from 0.5% in 2008 to 3.4% in 2011. Within the ETF industry, being a first mover, or one of the first providers of ETFs in a particular asset class, can be a significant advantage. We believe that our early leadership in a number of asset classes, including small cap emerging markets equities, international local currency denominated fixed income, and managed futures positions us well to maintain a leadership position.

- ***Strong performance through a differentiated approach.*** We create our own indexes, rebalanced annually, that weight companies in our equity ETFs by a measure of fundamental value. In contrast, traditional indexes are market capitalization weighted and tend to track the momentum of the market. Using our approach, 85% of the \$9.4 billion invested in our 34 equity ETFs were in funds that, since their respective inceptions through December 31, 2011, outperformed their market capitalization-weighted or competitive benchmarks. Similarly, 26 of our 34 equity ETFs have outperformed their market capitalization-weighted or competitive benchmarks over the same period. We believe our approach differentiates us from our competitors and will allow us to take a greater share of the expected growth in the ETF market.
- ***Diversified product set, powered by innovation.*** We have a broad and diverse product set. Our products span a variety of traditional and high growth asset classes, including international and U.S. equities, currencies, international fixed income, alternatives, and emerging markets, and include both passive and actively managed funds. Our product development and research teams work closely to identify potential new ETFs for the marketplace. Because we have the regulatory exemptive relief that enables us to use our own indexes in our ETFs, we have the ability to create certain indexes and related ETFs more rapidly than our competitors who must license indexes from third party index providers. Our exemptive relief also enables us to offer actively managed funds and incorporate the use of derivatives. Our innovations include launching the industry's first emerging markets small cap equity ETF and the first actively managed currency ETFs. We believe that our expertise in product development combined with our regulatory exemptive relief provides a strategic advantage, enabling us to launch innovative ETFs that others may not be able to launch as quickly. For example, the top 10 ETF sponsors launched approximately 95 ETFs in 2011 of which we launched 3. We ranked third in terms of inflows into new ETFs gathering approximately 10% or \$723 million of net inflows.
- ***Extensive marketing, research and sales efforts.*** Since 2006, we have invested significant resources to establish the WisdomTree brand through targeted television, print and online advertising, as well as public relations efforts. The majority of our employees are dedicated to marketing, research and sales. Our sales professionals are the primary points of contact for financial advisors who use our ETFs. Their efforts are enhanced through value-added services provided by our research and marketing efforts. We have strong relationships with financial advisors at leading national brokerage firms, registered investment advisors and high net worth advisors. We believe the recent growth we have experienced by strategically aligning these advisor relationships and marketing campaigns with targeted research and sales initiatives differentiates us from our competitors and contributes to our strong inflows.
- ***Efficient business model with low risk profile*** We have invested heavily in the internal development of our core competencies with respect to product development, marketing, research and sales of ETFs. We outsource to third parties those services that are not our core competencies or may be resource or risk intensive, such as the portfolio management responsibilities and fund accounting operations of our ETFs. In addition, since we create our own indexes, we do not incur licensing costs and can therefore be more competitive in terms of the fees we charge for our index-based ETFs. We have already made substantial investments in our core competencies, and we expect to be able to leverage these existing capabilities across our business, positioning us to maintain both growth and profitability.

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- **Strong, seasoned and creative management team.** We have built a strong and dedicated senior leadership team. Most of our leadership team has significant ETF or financial services industry experience in fund operations, regulatory and compliance oversight, product development and management or marketing and communications. We believe our team, by developing an ETF sponsor from the ground up despite significant competitive, regulatory and operational barriers, has demonstrated an ability to innovate as well as recognize and respond to market opportunities and effectively execute our strategy.

### **Our Growth Strategies**

Our goal is to be among the top five U.S. sponsors in the ETF industry, where scale is a competitive advantage. In 2009, we were the eleventh largest ETF sponsor. We increased our AUM to become the eighth largest ETF sponsor in 2010 and today we are the seventh largest. We believe our continued execution will enable us to increase trading volumes and build longer performance track records, which should allow us to attract additional investors and, in turn, further grow our AUM. We will seek to increase our market share and build additional scale by continuing to implement the following growth strategies:

- **Increase penetration within existing distribution channels.** We believe there is an opportunity to increase our market share by further penetrating existing distribution channels and by cross-selling additional WisdomTree ETFs. In order to achieve these objectives, we intend to continue our strategy of targeted advertising and direct marketing, coupled with our research-focused sales support initiatives, to enhance product awareness and increase our market share of ETF net inflows. We have increased our share of ETF industry net inflows from 0.5% in 2008 to 3.4% in 2011, and we are focused on continuing this trend.
- **Launch innovative new products that diversify our product offerings and revenues.** We believe our track record has shown that we can create and sell innovative ETFs that meet market demand. We believe that continued launches of new products will strengthen our business by allowing us to realize additional inflows, maintain and grow our AUM and generate revenues across different market cycles as particular investment strategies move in and out of favor.
- **Expand internationally.** To date, our sales and marketing has been principally focused on the domestic U.S. market. However, since April 2010, 11 of our ETFs have been cross-listed in the special international section on the Mexican stock exchange, Bolsa Mexicana De Valores, where certain institutional investors trade foreign securities in Mexico. As ETFs are increasingly traded globally we believe that international expansion of our marketing, communication and sales strategies will provide significant new growth avenues. We are currently developing a plan for further international expansion, and have established an international fund company to capitalize on growth opportunities outside of the United States.
- **Selectively pursue acquisitions or partnerships.** We may pursue acquisitions or enter into partnerships or other commercial arrangements that will enable us to strengthen our current business, expand and diversify our product offering, increase our AUM or enter into new markets. We believe entering into partnerships or pursuing acquisitions is a cost-effective means of growing our business and AUM. For example, in 2007, we purchased certain assets and intellectual property from Treasury Equity, LLC which formed the basis for our currency ETFs. In addition, in 2008, we entered into a joint venture with Mellon Capital Management Corporation and The Dreyfus Corporation with respect to our currency and fixed income ETFs, which enabled us to bring these ETFs to market faster than would otherwise have been possible.

### **Regulatory Framework of the ETF Industry**

Not all exchange traded products, or ETPs, are ETFs. ETFs are a distinct type of security with features that are different than other ETPs. ETFs are open-end investment companies or unit investment trusts regulated



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by the Investment Company Act. This regulatory structure is designed to provide investor protection within a pooled investment product. For example, the Investment Company Act requires that at least 40% of the Trustees for each ETF may not be affiliated with the fund's investment manager ("Independent Trustees"). If the ETF seeks to rely on certain rules under the Investment Company Act, a majority of the Trustees for that ETF must be Independent Trustees. In addition, as discussed below, ETFs have received orders from the staff of the SEC which exempt them from certain provisions of the Investment Company Act; however, ETFs generally operate under regulations that prohibit affiliated transactions, are subject to standard pricing and valuation rules and have mandated compliance programs. ETPs can take a number of forms other than ETFs, including exchange traded notes, grantor trusts or limited partnerships. A key factor differentiating ETFs, grantor trusts and limited partnerships from exchange traded notes is that the former hold assets underlying the ETP. Exchange traded notes on the other hand are debt instruments issued by the exchange traded note sponsor. Also, each of these structures has implications for taxes, liquidity, tracking error and credit risk.

Because ETFs do not fit into the regulatory provisions governing mutual funds, ETF sponsors need to obtain from the SEC "exemptive relief" from certain provisions of the Investment Company Act in order to operate ETFs. This exemptive relief allows the ETF sponsor to bring products to market for the specific products or structures they have applied for. Applying for exemptive relief can be costly and take several months to several years depending on the type of exemptive relief sought.

## Our Products

Today, we offer a comprehensive family of 47 ETFs, which includes 34 international and domestic equity ETFs, seven currency income ETFs, four international fixed income ETFs and two alternative strategy ETFs. Currently, 46 of our ETFs are listed on NYSE Arca, a listing venue of NYSE Euronext, and one of our ETFs is listed on the NASDAQ Stock Market. Since April 2010, 11 of our ETFs have also been cross-listed in the special international section on the Mexican stock exchange, Bolsa Mexicana De Valores, where certain institutional investors trade foreign securities in Mexico.

The type and AUM for each of our ETFs are listed below as of January 27, 2012:

	<u>Number of Funds</u>	<u>Type</u>	<u>AUM (in millions)</u>
<i>Equity ETFs:</i>			
U.S. Equity ETFs	12	Index based	\$ 3,885
Emerging Markets Equity ETFs	4	Index based	4,358
International Developed Equity ETFs	14	Index based	2,368
International Sector Equity ETFs	4	Index based	209
<i>Currency ETFs</i>	7	Actively Managed	974
<i>International Fixed Income ETFs</i>	4	Actively Managed	1,575
<i>Alternative Strategy ETFs</i>	2	Actively Managed	239
Total	<u>47</u>		<u>\$ 13,608</u>

## Equity ETFs

We offer equity ETFs covering the U.S. and international developed and emerging markets. These ETFs offer access to the securities of large, mid and small-cap companies, companies located in the United States, developed markets and emerging markets, as well as companies in particular market sectors, including basic materials, energy, utilities and real estate. Our equity ETFs track our own fundamentally weighted indexes, as opposed to market capitalization weighted indexes, which assign more weight to stocks with the highest market capitalizations. These fundamentally weighted indexes focus on securities of companies that pay regular cash dividends or on securities of companies that have generated positive cumulative earnings over a certain period. We believe these factors, rather than market capitalization alone, can provide investors with better risk-adjusted returns over the long term.

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### *Currency ETFs*

We launched the industry's first currency ETFs in May 2008 using an actively managed strategy. We offer currency ETFs that provide investors with exposure to developed and emerging market currencies, including the Chinese Yuan, the Brazilian Real and the Japanese Yen. Currency ETFs invest in U.S. money market securities, forward currency contracts and swaps and seek to achieve the total returns reflective of both money market rates in selected countries available to foreign investors and changes to the value of these currencies relative to the U.S. dollar.

### *International Fixed Income ETFs*

In August 2010, we launched an ETF that invests predominantly in a broad range of local debt denominated in the currencies of emerging market countries and in March 2011, we launched an ETF that invests in local debt denominated in the currencies of Asia Pacific ex-Japan countries. In October 2011, we changed the investment objective of two currency ETFs, which further expanded our international fixed income product line. We intend to launch additional fixed income bond funds and broaden our product offerings in this category.

### *Alternative Strategy ETFs*

In January 2011, we launched the industry's first managed futures strategy ETF. This fund seeks to achieve positive returns in rising or falling markets that are not directly correlated to broad market equity or fixed income returns. In July 2011, we launched a global real return ETF. This fund seeks total returns (capital appreciation plus income) that exceed the rate of inflation over long-term investment horizons. This fund combines domestic and global inflation-linked bonds with disciplined commodity strategies and gold exposure. We also intend to explore additional alternative strategy products in the future.

### *Index Based ETFs*

Our equity ETFs seek to track our own fundamentally weighted indexes. Most of today's ETFs track market capitalization weighted indexes and most of these indexes are licensed from third parties by ETF sponsors. Market capitalization weighted ETFs assign more weight to stocks with the highest market capitalizations, which is a function of stock price. We believe this means that if a stock is overvalued, market capitalization weighted funds will give the overvalued stock greater weight as its price and market capitalization increase. The opposite is true if a stock is undervalued, as market capitalization weighted funds will give it less weight. Without a way to rebalance away from these stocks, we believe market capitalization weighted funds essentially hold more of a company's stock as its price is going up and less as the price of the company's stock is going down. In other words, we believe these funds buy high and sell low. Market history includes many points in time when stocks were overvalued, for example, the technology and dot-com bubble of the late 1990s. We believe this structural flaw can expose investors to potentially higher risks and lower returns.

To address the structural flaw of market capitalization-weighting, we developed fundamentally weighted indexes that weight companies by a measure of fundamental value instead of market capitalization using a rules-based methodology. After researching fundamental indicators of value, we believe the most effective metrics are cash dividends or earnings. Our research indicated that weighting by cash dividends or earnings provided investors with better risk adjusted returns than market capitalization weighted indexes. The rules-based methodology that we created weights companies in our index based on either dividends or earnings in order to magnify the effect that dividends or earnings play on the total return of the index. For example, in our typical U.S. based indexes under our rules-based methodology, we weight each company based on their projected cash dividends to be paid over the coming year over the sum of the projected cash dividends to be paid by all companies or we weight each company based on their previous annual earnings over the sum of the earnings by all companies in the index. Our funds are rebalanced annually and designed to reset back to an indicator of fundamental value—either cash dividends paid or earnings generated. All of our index based equity ETFs are

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based on this approach. We believe this fundamentally weighted approach offers better returns than comparable ETFs or mutual funds tracking market capitalization weighted indexes over the long-term.

We benchmark our fundamentally weighted indexes against traditional market capitalization-weighted indexes designed to track similar companies, sectors, regions or exposure. Using this approach, 85% of the \$9.4 billion invested in our 34 equity ETFs on December 31, 2011 were in funds that, since their respective inceptions, outperformed their market capitalization-weighted or competitive benchmarks through that date. Similarly, 26 of our 34 equity ETFs outperformed their market capitalization-weighted or competitive benchmarks over the same period. We believe this outperformance has been achieved primarily due to the weighting and selection of companies in our fundamentally weighted indexes using our rules-based methodology, rather than market capitalization-weighted indexes.

### ***Actively Managed ETFs***

In 2008, we obtained regulatory approval to launch actively managed ETFs, which are ETFs that are not based on an index but rather are actively managed with complete transparency of the ETF's portfolio on a daily basis. Currently, we are one of several ETF sponsors that have already received the necessary exemptive relief from the SEC to launch actively managed ETFs. This has enabled us to develop products not yet offered by other ETF sponsors. Our actively managed ETFs also include our currency ETFs and international fixed income ETFs.

The securities purchased and sold by our ETFs include U.S. and foreign equities, forward currency contracts and U.S. and foreign debt instruments. In addition, we enter into derivative transactions, in particular U.S. listed futures contracts, non-deliverable currency forward contracts, and total return swap agreements in order to gain exposure to commodities, foreign currencies, and interest rates. The exchanges these securities trade on include all the major exchanges worldwide.

### **Sales, Marketing and Research**

We distribute our ETFs through all major channels within the asset management industry, including brokerage firms, registered investment advisors, institutional investors, private wealth managers and discount brokers. We do not target our ETFs for sale directly to the retail segment but rather to the financial advisor who acts as the intermediary between the end-client and us. We do not pay commissions nor do we offer 12b-1 fees to financial advisors to use or recommend the use of our ETFs.

We have developed an extensive network and relationships with financial advisors and we believe our ETFs and related research are well structured to meet their needs and those of their clients. Our sales professionals act in a consultative role to provide the financial advisor with value-added services. We seek to consistently grow our network of financial advisors and we opportunistically seek to introduce new products that best deliver our investment strategies to investors through these distribution channels. We have our own team of 32 sales professionals located in the United States as of December 31, 2011.

In 2010, we entered into agreements with Advisors Asset Management, Inc. and Compass Group Holdings S.A. to serve as the external marketing agents for the WisdomTree ETFs in the U.S. independent broker-dealer channel and in Latin America, respectively. These arrangements expand our distribution capabilities to channels that we believe would otherwise be difficult to access in a cost-effective manner. Under these agreements, we pay these marketing agents a percentage of our advisory fee revenue based on incremental growth in assets under management in the respective sales channel. Since inception, we have incurred in total approximately \$0.4 million in expenses as of September 30, 2011 related to these marketing arrangements and we may enter into additional marketing agreements in the future. We do not expect this expense to be material in any fiscal period. We are currently evaluating our relationship with Advisors Asset Management and will likely terminate the arrangement and handle the function with our own sales force.

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Our marketing effort is focused on three objectives: (1) generating new clients and inflows to our ETFs; (2) retaining existing clients, with a focus on cross-selling additional WisdomTree ETFs; and (3) building brand awareness. We pursue these objectives through a multi-faceted marketing strategy targeted at financial advisors within the asset management industry. We utilize the following strategies:

- **Targeted advertising.** We create highly targeted multi-media advertising campaigns limited to established core financial media. For example, our television advertising runs exclusively on the cable networks, CNBC and Bloomberg Television; online advertising runs on ETF-specific web sites, such as [www.seekingalpha.com](http://www.seekingalpha.com) and [www.etfdbase.com](http://www.etfdbase.com); and print advertising runs in core financial publications, including Barron's and Institutional Investor.
- **Media relations.** We have a full time public relations director who has established relationships with the major financial media outlets including: the Wall Street Journal, Barron's, the Financial Times, Bloomberg, Reuters and USA Today. We utilize these relationships to help create awareness of the WisdomTree ETFs and the ETF industry in general. Key members of management, including our CEO, Jonathan Steinberg, our Chief Investment Strategist, Luciano Siracusano, our President and Chief Operating Officer, Bruce Lavine, and our Director of Research, Jeremy Schwartz, are frequent market commentators and conference panelists.
- **Direct marketing.** We have a database of financial advisors to which we regularly market through targeted and segmented communications, such as on-demand research presentations, ETF-specific or educational events and presentations, quarterly newsletters and market commentary from our senior investment strategy advisor, Professor Jeremy Siegel.
- **Sales support.** We create comprehensive marketing materials to support our sales process including whitepapers, research reports, investment ideas and performance data for all WisdomTree ETFs.

We will continue to evolve our marketing and communication efforts in response to changes in the ETF industry, market conditions and marketing trends.

Our research team has three core functions: index development and oversight, investment research and sales support. In its index development role, the research group is responsible for creating the investment methodologies and overseeing the maintenance of our indexes that WisdomTree's equity ETFs are designed to track. The team also provides a variety of investment research around these indexes and market segments. Our research is typically academic-type research to support our products, including white papers on the strategies underlying our indexes and ETFs, investment insight on current market trends, and types of investment strategies that drive long-term performance. We distribute our research through our sales professionals, online through our website, targeted emails to financial advisors, or through financial media outlets, including interviews on CNBC. On some occasions our research has been included in "op-ed" letters appearing in the Wall Street Journal. Finally, the research team supports our sales professionals in meetings as market experts and through custom reports. In addition, we often consult with our senior investment strategy advisor, Professor Jeremy Siegel, on product development ideas.

## **Competition**

The asset management industry is highly competitive and we face substantial competition in virtually all aspects of our business. Factors affecting our business include fees for our products, investment performance, brand recognition, business reputation, quality of service and the continuity of our financial advisor relationships. We compete directly with other ETF sponsors and mutual fund companies and indirectly against other investment management firms, insurance companies, banks, brokerage firms and other financial institutions that offer products that have similar features and investment objectives to those offered by us. The vast majority of the firms we compete with are subsidiaries of large diversified financial companies and many others are much

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larger in terms of AUM, years in operations and revenues and, accordingly, have much larger sales organizations and budgets. In addition, these larger competitors may attract business through means that are not available to us, including retail bank offices, investment banking, insurance agencies and broker-dealers.

Recently, our competitors, Vanguard, Charles Schwab, iShares and FocusShares (through Scottrade Inc.), became engaged in significant price competition by lowering fees charged for ETFs offering similar investment strategies and waiving trading commissions. These ETFs typically track broad based market capitalization-weighted equity indexes or, with respect to iShares, are related to gold. We do compete against these firms for similar related equity strategies; however, as described above, our indexes are fundamentally weighted, not market capitalization-weighted. An index developer has created a series of fundamentally weighted indexes similar to ours which may be licensed by a competitor of ours. Some of our competitors have launched or will be launching fundamentally weighted ETFs of their own. Both the indexer and our competitors are using indexes with different fundamental weighting than our approach. If price competition intensifies or we begin to compete with other ETF sponsors using a fundamentally weighted approach at a lower price than ours, we may be required to reduce the advisory fees we charge in order to compete.

In 2008, the SEC announced a proposal to allow ETFs to form and operate without the need to obtain exemptive relief. This proposed rule has not yet been adopted and we do not know if or when it may be adopted. In addition, in March 2010, the SEC announced it would defer approval of applications for exemptive relief for ETFs that make significant use of derivatives pending a review by the SEC of the use of derivatives by mutual funds, ETFs and other investment companies. This moratorium may serve to prevent potential competitors from directly competing with certain of our products until this moratorium is lifted. Removing the time barrier and expense needed to obtain exemptive relief may bring additional competitors into the marketplace.

We believe our ability to successfully compete will be based on our competitive fee structure and our ability to achieve consistently strong investment performance, develop distribution relationships, create new investment products, offer a diverse platform of investment choices and attract and retain talented sales professionals and other employees.

### **Regulation**

The investment management industry is subject to extensive regulation and virtually all aspects of our business are subject to various federal and state laws and regulations. These laws and regulations are primarily intended to protect investment advisory clients and shareholders of registered investment companies. These laws generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the conduct of our business and to impose sanctions for failure to comply with these laws and regulations. Further, such laws and regulations may provide the basis for litigation that may also result in significant costs to us.

We are currently subject to the following laws and regulations, among others. The costs of complying with such laws and regulations have increased and will continue to contribute to the costs of doing business:

- ***The Investment Advisers Act of 1940***—The SEC is the federal agency generally responsible for administering the U.S. federal securities laws. Our subsidiary, WTAM, is registered as an investment adviser under the Investment Advisers Act and, as such, is regulated by the SEC. The Investment Advisers Act requires registered investment advisers to comply with numerous and broad obligations, including, among others, recordkeeping requirements, operational procedures, registration and reporting and disclosure obligations.
- ***The Investment Company Act of 1940***—The WisdomTree ETFs are registered with the SEC pursuant to the Investment Company Act. The WisdomTree ETFs must comply with the requirements of the Investment Company Act and related regulations, as well as conditions imposed in the exemptive orders received by the ETFs, including, among others, requirements relating to operations, fees charged, sales, accounting, recordkeeping, disclosure and governance.

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- **Broker-Dealer Regulations**—Although we are not registered with the SEC as a broker-dealer under the Securities Exchange Act of 1934, as amended, nor are we a member firm of the Financial Industry Regulatory Authority, or FINRA, many of our employees, including all of our salespersons, are licensed with FINRA and are registered as associated persons of the distributor of the WisdomTree ETFs and, as such, are subject to the regulations of FINRA that relate to licensing, continuing education requirements and sales practices. FINRA also regulates the content of our marketing and sales material.
- **Internal Revenue Code**—WisdomTree Trust generally has obligations with respect to the qualification of the registered investment company for pass-through tax treatment under the Internal Revenue Code.

Because ETFs do not fit into the regulatory provisions governing mutual funds, ETF sponsors need to obtain from the SEC “exemptive relief” from certain provisions of the Investment Company Act in order to operate ETFs. This exemptive relief allows the ETF sponsor to bring products to market for the specific products or structures they have applied for. Applying for exemptive relief can be costly and take several months to several years depending on the type of exemptive relief sought.

In August 2011, the SEC published a concept release and request for comments on a wide range of issues relating to the use of derivatives by investment companies regulated under the Investment Company Act, including ETFs. The purpose of the release is to assist in the SEC’s evaluation of whether the current regulatory framework, as it applies to a fund’s use of derivatives, continues to further the policies underlying the Investment Company Act and is consistent with investor protection. While we cannot predict what new or modified regulations may be adopted as a result of the SEC’s review, it is possible that new or modified regulations could adversely affect our ability to use derivatives for certain of our products.

FINRA rules and guidance may affect how WisdomTree ETFs are sold by member firms. Although WisdomTree does not offer so-called leveraged ETFs, which may include within their holdings derivative instruments such as options futures or swaps, recent FINRA guidance on margin requirements and suitability determinations with respect to customers trading in leveraged ETFs may influence how member firms effect sales of certain WisdomTree ETFs, such as currency ETFs, which also use some forms of derivatives, including forward currency contracts and swaps.

Finally, our common stock is traded on the NASDAQ Global Market and we are therefore also subject to their rules including corporate governance listing standards. In addition, the WisdomTree ETFs are listed on NYSE Arca or the NASDAQ Market, and accordingly are subject to the listing requirements of those exchanges.

### **Property**

Our principal executive office is located at 380 Madison Ave, New York, New York 10017. We occupy approximately 20,000 square feet of office space under a lease that expires in March 2014. We have sub-leased a portion of our office space to a third party until March 2012 after which time we will occupy the sub-leased space. We believe that the space we lease is sufficient to meet our current and near term needs.

### **Intellectual Property**

We regard our name, WisdomTree, as material to our business and have registered WisdomTree® as a service mark with the U.S. Patent and Trademark Office and in various foreign jurisdictions.

Our index-based equity ETFs are based on our own indexes and we do not license them from, nor do we pay licensing fees to, third parties for these indexes.

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We have three patent applications pending with the U.S. Patent and Trademark office that relate to the operation of our ETFs and our index methodology. There is no assurance that patents will be issued from these applications and we do not rely upon future patents for a competitive advantage.

### **Employees**

As of December 31, 2011, we had 65 full-time employees. Of these employees, 32 are engaged in our sales function with the remainder providing managerial, finance, marketing, legal, regulatory compliance, operations and research functions. None of our employees are covered by a collective bargaining agreement and we consider our relations with employees to be good.

### **Legal Proceedings**

As an investment advisor, we may be subject to routine reviews and inspections by the SEC, as well as legal proceedings arising in the ordinary course of business.

On December 1, 2011, Research Affiliates, LLC filed a complaint in the United States District Court for the Central District of California, (Research Affiliates, LLC v. WisdomTree Investments, Inc., et. al., Case No. SACV11-01846 DOC (ANx)), naming us and our subsidiaries, as well as WisdomTree Trust, Mellon Capital Management Corporation and ALPS Distributors, Inc., as defendants. In the complaint, plaintiff alleges that the fundamentally weighted investment methodology we employ for the exchange traded funds using our indexes infringes three of plaintiff's patents and seeks both unspecified monetary damages to be determined and an injunction to prevent further infringement. We filed our answer to the complaint on January 17, 2012 and believe we have strong defenses to this lawsuit based on our belief that (i) we do not practice the indexing methods as claimed in the asserted patents because, for example, the factors we use to select assets included in the ETFs accused of infringement include market capitalization and the price of the assets, and thus fall outside the scope of the asserted patents, which generally provide that selection of the assets to be used for creation of the index must be based upon factors that are sufficiently independent of market capitalization; and (ii) the patents should be declared invalid because, among other reasons, there is ample evidence that the concept of fundamentals based indexing was widely known and in commercial use by asset managers and index providers well before the patent applications at issue were filed by plaintiff. For example, in support of our defenses that the asserted patents are invalid, we intend to present evidence that as far back as the early 1990s, Robert Jones at Goldman Sachs managed an earnings weighted index fund. As another example, we intend to present evidence that Dow Jones launched a dividend weighted stock index in 2003. These examples support our view that the asserted patents are invalid at least because earlier publications and activities of investment professionals anticipated or made obvious plaintiff's alleged inventions. We therefore intend to vigorously defend against plaintiff's claims.

While at this early stage of the proceedings it is not possible to determine the probability of any outcome or probability or amount of any loss, we are confident in the merits of our position. However, in the event of an unfavorable outcome, we may be required to pay monetary damages and/or, if we cannot change our indexes in a manner that does not infringe on the patents, future licensing fees or comply with injunctions, which could have an adverse effect on our business, financial condition and cash flows and the price of our common stock. See "Risk Factors—Risks Related to Our Business and Industry—We are currently, and may from time to time be, subject to claims of infringement of third-party intellectual property rights, which could harm our business." In addition, we are currently covered by a relatively small number of equity research analysts, some of whom may have a view on the merits or impact of this litigation that differs from ours. Any unfavorable commentary by analysts may have an adverse effect on the price and trading volume of our common stock.

Other than disclosed above, we are not currently party to any litigation or other legal proceedings that are expected to have a material impact on our business, financial position or results of operations.

**MANAGEMENT**

**Directors and Executive Officers**

The names, ages and positions of each of our directors and executive officers as of December 31, 2011 are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Jonathan L. Steinberg	47	Chief Executive Officer and Director
Bruce I. Lavine	45	President, Chief Operating Officer and Director
Amit Muni	42	Executive Vice President—Finance and Chief Financial Officer
Luciano Siracusano, III	46	Executive Vice President—Director of Sales and Chief Investment Strategist
Peter M. Ziemba	54	Executive Vice President—Business and Legal Affairs and Chief Legal Officer
Michael Steinhardt(2)(3)	71	Non-Executive Chairman of the Board
Steven L. Begleiter	49	Director
Anthony Bossone(1)	40	Director
R. Jarrett Lilien(1)(2)(3)	49	Director
James D. Robinson, IV(3)	49	Director
Frank Salerno(1)(2)(4)	52	Director

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee
- (3) Member of the Nominating Committee
- (4) Lead Independent Director

The following paragraphs provide information, as of the date of this prospectus, about our directors and executive officers. The information presented includes information about each of our directors' specific experience, qualifications, attributes or skills that led to the conclusion that he should serve as a director.

*Jonathan L. Steinberg* founded our Company and has served as our Chief Executive Officer since October 1988. He has been a member of our Board of Directors since October 1988, serving as Chairman of the Board of Directors from October 1988 to November 2004. He also served as Editor-in-Chief of Individual Investor and Ticker magazines, two magazines formerly published by our Company. Mr. Steinberg, together with Mr. Siracusano, was responsible for the creation and development of our proprietary index methodology. Prior to founding WisdomTree, Mr. Steinberg was employed as an analyst in the Mergers and Acquisitions Department of Bear Stearns & Co. Inc., an investment banking firm, from 1986 to 1988. Mr. Steinberg is the author of Midas Investing, published by Times Books, a division of Random House, Inc. He attended The Wharton School of Business at the University of Pennsylvania. We believe Mr. Steinberg's qualifications to serve on the Board of Directors include his extensive knowledge of our business, his experience in founding and developing our fundamentally weighted index methodology, as well as his corporate and strategic vision, which provide strategic guidance to the board. As our Chief Executive Officer, Mr. Steinberg provides essential insight and guidance to the board from a management perspective.

*Bruce I. Lavine* has served as our President and Chief Operating Officer since May 2006 and has been a member of our Board of Directors since January 2007. From 1998 to 2006, he was employed by Barclays Global Investors, an asset management firm, in the following positions: from 1998 to 1999, he served as Director, Financial Planning, Global Finance; from 1999 to 2003, he served as Chief Financial Officer, Director of New Product Development, U.S. iShares and Individual Investor Business; and from 2003 to May 2006 he served as Head of iShares Exchange Traded Funds, Europe. From 1995 to 1998, Mr. Lavine served as the Manager of Business Planning at Sequel, Inc., a computer hardware services company. From 1991 to 1994, Mr. Lavine was



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employed by Bristol-Myers Squibb Company, a pharmaceutical company, first as a financial associate and then as a senior treasury analyst. Mr. Lavine received a B.S. with distinction in Commerce and an M.B.A. in Finance from the University of Virginia. Mr. Lavine is a Chartered Financial Analyst. We believe Mr. Lavine's qualifications to serve on the Board of Directors include his many years of experience in senior management positions in the ETF industry and extensive knowledge of our business. As our President and Chief Operating Officer, Mr. Lavine provides essential insight and guidance to the board on the ETF industry and, from a management perspective, our day-to-day operations.

*Amit Muni* has served as our Executive Vice President–Finance and Chief Financial Officer since March 2008. Prior to joining our Company, Mr. Muni served as Controller and Chief Accounting Officer of International Securities Exchange Holdings, Inc., an electronic options exchange, from 2003 until March 2008. Mr. Muni was Vice President, Finance, of Instinet Group Incorporated, an electronic agency broker-dealer, from 2000 to 2003. From 1996 until 2000, Mr. Muni was employed as a Manager of the Financial Services Industry Practice of PricewaterhouseCoopers LLP, an accounting firm. From 1991 until 1996, Mr. Muni was an accountant and a senior auditor for National Securities Clearing Corporation, a firm that provides centralized clearing, information and settlement services to the financial industry. Mr. Muni received a B.B.A. in Accounting from Pace University and is a Certified Public Accountant.

*Luciano Siracusano, III* has served as our Executive Vice President–Director of Sales and Chief Investment Strategist since March 2011. From October 2008 to March 2011, Mr. Siracusano served as our Director of Sales and Chief Investment Strategist. Prior to serving in those positions, Mr. Siracusano served as our Director of Research from 2001 until October 2008, and as a research analyst and editor of our various media publications from 1999 until 2001. Mr. Siracusano, together with Mr. Steinberg, was responsible for the creation and development of our fundamentally weighted index methodology. Prior to joining our Company in 1999, Mr. Siracusano was an Equity Analyst at Value Line, Inc., an investment research firm, from 1998 to 1999. Preceding his career in finance, Mr. Siracusano served as Special Assistant to HUD Secretary Henry Cisneros and as a Special Assistant to New York Governor Mario Cuomo. Mr. Siracusano received his B.A. in Political Science from Columbia University.

*Peter M. Ziemba* has served as our Executive Vice President–Business and Legal Affairs since January 2008 and Chief Legal Officer since March 2011. From April 2007 to March 2011, Mr. Ziemba served as our General Counsel. Prior to joining our Company, Mr. Ziemba was a partner in the Corporate and Securities department of Graubard Miller, which served as our primary corporate counsel, from 1991 to 2007, and was employed as an associate at that firm beginning in 1982. Mr. Ziemba received his B.A. in History with university honors from Binghamton University and his J.D. *cum laude* from Benjamin N. Cardozo School of Law. Mr. Ziemba served as a director of our Company from 1996 to 2003.

*Michael Steinhardt* has served as our non-executive Chairman of the Board since November 2004. From 1967 through 1995, Mr. Steinhardt served as Senior Managing Partner of Steinhardt Partners, L.P., a private investment company, and related investment entities. In 1995, Mr. Steinhardt closed Steinhardt Partners and eliminated his involvement in managing client assets. He founded and now serves as President of Steinhardt Management Co., Inc., which currently manages a single private investment fund investing in other funds managed by independent investment managers. Mr. Steinhardt currently devotes most of his time and financial resources to Jewish philanthropic causes, directed through The Steinhardt Foundation for Jewish Life for which he serves as Chairman. Mr. Steinhardt is the co-founder of Birthright Israel and he serves on its Board of Trustees and is a major supporter. He also serves as Co-Chair of the Areivim Philanthropic Group. He also serves on the Board of Trustees of New York University, Brandeis University and the Steinhardt Family Foundation and on the Board of Directors of the Taub Center for Social Policy Studies in Israel. Mr. Steinhardt received his B.S. in Economics from The Wharton School of Business of the University of Pennsylvania. We believe Mr. Steinhardt's qualifications to serve on the Board of Directors include his extensive years of experience as a founder of a private investment management company. The board also benefits from his perspective and knowledge of financial markets as well as his strategic vision. On January 6, 2012, the Court of Chancery of the State of Delaware issued an opinion imposing sanctions on the chairman of our Board of Directors, Mr. Steinhardt, which require him, among other things, to self-

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report certain trading activity not involving the Company's securities to the SEC. Mr. Steinhardt's actions did not involve the Company. For more details, see the section entitled "Management—Involvement in Certain Legal Proceedings."

*Steven L. Begleiter* has served as a member of our Board of Directors since February 2011. Mr. Begleiter has served as Senior Principal at Flexpoint Ford, LLC, a private equity group focused on investments in financial services and healthcare, since October 2008. Prior to joining Flexpoint Ford, Mr. Begleiter spent 24 years at Bear Stearns & Co., serving first as an investment banker in the Financial Institutions Group and then as Senior Managing Director and member of its Management and Compensation Committee from 2002 to September 2008. Mr. Begleiter also served as head of Bear Stearns' Corporate Strategy Group. Mr. Begleiter received his B.A. in Economics with honors from Haverford College. We believe Mr. Begleiter's qualifications to serve on the Board of Directors include his many years of experience in leadership positions in the financial services industry as well as his private equity experience. The board also benefits from his extensive industry knowledge and perspectives on capital formation.

*Anthony Bossone* has served as a member of our Board of Directors since January 2009. Since 2003 Mr. Bossone has been the Chief Financial Officer of Atlantic-Pacific Capital, Inc., a broker-dealer and global placement agent dedicated to raising capital for alternative investment funds. From 2001 to 2003, Mr. Bossone was the Assistant Controller at SAC Capital Advisors, LLC, a hedge fund advisory firm, and from 1999 until 2001, Mr. Bossone served as an equity trader at Schonfeld Securities, LLC, a securities trading firm. Mr. Bossone began his career at PricewaterhouseCoopers LLP in 1993 where he was an audit manager until 1999. Mr. Bossone received his B.S. in Business and Economics with highest honors from Lehigh University and is a Certified Public Accountant. We believe Mr. Bossone's qualifications to serve on the Board of Directors include his financial and accounting expertise. The board also benefits from his experience as an equity trader.

*R. Jarrett Lilien* has served as a member of our Board of Directors since November 2008. Since January 2009, Mr. Lilien has served as Managing Partner of Bendigo Partners, a private equity and consulting firm focused on technology-enabled financial service companies, which he co-founded. Between 1999 and May 2008, Mr. Lilien was employed by E\*Trade Financial Corporation, a brokerage and financial services firm, holding various positions including President and Chief Operating Officer, from 2003 to May 2008, and Acting Chief Executive Officer, from November 2007 until March 2008. Prior to his service at E\*Trade, Mr. Lilien was Chief Executive Officer of TIR Securities, a global institutional brokerage firm that he co-founded in 1989 and which was later sold to E\*Trade. Prior to TIR Securities, Mr. Lilien held various positions at Paine Webber and Autranet, Inc., a division of Donaldson, Lufkin & Jenrette, Inc., both brokerage and financial service firms. Mr. Lilien currently serves as President of the Jazz Foundation of America and is on the Board of Directors of Baryshnikov Arts Center and on the Advisory Board of WFUV FM Radio. Mr. Lilien received his B.A. in Economics from the University of Vermont. We believe Mr. Lilien's qualifications to serve on the Board of Directors include his experience in founding and building financial services companies. The board also benefits from his extensive leadership experience and his ability to provide strategic guidance.

*James D. Robinson, IV* has served as a member of our Board of Directors since November 2004. Mr. Robinson is a Managing Partner of RRE Ventures, LLC, a venture capital firm primarily focused on technology companies, which he co-founded in 1994. From 1992 to 1994 Mr. Robinson was employed by Hambrecht & Quist Venture Capital, a venture capital firm, where he served as a General Partner for several investment funds for the firm. From 1986 to 1992, he was employed by JP Morgan & Company, where he worked on technology-related assignments, first within the Global Exposure Management group building risk management systems, and later as an investment banker in the Corporate Finance group focused on technology and communications companies. Mr. Robinson serves on the Board of Directors of numerous companies held in the investment portfolios of the RRE Ventures-affiliated funds. Mr. Robinson received a B.A. with a double degree in Computer Science and Business Administration from Antioch College and an M.B.A. from Harvard University. We believe Mr. Robinson's qualifications to serve on the Board of Directors include his experience in building and financing companies from earliest stages of growth. In addition, Mr. Robinson's venture capital experience as well as his insights into capital formation enable him to provide the board with valuable strategic advice.

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*Frank Salerno* has served as a member of our Board of Directors since July 2005. From July 1999 until his retirement in February 2004, Mr. Salerno was Managing Director and Chief Operating Officer of Merrill Lynch Investment Advisors—Americas Institutional Division, an investment advisory company. Before joining Merrill Lynch, Mr. Salerno spent 18 years with Bankers Trust Company in various positions. In 1990, he assumed responsibility for Bankers Trust's domestic index management business and in 1995 he became Chief Investment Officer for its Structured Investment Management Group. Mr. Salerno received a B.S. in Economics from Syracuse University and an M.B.A. in Finance from New York University. Mr. Salerno served as a director and member of the audit committee and conflicts committee of K-Sea Transportation Partners, L.P., formerly a NYSE-listed company, from 2004 until its acquisition in 2011. We believe Mr. Salerno's qualifications to serve on the Board of Directors include his extensive years in senior management positions at large asset management firms as well as his service on the board of directors of another public company. The board also benefits from his strategic insights on the asset management industry.

### **Board Composition**

Our Board of Directors currently consists of eight members. Certain of our directors were elected pursuant to board composition provisions of our stockholders agreement, which is described in the section entitled "Certain Relationships and Related Party Transactions—Stockholders Agreement." These board composition provisions terminated upon our common stock being listed on the NASDAQ Global Market on July 26, 2011 and there are no further contractual obligations regarding the election of our directors. Our nominating committee and Board of Directors may therefore consider a broad range of factors relating to the qualifications and background of nominees. We have no formal policy regarding board diversity. Our nominating committee's and Board of Directors' priority in selecting board members is identification of persons who will further the interests of our stockholders through his or her established record of professional accomplishment, the ability to contribute positively to the collaborative culture among board members, and professional and personal experiences and expertise relevant to our growth strategy.

Our Board of Directors is divided into three staggered classes of directors of the same or nearly the same number. At each annual meeting of the stockholders, a class of directors will be elected for a three year term to succeed the directors of the same class whose terms are then expiring. The terms of the directors will expire upon the election and qualification of successor directors at the annual meeting of stockholders to be held in 2012 for Class I directors, 2013 for Class II directors and 2014 for Class III directors.

- Our Class I directors are Michael Steinhardt, Anthony Bossone and Bruce Lavine.
- Our Class II directors are James D. Robinson, IV and Steven Begleiter.
- Our Class III directors are Frank Salerno, R. Jarrett Lilien and Jonathan Steinberg.

Our amended and restated certificate of incorporation and amended and restated by-laws provide that the number of our directors shall be fixed from time to time by a resolution of the majority of our Board of Directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class shall consist of one third of the Board of Directors. The division of our Board of Directors into three classes with staggered three-year terms may delay or prevent stockholder efforts to effect a change of our management or a change in control.

### **Board Leadership Structure and Board's Role in Risk Oversight**

The positions of chairman of the board and chief executive officer are separated. We believe that separating these positions allows our chief executive officer to focus on our day-to-day business, while allowing the chairman of the board to lead the Board of Directors in its fundamental role of providing advice to and independent

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oversight of management. Our Board of Directors recognizes the time, effort and energy that the chief executive officer is required to devote to his position in the current business environment, as well as the commitment required to serve as our chairman, particularly as the Board of Directors' oversight responsibilities continue to grow. While our by-laws and corporate governance guidelines do not require that our chairman and chief executive officer positions be separate, our Board of Directors believes that having separate positions is the appropriate leadership structure for us at this time and demonstrates our commitment to good corporate governance.

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including risks relating to our operations, strategic direction and intellectual property as more fully discussed under "Risk Factors" in this prospectus. Management is responsible for the day-to-day management of the risks we face, while our Board of Directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, our Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

The Board of Directors' role in overseeing the management of our risks is conducted primarily through committees of the Board of Directors, as disclosed in the descriptions of each of the committees below and in the charters of each of the committees. The full Board of Directors (or the appropriate board committee in the case of risks that are under the purview of a particular committee) discusses with management our major risk exposures, their potential impact on our Company and the steps we take to manage them. When a board committee is responsible for evaluating and overseeing the management of a particular risk or risks, the chairman of the relevant committee reports on the discussion to the full Board of Directors during the committee reports portion of the next board meeting. This enables our Board of Directors and its committees to coordinate the risk oversight role, particularly with respect to risk interrelationships.

### **Board Independence**

NASDAQ rules require listed companies to have a board of directors with at least a majority of independent directors. Our Board of Directors has determined that six of our eight directors are independent under the listing standards of the NASDAQ Stock Market. The members determined to be independent are Messrs. Begleiter, Bossone, Lilien, Robinson, Salerno and Steinhardt.

### **Lead Independent Director**

In 2008, our Board of Directors determined that it would be good corporate practice to designate one of our independent directors as Lead Independent Director. Mr. Salerno has held this designation since the position was established. The duties of our Lead Independent Director are as follows:

- serve as the intra-meeting liaison between (i) our Board of Directors and management, and (ii) amongst the independent directors;
- serve as an ex-officio, non-voting member of each standing committee (of which he is not a member) of our Board or Directors;
- ensure that appropriate reports and information are circulated to the independent directors on a timely basis by management and others;
- lead our Board of Directors in the process of periodic reviews of the performance of the Chief Executive Officer, as well as in discussions regarding the Chief Executive Officer's reports on senior management performance and management succession issues and plans;
- chair meetings of the independent directors if the chairman is not present; and
- perform such other appropriate duties as the independent directors shall assign to him or her from time to time.

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### **Senior Advisor to the Board of Directors**

Since 2004, Professor Jeremy J. Siegel has served as senior investment strategy advisor to our Company and our Board of Directors. In this position, Professor Siegel provides us with various services, including advice on market trends and financial products; participating in webinars, conference calls, seminars, speaking engagements and one-on-one meetings with persons interested in WisdomTree products; written market commentary for our newsletters and website; and general advice to senior management and our Board of Directors on our business.

Jeremy Siegel is the Russell E. Palmer Professor of Finance at The Wharton School at the University of Pennsylvania. He graduated from Columbia University and received his Ph.D. in Economics from the Massachusetts Institute of Technology, and spent one year as a National Science Foundation Post-Doctoral Fellow at Harvard University. Prof. Siegel taught for four years at the Graduate School of Business of the University of Chicago before joining the Wharton faculty in 1976. Professor Siegel has written and lectured extensively about the economy and financial markets and has appeared frequently on CNN, CNBC, NPR and other networks. He is a regular columnist for Kiplinger's and Yahoo! Finance and contributor to national and international news media, including The Wall Street Journal, Barron's and The Financial Times. He has also authored numerous professional articles and three books. His bestselling, "Stocks for the Long Run," first published in 1994 and now in its third edition, was named as one of the ten-best investment books of all time by both the Washington Post and Business Week. His most recent book, "The Future for Investors: Why the Tried and the True Triumph over the Bold and New" was named one of the best business books published in 2005 by Business Week, The Financial Times and Barron's.

### **Committees of Our Board of Directors**

Our Board of Directors has established an audit committee, a compensation committee and a nominating committee, each of which operates pursuant to a charter adopted by our Board of Directors. Membership on each committee is limited to independent directors as defined under the listing standards of the NASDAQ Stock Market. In addition, members of the Audit Committee must also meet the independence standards for audit committee members adopted by the SEC.

*Audit Committee.* Messrs. Bossone, Lilien and Salerno currently serve on the audit committee, which is chaired by Mr. Salerno. Our Board of Directors has determined that each member is an "audit committee financial expert," as defined under the applicable rules of the SEC. The audit committee's responsibilities include:

- overseeing the accounting and financial reporting processes of the Company and the audits of the Company's financial statements;
- approving auditing and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- establishing policies and procedures for the receipt and retention of accounting-related complaints and concerns;
- monitoring, reporting to and reviewing with the Board of Directors regarding the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters;
- reviewing all related person transactions for potential conflict of interest situations and approving all such transactions; and
- taking, or recommending that the Board of Directors take, appropriate action to oversee the qualifications, independence and performance of the Company's independent auditor.

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*Compensation Committee.* Messrs. Steinhardt, Lilien and Salerno currently serve on the compensation committee, which is chaired by Mr. Salerno. The compensation committee's responsibilities include:

- overseeing the administration of the Company's compensation programs;
- determining and approving the compensation of the Company's Chief Executive Officer;
- approving the compensation of the non-CEO executive officers and certain other senior employees; and
- approving all discretionary bonuses for the Company's employees, advisers and consultants.

*Nominating and Corporate Governance Committee.* Messrs. Steinhardt, Lilien and Robinson currently serve on the nominating and corporate governance committee, which is chaired by Mr. Steinhardt. The nominating and corporate governance committee's responsibilities include:

- recommending criteria and qualifications for board and committee membership;
- recruiting and evaluating candidates for nomination for election to the Board of Directors or to fill vacancies on the Board of Directors;
- recommending that the Board of Directors select the director nominees for election at each annual meeting of stockholders;
- establishing a policy with regard to the consideration of director candidates recommended by stockholders; and
- reviewing all stockholder nominations and proposals submitted to the Company.

Our Board of Directors may from time to time establish other committees.

### **Compensation Committee Interlocks and Insider Participation**

During 2011, none of our executive officers served as: (i) a member of the Compensation Committee (or other committee of the Board of Directors performing equivalent functions or, in the absence of any such committee, the entire Board of Directors) of another entity, one of whose executive officers served on our Board of Directors; or (ii) a director of another entity, one of whose executive officers served on our Board of Directors.

### **Involvement in Certain Legal Proceedings**

The Chairman of our Board of Directors and beneficial owner of approximately 29.9% of our common stock (and of approximately 26.3% of our common stock after this offering), Michael Steinhardt, was the plaintiff in a civil class action filed in the Court of Chancery of the State of Delaware, in a case entitled Michael Steinhardt, Herbert Chen, Derek Sheeler, Steinhardt Overseas Management, L.P., and Ilex Partners, L.L.C., v. Robert Howard-Anderson, Steven Krausz, Robert Abbott, Robert Bylin, Thomas Pardun, Brian Strom, Albert Moyer, and Occam Networks, Inc., C.A. No. 5878-VCL. Occam Networks, Inc., was a publicly traded Delaware corporation that announced on September 16, 2010, that it had entered into a merger agreement with Calix, Inc., another publicly traded company in the telecommunications equipment industry. Plaintiffs, Occam shareholders, filed the class action challenging the merger. As part of these proceedings, the court entered a confidentiality order to protect the non-public information that would be exchanged in discovery. This order contained both a general requirement that non-public information produced in the action be used solely for purposes of the litigation and a specific restriction against purchasing, selling, or otherwise trading in the securities of Occam or

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Calix on the basis of such information. Beginning on December 28, 2010, Mr. Steinhardt began short-selling Calix stock as a way to exit his Occam position. The defendants filed a motion for sanctions on the basis that Delaware law prohibits plaintiff-fiduciaries from trading stock while they are in possession of non-public information they obtained in discovery. After conducting an evidentiary hearing, the court granted the defendants' motion for sanctions with respect to Mr. Steinhardt and his affiliated funds on January 6, 2012. The court dismissed Mr. Steinhardt and his affiliated funds from the case with prejudice, barred them from receiving any future recovery in the lawsuit, required them to self-report their trading activities to the SEC and disclose it in any future application to serve as lead plaintiff, and ordered them to disgorge profits of over \$530,000.

Mr. Steinhardt's actions did not involve the Company or trading in the Company's securities and, based on the facts currently known, which we are continuing to review, we do not believe Mr. Steinhardt's actions will have a material impact on our business, although there can be no assurance that this will be the case or that these matters, and any investigation by the SEC, NASDAQ and/or other authorities or any actions that result from these matters, will not have an adverse effect on our reputation or the price of our common stock. Investigations or actions by the SEC, NASDAQ and/or other authorities or our Board's determination that Mr. Steinhardt violated our internal policies may also affect, among other things, Mr. Steinhardt's continued tenure on our Board of Directors.

### **Corporate Governance**

We have adopted a code of conduct that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. Our code of conduct is available on our website at [www.wisdomtree.com](http://www.wisdomtree.com). We intend to disclose any amendments to this code, or any waivers of its requirements, on our website.

## EXECUTIVE AND DIRECTOR COMPENSATION

### Compensation Discussion and Analysis

#### *Overview*

This Compensation Discussion and Analysis provides comprehensive information regarding our compensation programs and policies for our named executive officers, who consist of:

- Jonathan Steinberg, our Chief Executive Officer (“CEO”);
- Bruce Lavine, our President and Chief Operating Officer (“COO”);
- Amit Muni, our Chief Financial Officer (“CFO”);
- Luciano Siracusano, our Chief Investment Strategist (“CIS”); and
- Peter Ziemba, our Chief Legal Officer (“CLO”).

We provide what we believe is a competitive total compensation opportunity for our executive management team through a combination of base salary, cash incentive bonuses, equity compensation and broad-based benefits programs. This Compensation Discussion and Analysis explains the following:

- our compensation philosophy and objectives;
- our executive compensation process, including the role of our Compensation Committee and management; and
- our policies, practices, and actions with respect to each compensation element.

Included in each description will be the rationale for compensation decisions made for the 2011 fiscal year with respect to our executive officers.

#### *Our Compensation Philosophy and Objectives*

Our compensation philosophy and objectives are primarily shaped by strategies to achieve our long-term goals within the business environment in which we operate. We operate in an intensively competitive and challenging business environment and we expect competition to continue and intensify. We directly compete with numerous other ETF sponsors and indirectly compete with other larger and multi-national traditional asset management companies. We compete on a number of factors including the breadth and depth of our product offering as well as the investment performance and fees of our ETFs. We believe our long-term success depends on our ability to:

- continue to innovate and introduce new ETFs to the marketplace;
- grow our market share of industry inflows to become one of the top five ETF sponsors in the United States; and
- continue to leverage our existing product offering.

A key component of our long-term success is our ability to employ the industry’s most talented, professional and dedicated people at all levels within the Company.



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The primary objectives of our compensation program are as follows:

- attract, retain, and motivate our professional, dedicated, and expert employees in the highly competitive asset management industry;
- reward and retain employees whose knowledge, skills and performance are critical to our continued success;
- align the interest of all our employees with those of our stockholders by motivating them to increase stockholder value; and
- motivate our executives to manage our business to meet short-term and long-term objectives and reward them appropriately for meeting or exceeding them.

The following principles guide our compensation programs:

- ***Pay-for-performance***—Our compensation programs are designed to reward our employees for their individual performance as well as our Company’s performance. If our employee is a top-tier performer, he or she should receive higher rewards. Likewise, where individual performance falls short of expectations and/or our Company’s financial performance declines, the programs should deliver lower levels of compensation. In addition, the objectives of pay-for performance and retention must be balanced. Even in periods of temporary downturns in our Company’s performance, our programs should continue to ensure that our successful, high-achieving employees will remain motivated and committed to us.
- ***Every employee should be a stakeholder aligned with our stockholders***—We believe a key factor in our success has been and continues to be fostering an entrepreneurial culture where our employees act and think like our owners. As such, our compensation programs should encourage stock ownership deep within the organization to align our employees’ interests with our stockholders. Our stock awards should be long-term in nature.
- ***Higher levels of responsibility are reflected in compensation***—Our compensation should be based on our employees’ level of job responsibility. As employees progress to higher levels in our organization, an increasing proportion of their pay should be tied to our Company’s long-term performance because they are more able to affect our results.
- ***Competitive compensation levels***—Our compensation programs should be reflective of the value of the position in the marketplace. To attract and retain a highly skilled work force, we must remain competitive with the pay of other premier employers who compete with us for talent.
- ***Team approach***—We believe our success has been based on the coordinated efforts of all our employees working towards our common goals, not on the efforts of any one individual. As such, our compensation programs should be applied across the organization, taking into account differences in job responsibilities and marketplace considerations. Perquisites should be rare and limited to those that are important to our employees’ ability to safely and effectively carry out their responsibilities.

To achieve these objectives, we seek to provide competitive compensation packages recognizing and rewarding individual contributions to ensure that executive compensation is aligned with corporate strategies and business objectives.

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### ***Factors Considered in Evaluating Total Compensation for our Executive Officers***

The Compensation Committee considers the following un-weighted factors to ensure that compensation is fair, reasonable, competitive and consistent with our compensation philosophies and objectives referred to above:

- Our financial results, including actual results, budgets and projections and our overall financial health.
- Operational performance metrics, including net inflows into our ETFs compared to the ETF industry, market share of industry inflows and total growth in assets under management as compared to the industry.
- The broader economic conditions within the industry. The Compensation Committee recognizes that our assets under management and ability to gather ETF inflows are subject to market and other external conditions outside of our control.
- The performance of our common stock.
- The experience, tenure and performance of our executive officers and the extent to which the Compensation Committee is generally satisfied with our executive officer's past performance and expected future contributions.
- Each executive officer's duties, responsibilities and ability to influence corporate performance.
- Industry survey data to confirm the reasonableness of compensation levels.
- Historical executive compensation levels along with company-wide compensation levels.
- Our contractual obligation to certain officers.

The Compensation Committee considers the factors above, together with their collective experiences and business judgment, to evaluate our compensation practices. The Compensation Committee believes this general approach helps us to compete in hiring and to retain the best possible talent while at the same time maintaining a reasonable and responsible cost structure.

### ***Background to Understanding Compensation Levels for our Executive Officers***

Compensation for all our employees, including our executive officers, is based on the philosophies described above. However, in conjunction with these philosophies, the levels of compensation are also significantly influenced by what the Company can afford to pay as a result of our financial performance and relatively short operating history. In the future, as we gain experience, we expect that the specific direction, emphasis and components of our executive compensation program will evolve.

In addition, our CEO and CIS, as co-creators of our fundamentally weighted methodology, were granted significant equity awards during our transition phase from a media company to an asset manager (see the section entitled "Business—Corporate History" elsewhere in this prospectus). As such, their compensation packages are structured differently than the remaining three executive officers' compensation packages. Of significance, our CEO and CIS do not maintain employment agreements with us due to their significant equity ownership of the Company. The initial compensation packages for our COO, CFO and CLO, who were hired shortly before or after we launched our first ETFs, were based on individual negotiations as these executive officers were leaving the perceived safety and relatively stable compensation opportunities at their prior employers, who were

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significantly larger and financially stronger than WisdomTree at the time, to come work for us. As such, we have entered into employment agreements with them which establish certain minimum amounts of cash compensation per year along with other benefits. On May 24, 2011, we amended and restated the employment agreements with our COO, CFO and CLO to, among other things, add and/or revise certain post-employment restrictive covenant provisions and make certain changes to the severance benefits, which are described in more detail below under “—Potential Payments Upon Termination or Change in Control.” A summary of the material terms and conditions of the employment agreements with our executive officers are discussed below.

### ***Role of the Compensation Committee***

The Compensation Committee, which is comprised entirely of independent directors, is responsible for the general oversight of our compensation policies and practices. The Compensation Committee also reviews the overall compensation structure and evaluates the overall performance of our executive officers as a team in order to determine that compensation is fair, reasonable, competitive and consistent with our compensation philosophies and objectives. The Compensation Committee does not engage any compensation consultants with respect to executive compensation. Rather, in reviewing compensation levels for our executive officers, the Compensation Committee considers their collective experiences and business judgment, knowledge of compensation trends of the industry in which we compete, the economic environment, our financial status and contributions our executive officers had made to our business—individually and as a team.

The Compensation Committee specifically evaluates the performance of our CEO. The Compensation Committee also discusses the overall performance and compensation for our CEO with members of our Board of Directors. The Compensation Committee presents to our Board of Directors information regarding executive compensation matters for all our executive officers for informational purposes.

The Compensation Committee administers and exercises the authority granted to it under our equity-based plans, reviews and makes recommendations to our Board of Directors with respect to directors’ compensation, and reviews and approves employment, severance, and change in control agreements as well as any other supplemental benefits provided to our executive officers. The Compensation Committee also works with our CLO to annually review and reassess the adequacy of its charter, proposing changes as necessary to our Board of Directors for approval.

### ***Role of Management***

Our executive officers play a critical and important role in setting or recommending compensation levels throughout our organization. Our CEO makes incentive compensation recommendations for the executive officers to the Compensation Committee. In considering the CEO’s recommendations, the Compensation Committee considers the factors discussed above to ensure that compensation is fair, reasonable, competitive and consistent with our compensation philosophies and objectives.

Our CFO and CLO work with our CEO and Chairman of our Compensation Committee to design and develop compensation programs applicable to all our employees, including recommending changes to existing compensation programs and operational performance targets, preparing analyses of Company financial, operational data or other Compensation Committee briefing materials, analyzing industry data, and, ultimately, implementing the decisions of the Compensation Committee.

### ***Compensation Benchmarking***

The Compensation Committee monitors relevant market and industry statistics on executive compensation to balance our need to compete for talent with our need to maintain a reasonable and responsible cost structure, as well as with the goal of aligning the interests of our executive officers with those of our stockholders. In making compensation decisions, the Compensation Committee reviews industry surveys by

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McLagan Partners, Inc., a compensation consulting firm for the financial services industry, which prepares annual comprehensive compensation surveys for the asset manager industry. These surveys consisted of consolidated average compensation information of publicly traded and private asset management firms. The Compensation Committee uses these industry surveys as a reasonable data point; however, they do not benchmark compensation of our executive officers to these surveys. Rather, they weigh more heavily on their business judgment and other compensation determination factors discussed above.

In the future, as we gain experience, our Compensation Committee may choose to retain the services of a compensation specialist from time to time in connection with the establishment of cash and equity compensation and related policies. While market data and reports from third-party consultants provide useful starting points for compensation decisions, our Compensation Committee will continue to ensure our compensation philosophies are maintained or evolved in light of current market trends or practices.

### *Components of Compensation*

We have established the following components of compensation to satisfy our compensation objectives:

- base salary;
- annual incentive compensation;
- long-term equity compensation;
- benefit programs;
- change in control benefits; and
- severance benefits.

We believe these components provide competitive compensation packages recognizing and rewarding individual contributions; ensure that executive compensation is aligned with corporate strategies and business objectives; and promote the achievement of key strategic and operating performance measures.

Each of the elements of our executive compensation is discussed in detail below, including a description of the particular element and how it fits into our overall executive compensation. In addition, discussion of the amounts of compensation paid to our executive officers under each of these elements is presented in the manner that the Compensation Committee uses to evaluate compensation. We believe it is useful to present this information, and to share this perspective with our stockholders, in order to clarify how our Compensation Committee numerically evaluates total compensation. These tables supplement the “Summary Compensation Table” presented below, which is in the format required by the SEC.

#### *Base Salary*

We use base salary as a means of providing steady pay or a fixed source of compensation for our executive officers allowing them a degree of certainty in order to attract and retain them. Base salaries were originally established at the time the executives were hired, taking into consideration the position’s duties and level of responsibility, the executives’ prior experience and skills, expected contribution to our performance, our understanding of what executives at other similar companies were being paid at such time, our financial condition, and the judgment of our Compensation Committee based on their industry experience. We have entered into employment agreements that establish certain base salaries for our COO, CFO and CLO as part of their employment with us. On May 24, 2011, we amended and restated the employment agreements with our COO, CFO and CLO, but no changes were made to the base salaries provided to each of these executive officers.

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We have not entered into such an arrangement with our CEO or CIS. Our CEO's salary was subjectively determined by our Compensation Committee and our CIS's salary was adjusted in 2011 to bring him in parity with the other executive officers.

The table below reflects the changes in base salaries of our executive officers in 2011:

<b>Executive Officer</b>	<b>2010 Base Salary</b>	<b>Raise</b>	<b>2011 Base Salary</b>
Jonathan Steinberg	\$ 450,000	—	\$ 450,000
Bruce Lavine	\$ 300,000	—	\$ 300,000
Amit Muni	\$ 300,000	—	\$ 300,000
Luciano Siracusano	\$ 250,000	\$ 50,000	\$ 300,000
Peter Ziemba	\$ 300,000	—	\$ 300,000

### *Annual Incentive Compensation*

We have established an annual bonus program to reward our executive officers, as well as all our employees, for their individual performance as well as Company performance. Incentive compensation is intended to motivate executives to achieve company-wide operating and strategic objectives. We have entered into employment agreements with our COO, CFO and CLO that establish minimum annual cash incentive compensation of \$200,000. On May 24, 2011, we amended and restated the employment agreements with our COO, CFO and CLO, but no changes were made to the annual incentive compensation provided to each of these executive officers. We believe this amount together with their base salary was necessary to obtain their employment and is adequate to retain and incentivize our executive officers to work at the highest level of their individual abilities and as a team to earn additional incentive compensation to meet our strategic and operating objectives.

Beginning with the 2008 performance year, we began awarding annual incentive compensation as 75% cash and 25% restricted stock which vests in one year. To determine the number of shares of restricted stock awarded as incentive compensation, we convert the dollar amount of the award into shares of restricted stock by using a 30-day volume weighted average price of our common stock. Any discretionary bonuses awarded to our COO, CFO and CLO above their established minimum amounts are also subject to this split. This was an informal guideline that the Compensation Committee approved. We may change this split in the future as we grow and gain more experience with our compensation practices.

For the 2011 performance year, our CEO recommended, and the Compensation Committee agreed and approved after deliberation, discretionary incentive compensation for our executive officers. In evaluating the recommended amounts, the Compensation Committee considered the following goals established at the beginning of the year and management's progress in achieving those goals. The Compensation Committee noted that management had either achieved or made significant progress in achieving the stated goals in the year ended December 31, 2011.

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Those goals and actual results are as follows:

GOAL	ACTUAL RESULTS
<ul style="list-style-type: none"> <li>• Improvement in net ETF inflows from the prior year</li> <li>• Increased market share of industry inflows from the prior year</li> <li>• Improvement in assets under management growth as compared to the ETF industry and other ETF sponsors</li> <li>• Continued diversification of product offering</li> </ul>	<ul style="list-style-type: none"> <li>• Net inflows improved 24% from \$3.1 billion in 2010 to \$3.9 billion in 2011.</li> <li>• Market share increased from 2.7% in 2010 to 3.4% in 2011.</li> <li>• Our assets under management increased 23% in 2011, the highest among the top 10 ETF sponsors.</li> <li>• We launched a second international fixed income ETF in 2011 and changed the investment objective of two ETFs to add additional products to our international fixed income category. We further diversified by launching two alternative strategy ETFs and re-purposed three additional ETFs to enhance their attractiveness to investors.</li> </ul>
<ul style="list-style-type: none"> <li>• Achievement of net income</li> <li>• Improvement in the price of the Company's common stock in order to support an exchange listing</li> </ul>	<ul style="list-style-type: none"> <li>• Achieved in the first quarter of 2011.</li> <li>• Our common stock increased by 46%, the most of any publicly traded asset manager, in 2011 and reached a level which supported an exchange listing.</li> </ul>

The approved incentive compensation amounts were not formula-based but rather based on the subjective determination of our CEO, and approved by our Compensation Committee, taking into account the total compensation of each executive officer, each executive's level of responsibility in achieving our goals, the competitive market for the executive's position, and recognizing that the goals were achieved as a team with each executive officer contributing from his individual area of expertise and skill.

The incentive compensation granted to our executive officers for the 2010 and 2011 performance years is below:

Executive Officer	Total Incentive Compensation	Awarded As Cash	Awarded As Restricted Stock
Jonathan Steinberg			
2011	\$ 425,000	\$ 318,750	\$ 106,250
2010	\$ 350,000	\$ 262,500	\$ 87,500
Bruce Lavine			
2011	\$ 465,625	\$ 399,219	\$ 66,406
2010	\$ 400,000	\$ 350,000	\$ 50,000
Amit Muni			
2011	\$ 356,250	\$ 317,188	\$ 39,062
2010	\$ 300,000	\$ 275,000	\$ 25,000
Luciano Siracusano			
2011	\$ 425,000	\$ 318,750	\$ 106,250
2010	\$ 350,000	\$ 262,500	\$ 87,500
Peter Ziemba			
2011	\$ 356,250	\$ 317,188	\$ 39,062
2010	\$ 300,000	\$ 275,000	\$ 25,000

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### *Long-Term Equity Compensation*

Because short-term performance does not by itself accurately reflect our overall performance nor the return realized by our stockholders, our employees are eligible to receive equity awards. We believe that providing equity ownership:

- serves to align the interests of our employees with our stockholders by creating an ownership culture and a direct link between compensation and stockholder return;
- creates a significant, long-term interest for our employees to contribute to our success;
- aids in the retention of employees in a highly competitive market for talent; and
- allows the executives to participate in our longer-term success through stock price appreciation.

Currently, our equity award program is the primary vehicle for offering long-term incentives to our executives. Our equity awards take the form of stock options and restricted stock awards. Stock options typically require significant growth in stockholder value to generate long-term value to our executives which is in line with our performance-oriented culture. Restricted stock awards have intrinsic value which is important in retaining our executive talent. In addition, the vesting feature of our equity awards is intended to encourage the executive to remain with us for several years. We have not adopted any formal guidelines for allocating long-term compensation between stock options and restricted stock; however, the Compensation Committee subjectively ensures that the mix conforms to our overall philosophy and objectives.

In determining the size and mix of equity grants to our executives, our Compensation Committee used their collective experiences and business judgment and considered the executives' level of responsibility, the executives' ability to significantly influence our growth and profitability, the executives previous experience, and the amount of equity awarded to our other executives. Typically, larger awards have been made to the executive officers who have areas of responsibility and functions that are more likely to build long-term stockholder value, as determined by how directly linked their areas of responsibility are to our growth or those with longer experience in the respective areas of expertise.

Long-term equity awards have different vesting periods varying from two to seven years. We set the exercise price of all stock option grants prior to 2010 based on the closing price of our common stock on the grant date. In 2010, we changed our practice and set the exercise price of all stock option grants to equal the greater of (a) the thirty day volume weighted average price of our common stock or (b) the grant date volume weighted average price. Vesting and exercise rights cease shortly after termination of employment except in certain cases discussed further below. Unvested restricted stock awards carry voting rights and the right to receive dividends.

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For the 2011 performance year, our CEO recommended, and our Compensation Committee agreed after deliberation, to grant long-term incentive awards to our CIS, CFO and CLO. The award for our CIS was subjectively determined by our CEO and COO and based primarily on the fact that practically all (96%) of his existing equity awards had vested and lost their retention characteristics. The award for our CFO and CLO was subjectively determined by our CEO and based on their outstanding performance during the year and contributions to achieving our corporate related goals. To enhance their retention aspects, the award for our CIS will vest equally over two years and the awards for our CFO and CLO will vest equally over four years. The amounts granted were as follows:

<u>Executive Officer</u>	<u>Total Value of Long-Term Award</u>	<u>Awarded As Restricted Stock</u>	<u>Awarded As Options</u>
<u>Amit Muni</u>			
2011	\$ 946,500	\$ 946,500	—
2010	\$ 958,500	\$ 510,000	\$ 448,500
<u>Luciano Siracusano</u>			
2011	\$ 946,500	\$ 946,500	—
2010	—	—	—
<u>Peter Ziemba</u>			
2011	\$ 946,500	\$ 946,500	—
2010	\$ 510,000	\$ 510,000	—

The dollar values above reflects the accounting date fair value in accordance with U.S. generally accepted accounting principles. The assumptions used by us in valuing equity awards are set forth in note 6 of the notes to our consolidated financial statements included elsewhere in this prospectus.

### Total Compensation

The table below reflects the total compensation granted to our executive officers for the 2010 and 2011 performance years presented in a manner that the Compensation Committee used to evaluate total compensation:

<u>Executive Officer</u>	<u>2010 Base Salary</u>	<u>+</u>	<u>Annual Bonus</u>	<u>=</u>	<u>Annual Total Compensation</u>	<u>&amp;</u>	<u>Long Term Equity Award</u>
<u>Jonathan Steinberg</u>							
2011	\$ 450,000		\$ 425,000		\$ 875,000		—
2010	\$ 450,000		\$ 350,000		\$ 800,000		—
<u>Bruce Lavine</u>							
2011	\$ 300,000		\$ 465,625		\$ 765,625		—
2010	\$ 300,000		\$ 400,000		\$ 700,000		—
<u>Amit Muni</u>							
2011	\$ 300,000		\$ 356,250		\$ 656,250		\$ 946,500
2010	\$ 300,000		\$ 300,000		\$ 600,000		\$ 958,500
<u>Luciano Siracusano</u>							
2011	\$ 300,000		\$ 425,000		\$ 725,000		\$ 946,500
2010	\$ 250,000		\$ 350,000		\$ 600,000		—
<u>Peter Ziemba</u>							
2011	\$ 300,000		\$ 356,250		\$ 656,250		\$ 946,500
2010	\$ 300,000		\$ 300,000		\$ 600,000		\$ 510,000



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### *Benefits and Perquisites*

As stated in our compensation philosophy, our executive officers and Compensation Committee agree that perquisites should be rare and limited to those that are important to our employees' ability to safely and effectively carry out their responsibilities. Our executive officers are entitled to participate in the various benefits made available to our employees, such as our 401(k) plan, group health plans, paid vacation and sick leave, basic life insurance and short-term and long-term disability benefits, and directors and officer's liability insurance.

Our employee savings plan is intended to qualify under Section 401 of the Internal Revenue Code of 1986, as amended, or the Code. This plan permits employees to make contributions up to the statutory limit. We have the discretion to match employee contributions from our profits. We have not made any matches to employee contributions since we incurred net losses since we began our operations. We may make matching contributions in the future.

### *Severance and Change-in-Control Benefits*

Pursuant to employment agreements we have entered into with our COO, CFO and CLO, which were amended and restated on May 24, 2011, each of them is entitled to specified benefits in the event of the involuntary termination of his employment without cause or the voluntary termination of his employment for good reason. These benefits include acceleration of unvested restricted stock and option awards and guaranteed minimum severance payments and benefits. In addition, upon a change in control that occurs during the executive's employment or, in certain circumstances, within six or twelve months thereafter, involuntary termination without cause or voluntary termination for good reason, certain of the equity awards that have been granted to our named executive officers will accelerate and any stock options will become fully or partially vested and the conditions and restrictions on any restricted stock awards will be removed. We have provided more detailed information about these benefits, along with estimates of value under various circumstances, in the table below under "—Potential Payments Upon Termination or Change in Control." Our goal in providing severance and change in control benefits is to offer certainty regarding the potential severance protection such that our executive officers will: (i) focus their attention and decision-making on the requirements of the business, and (ii) cooperate in negotiating any change in control in which they believe they may lose their jobs. We believe these benefits assist in maintaining a competitive position in terms of attracting and retaining key executives which is in the best interests of our stockholders.

### *Tax and Accounting Considerations*

Currently, the accounting and tax treatment of particular forms of compensation do not materially affect our compensation decisions. However, in the future as we continue to gain experience with our compensation policies and grow our business, we will evaluate the effect of such accounting and tax treatment on an ongoing basis and will make appropriate modifications to compensation policies where appropriate. For example, Section 162(m) of the Code generally disallows a tax deduction to a publicly-traded company for certain compensation in excess of \$1,000,000 paid in any taxable year to the chief executive officer and the four other most highly compensated executive officers. Qualifying performance-based compensation is not subject to the deduction limitation if specified requirements are met. We believe we will structure the performance-based portion of our executive compensation, where feasible, to comply with exemptions in Section 162(m) so that the compensation remains tax-deductible to us. The Compensation Committee in its judgment may, however, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent.

### *Amended and Restated Employment Agreements*

On May 24, 2011, we amended and restated the employment agreements with our COO, CFO and CLO to, among other things, add and/or revise certain post-employment restrictive covenant provisions and make

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certain changes to the severance benefits, which are described in more detail below under “—Potential Payments Upon Termination or Change in Control.” These amended and restated employment agreements did not effect any changes to the amount of the base salary, annual incentive compensation or equity awards to be provided to each of these executive officers.

### ***Option Restructuring***

In January 2009, our Compensation Committee and Board of Directors approved a proposal to provide eligible employees an opportunity to exercise their underwater stock options in the future at an alternative lower strike price. To obtain the full benefit of the alternative strike price, employees are required to remain with the Company for an additional four years. Under the program, eligible employees could exercise one quarter of their stock options each year at an alternative strike price of \$1.07. The alternative strike price represented a 50% premium to our thirty day volume weighted-average price on the day the program was approved. Options prices on the program’s approval date ranged from \$1.75 to \$9.45 with a weighted-average exercise price of \$4.34. The purpose of this proposal was to incentivize our employees and retain them as their existing option awards, in most cases, were out of or significantly out of the money. Our Compensation Committee and our Board of Directors deliberated and agreed that employees perceiving little value in their equity awards due to high strike prices as compared to the price of our common stock did not meet our compensation objectives or philosophy. Our Compensation Committee and our Board of Directors agreed that this proposal also benefited stockholders as no new additional awards were granted and this proposal replaced the need to grant additional long-term awards in the near future. Our Board of Directors did not participate in the program.

### ***Risk Analysis of Compensation Policies and Programs***

The Compensation Committee has reviewed our overall compensation policies and believes that these policies do not encourage excessive and unnecessary risk-taking and that the level of risk that they do encourage is not reasonably likely to have a material adverse effect on our Company. The design of the compensation policies and programs encourages employees to remain focused on both our short- and long-term goals. For example, while the cash bonus plan measures performance on an annual basis, the equity awards typically vest over a number of years, which we believe encourages employees to focus on sustained stock price appreciation, thus limiting the potential for excessive risk-taking.

### ***Conclusion***

After careful review and analysis, we believe that each element of compensation and the total compensation provided to each of our executive officers is reasonable and appropriate. Through the compensation arrangements described above, a portion of each executive’s compensation is contingent on our company-wide and their individual performance. Therefore, the realization of benefits by the executive is closely linked to our achievements and increases in stockholder value. We remain committed to our compensation philosophies and the Compensation Committee gives careful consideration to our executive compensation program, including each element of compensation for each executive. The Compensation Committee believes that our compensation program gives each executive appropriate incentive to contribute to our long-term performance and believes that our compensation structure and practices encourage management to work as a team in an entrepreneurial culture for outstanding stockholder returns, without taking unnecessary or excessive risks. The total compensation opportunities of our compensation packages will allow us to attract and retain talented executives who have helped and who will continue to help us grow as we look to the years ahead.

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**Summary Compensation Table**

The following table sets forth certain information with respect to compensation earned during the years ended December 31, 2011 and 2010 by each named executive officer.

**Summary Compensation Table**

Name and Principal Position	Year	Salary	Bonus(1)	Stock Awards(2)	Option Awards(2)	Total
<b>Jonathan Steinberg</b> <i>Chief Executive Officer</i>	2011	\$ 450,000	\$ 318,750	\$ 92,774	—	\$ 861,524
	2010	\$ 450,000	\$ 262,500	\$ 250,000	—	\$ 962,500
<b>Bruce Lavine</b> <i>President and Chief Operating Officer</i>	2011	\$ 300,000	\$ 399,219	\$ 53,015	—	\$ 752,234
	2010	\$ 300,000	\$ 350,000	\$ 50,000	\$ 100,500	\$ 800,500
<b>Amit Muni</b> <i>Chief Financial Officer</i>	2011	\$ 300,000	\$ 317,188	\$ 536,505	\$ 448,500	\$ 1,602,193
	2010	\$ 294,792(3)	\$ 275,000	\$ 50,000	\$ 134,000	\$ 753,792
<b>Luciano Siracusano</b> <i>Chief Investment Strategist</i>	2011	\$ 300,000	\$ 318,750	\$ 92,774	—	\$ 711,524
	2010	\$ 245,833(4)	\$ 262,500	\$ 62,501	—	\$ 570,834
<b>Peter Ziemba</b> <i>Chief Legal Officer</i>	2011	\$ 300,000	\$ 317,188	\$ 536,505	—	\$ 1,153,693
	2010	\$ 300,000	\$ 275,000	\$ 50,000	\$ 134,000	\$ 759,000

- (1) Amounts reflected for the year 2010 reflect bonuses earned in 2010 and paid in 2011, and amounts reflected for the year 2011 reflect bonuses earned in 2011 and paid in 2012.
- (2) Amounts reflect the aggregate accounting grant date fair value of awards to our named executive officers computed in accordance with Financial Accounting Standards Board, or FASB, Accounting Standard Codification Topic 718. The assumptions used by us in the valuation of the equity awards are set forth in note 6 of the notes to our annual consolidated financial statements included elsewhere in this registration statement.
- (3) Pursuant to the terms of Mr. Muni's employment agreement, his base salary increased from \$275,000 to \$300,000 effective on March 16, 2010. The amount shown above reflects the pro rata application of that increase for the year ended December 31, 2010.
- (4) The Compensation Committee increased Mr. Siracusano's base salary from \$200,000 to \$250,000 effective on February 1, 2010. The amount shown above reflects the pro rata application of that increase for the year ended December 31, 2010.

**Grants of Plan-Based Awards**

The following table sets forth certain information with respect to stock awards granted to our named executive officers under our equity plans during the year ended December 31, 2011.

**Grants of Plan-Based Awards Table for the 2011 Fiscal Year**

Name	Grant Date	Option Awards: Number of Shares Underlying Options	Exercise or Base Price of Option Awards	Stock Awards: Number of Shares of Stock	Grant Date Fair Value of Stock and Option Awards(1)
<b>Jonathan Steinberg</b>	1/27/2011			18,191	\$ 92,774
<b>Bruce Lavine</b>	1/27/2011			10,395	\$ 53,015
<b>Amit Muni</b>	1/27/2011	150,000	\$5.05	105,197	\$985,005
<b>Luciano Siracusano</b>	1/27/2011			18,191	\$ 92,774
<b>Peter Ziemba</b>	1/27/2011			105,197	\$536,505

- (1) Amounts reflect the aggregate accounting grant date fair value of awards to our named executive officers computed in accordance with FASB Accounting Standard Codification Topic 718. The assumptions used by us in the valuation of the equity awards are set forth in note 6 of the notes to our annual consolidated financial statements included elsewhere in this prospectus

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*Outstanding Equity Awards at Fiscal Year End Awards*

The following table sets forth certain information with respect to outstanding options and stock awards held by our named executive officers at December 31, 2011:

**Outstanding Equity Awards at Fiscal Year-End 2011 Table**

	Option Awards						Stock Awards		
	Number of Securities Underlying Unexercised Options		Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Option Exercise Price	Grant Date	Option Expiration Date(1)	Grant Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested(2)
	Exercisable	Unexercisable							
<b>Jonathan Steinberg</b>	3,604,292	—	—	\$ 0.05	4/3/02	4/2/12(3)			
	3,000,000	—	—	\$ 0.03	3/17/04	3/16/14(4)			
	835,000	—	—	\$ 0.16	11/10/04	11/9/14(5)			
	875,000	875,000	—	\$ 0.70	1/26/09	1/25/19(6)			
<b>Bruce Lavine</b>	150,000	450,000	—	\$ 0.70	1/26/09	1/25/19(7)	1/27/11	18,191	\$ 110,056(13)
	—	75,000	—	\$ 2.25	1/28/10	1/27/20(8)			
							1/26/09	450,000	\$2,722,500(14)
							1/27/11	10,395	\$ 62,890(13)
<b>Amit Muni</b>	150,000(9)	150,000	—	\$ 1.07	1/16/08	1/15/18(9)			
	—	100,000	—	\$ 2.25	1/28/10	1/27/20(8)			
	—	150,000	—	\$ 5.05	1/27/11	1/26/21(10)			
							1/27/11	5,197	\$ 31,442(13)
							1/27/11	100,000	\$ 605,000(15)
<b>Luciano Siracusano</b>	2,143	—	—	\$ 0.07	11/6/02	11/5/12(11)			
	156,163	—	—	\$ 0.10	7/30/03	7/29/13(6)			
	750,000	—	—	\$ 0.03	3/17/04	3/16/14(4)			
	336,953	—	—	\$ 0.16	11/10/04	11/9/14(6)			
	100,000	100,000	—	\$ 0.70	1/26/09	1/25/19(6)			
							1/27/11	18,191	\$ 110,056(13)
<b>Peter Ziemba</b>	400,000(12)	400,000	—	\$ 1.07	4/23/07	4/22/17(12)			
	—	100,000	—	\$ 2.25	1/28/10	1/27/20(8)			
							1/27/11	5,197	\$ 31,442(13)
							1/27/11	100,000	\$ 605,000(15)

- (1) The expiration date for all options is the date that is ten years after the grant date. See “—Potential Payments Upon Termination or Change of Control” for a description of the acceleration provisions upon termination or change of control.
- (2) The market value of such holdings is based on the closing price of \$6.05 per share of our common stock as reported on December 30, 2011.
- (3) These options vest semi-monthly for 8.5 months from the date of grant, subject to continued employment.
- (4) 50% of these options vest at a rate of 25% of the shares of common stock underlying the option each year starting one year from the date of grant, subject to continued employment. The remaining 50% vested upon the Company achieving net income of at least \$1.00 in two consecutive quarters.
- (5) These options vested 50% on the grant date and 50% one year from the date of grant, subject to continued employment.
- (6) These options vest at a rate of 25% of the shares of common stock underlying the option each year starting one year from the date of grant, subject to continued employment.
- (7) These options vest at a rate of 25% of the shares of common stock underlying the option each year starting two years from the date of grant, subject to continued employment.
- (8) These options vest 100% on February 15, 2012, subject to continued employment.
- (9) These options vest at a rate of 25% of the shares of common stock underlying the option each year starting one year from date of grant. The exercise price of these options was initially \$2.72. On January 26, 2009, our Board of Directors modified these options. As modified, the exercise price of these options is now \$1.07 and the new vesting schedule begins as of the date of modification. As a result, in addition to the 150,000 options shown in the table above that are currently exercisable at \$1.07 under the modified vesting schedule, Mr. Muni has the right to exercise options to purchase an additional 75,000 shares of common stock at \$2.72 under the initial vesting schedule. For more information see “Compensation Discussion and Analysis—Option Restructuring” above.

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- (10) These options vest at a rate of 25% of the shares of common stock underlying the option each year starting three years from the date of grant, subject to continued employment.
- (11) These options vest at a rate of 33.3% of the shares of common stock underlying the option each year from the date of grant, subject to continued employment.
- (12) These options vest at a rate of 25% of the shares of common stock underlying the option each year starting one year from date of grant. The exercise price of these options was initially \$6.35. On January 26, 2009, our Board of Directors modified these options. As modified, the exercise price of these options is now \$1.07 and the new vesting schedule begins as of the date of modification. As a result, in addition to the options to purchase 400,000 shares of common stock shown in the table above that are currently exercisable at \$1.07 under the modified vesting schedule, Mr. Ziemba has the right to exercise options to purchase an additional 400,000 shares of common stock at \$6.35 under the initial vesting schedule. For more information see "Compensation Discussion and Analysis—Option Restructuring" above.
- (13) These shares of restricted stock vest 100% after one year, subject to continued employment.
- (14) These shares of restricted stock vest at a rate of 25% each year starting two years from the date of grant, subject to continued employment.
- (15) These shares of restricted stock vest at a rate of 25% each year starting one year from the date of grant, subject to continued employment.

### Option Exercises and Stock Vested

The following table sets forth, for each named executive officer, the value of all share-based incentive plan awards vested during the year ended December 31, 2011:

**Option Exercises and Stock Vested Table for the 2011 Fiscal Year**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting(1)
Jonathan Steinberg	—	—	111,111	\$ 557,777
Bruce Lavine	—	—	172,222	\$ 889,054
Amit Muni	—	—	122,222	\$ 685,554
Luciano Siracusano	—	—	27,778	\$ 139,446
Peter Ziemba	—	—	72,222	\$ 433,554

(1) Based on the volume weighted average price per share of our common stock on the date on which restricted stock awards vested and were settled.

### Equity Plans

Each of the equity plans described below are administered by our Compensation Committee pursuant to the powers delegated to it by our Board of Directors. To the extent permitted under the provisions of the plan, the Compensation Committee has authority to determine the selection of participants, allotment of shares, price, and other conditions of purchase of awards and administration of the plan in order to attract and retain persons instrumental to our success. The plans permit us to make grants to key employees, officers, directors and consultants; however, incentive stock options could only be granted to current employees of the Company or a subsidiary. Stock options granted under the each of the plans have a maximum term of ten years from the date of grant, and incentive stock options have an exercise price of no less than fair market value of the common stock on the date of the grant. In total, as of December 31, 2011, there were options to purchase 20,852,614 shares outstanding under the plans and 5,555,359 shares available for issuance under the equity plans. Information regarding our equity plans is as follows:

- *1993 Stock Option Plan*—Our 1993 Performance Equity Plan (the "1993 Plan") was adopted by our Board of Directors in February 1993 and approved by our stockholders in May 1993. We reserved 500,000 shares of our common stock for issuance of awards under the 1993 Plan. As of December 31, 2011, there were options to acquire 82,673 shares of our common stock outstanding under the 1993 Plan. We do not intend to make any further grants under this plan.

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- *1996 Performance Equity Plan*—Our 1996 Performance Equity Plan (the “1996 Plan”) was adopted by our Board of Directors in March 1996 and approved by our stockholders in June 1996. We reserved 1,000,000 shares of our common stock for issuance of awards under the 1996 Plan. As of December 31, 2011, there were options to acquire 389,839 shares of our common stock outstanding under the 1996 Plan. We do not intend to make any further grants under this plan.
- *2000 Performance Equity Plan*—In February 2000, our Board of Directors adopted the 2000 Performance Equity Plan (the “2000 Plan”), which is similar to our 1993 and 1996 plans, and in June 2000 it was approved by our stockholders. The 2000 Plan is administered by our Compensation Committee pursuant to the powers delegated to it by our Board of Directors. We reserved 1,000,000 shares of our common stock for issuance of awards under the 2000 Plan. As of December 31, 2011, there were options to acquire 436,953 shares of our common stock outstanding under the 2000 Plan. We do not intend to make any further grants under this plan.
- *2001 Performance Equity Plan*—Our 2001 Performance Equity Plan (the “2001 Plan”) was adopted by our Board of Directors in April 2001. The 2001 Plan covers 1,000,000 shares of our common stock, and is similar to our 1993, 1996 and 2000 Plans, except that incentive options may not be granted since stockholder approval for the 2001 Plan was not obtained within one year of its adoption. As of December 31, 2011, there were 631,865 shares available for issuance under this plan.
- *2005 Performance Equity Plan*—Our 2005 Performance Equity Plan (the “2005 Plan”) was adopted by our Board of Directors in May 2005 and approved by our stockholders in July 2005, and amended on each of August 15, 2007 and February 5, 2010. We reserved 21,000,000 shares of our common stock for issuance of awards under the 2005 Plan. As of December 31, 2011, there were options to acquire 7,469,730 shares of our common stock outstanding under the 2005 Plan and 4,923,494 shares of our common stock were available for issuance.

In the past, the Company has, from time to time, granted equity compensation outside of a stockholder-approved equity plan. As of December 31, 2011, options to acquire a total of 12,473,419 shares of our common stock were outstanding as a result of these grants.

### ***Employment Agreements***

#### *Bruce Lavine*

We have entered into an employment agreement with our President and Chief Operating Officer, Bruce Lavine. The agreement is for an indefinite term, and Mr. Lavine’s employment is on an “at will” basis. Mr. Lavine’s agreement provides for a base salary of \$300,000. The agreement entitles Mr. Lavine to a guaranteed minimum annual bonus of \$200,000. Mr. Lavine, however, is subject to a restrictive covenant that prohibits him from working for a competitor for a one-year period after he gives the Company notice of his voluntary termination of employment or if his employment is terminated for cause. The agreement also entitles Mr. Lavine to participate in any annual incentive plan established by our Board of Directors or our Compensation Committee. Our Board of Directors also granted Mr. Lavine 600,000 shares of restricted stock and an option to purchase 600,000 shares of our common stock in connection with his initial employment. For the 2011 performance year, Mr. Lavine was paid a base salary of \$300,000 and a bonus of \$465,625, partly as a result of his and the Company’s performance.

Mr. Lavine’s agreement entitles him to participate in standard company benefit plans. The agreement also contains employee confidentiality and assignment of inventions provisions and certain post-employment restrictive covenants that prohibit Mr. Lavine from engaging in certain competitive activities for up to 12 months

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after the ending of his employment, depending on the reasons for his termination. Mr. Lavine is entitled to certain benefits in the event of the involuntary termination of his employment without cause or the voluntary termination of his employment for good reason. Under these circumstances, we will pay Mr. Lavine, in addition to all accrued but unpaid base salary and guaranteed minimum annual bonus and any discretionary bonus that has been awarded but not yet paid, a severance amount equal to the sum of one-year's base salary and guaranteed minimum bonus and a pro rated guaranteed minimum bonus for the year in which the termination occurs, subject to certain adjustments in the event Mr. Lavine has provided notice of his intent to resign. Mr. Lavine may also elect to have us pay for COBRA insurance coverage for a one-year period following his termination.

### *Amit Muni*

We have entered into an employment agreement with our Chief Financial Officer, Amit Muni. The agreement is for an indefinite term, and Mr. Muni's employment is on an "at will" basis. Mr. Muni's agreement called for a base salary of \$300,000 on March 17, 2010, which increased from \$275,000 on March 17, 2009. The agreement entitles Mr. Muni to a guaranteed minimum annual bonus of \$200,000. The agreement also entitles Mr. Muni to participate in any annual incentive plan established by our Board of Directors or our Compensation Committee. Our Board of Directors also granted Mr. Muni 200,000 shares of restricted stock and an option to purchase 300,000 shares of our common stock in connection with his initial employment. For the 2011 performance year, Mr. Muni was paid a base salary of \$300,000 and a bonus of \$356,250, partly as a result of his and the Company's performance.

Mr. Muni's agreement entitles him to participate in standard company benefit plans. The agreement also contains employee confidentiality and assignment of inventions provisions. Mr. Muni is entitled to certain benefits in the event of the involuntary termination of his employment without cause or the voluntary termination of his employment for good reason. Under these circumstances, we will pay Mr. Muni, in addition to all accrued but unpaid base salary and guaranteed minimum annual bonus and any discretionary bonus that has been awarded but not yet paid, a severance amount equal to the sum of one-year's base salary and guaranteed minimum bonus and a pro rated guaranteed minimum bonus for the year in which the termination occurs. Mr. Muni may also elect to have us pay for COBRA insurance coverage for a one-year period following his termination.

### *Peter Ziemba*

We have entered into an employment agreement with our Chief Legal Officer, Peter Ziemba. The agreement is for an indefinite term, and Mr. Ziemba's employment is on an "at will" basis. Mr. Ziemba's agreement provides for a base salary of \$300,000. The agreement entitles Mr. Ziemba to a guaranteed minimum annual bonus of \$200,000. The agreement also entitles Mr. Ziemba to participate in any annual incentive plan established by our Board of Directors or our Compensation Committee. Our Board of Directors also granted Mr. Ziemba 200,000 shares of restricted stock and an option to purchase 800,000 shares of our common stock in connection with his initial employment. For the 2011 performance year, Mr. Ziemba was paid a base salary of \$300,000 and bonus of \$356,250, partly as a result of his and the Company's performance.

Mr. Ziemba's agreement entitles him to participate in standard company benefit plans. The agreement also contains employee confidentiality, assignment of inventions and non-solicitation of employee provisions. Mr. Ziemba is entitled to certain benefits in the event of the involuntary termination of his employment without cause or the voluntary termination of his employment for good reason. Under these circumstances, we will pay Mr. Ziemba, in addition to all accrued but unpaid base salary and guaranteed minimum annual bonus and any discretionary bonus that has been awarded but not yet paid, a severance amount equal to the sum of one-year's base salary and guaranteed bonus and a pro rated guaranteed minimum bonus for the year in which the termination occurs. Mr. Ziemba may also elect to have us pay for COBRA insurance coverage for a one-year period following his termination.

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**Potential Payments Upon Termination or Change of Control**

Certain of our named executive officers are entitled to additional compensation in the event of the involuntary termination of their employment without cause, the voluntary termination of their employment for good reason or a change in control. This section is intended to discuss these post-employment payments, assuming the termination from employment or change in control, as the case may be, occurs on December 30, 2011, the last business day of the 2011 fiscal year, on the terms currently in effect between the named executive officers and us. Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed in this section, any actual amounts paid or distributed may be different. Factors that could affect these amounts include the timing during the year of any such event and our stock price. None of our named executive officers are entitled to any compensation in the event of a voluntary termination without good reason or an involuntary termination for cause.

	<b>Involuntary Termination Without Cause</b>	<b>Voluntary Termination for Good Reason</b>	<b>Change in Control</b>
<b>Jonathan Steinberg</b>			
Severance Arrangements(1)	—	—	—
Acceleration of Stock Options(2)	—	—	\$ 4,681,250
Acceleration of Restricted Stock(3)	\$ 110,056	—	—
<b>Total</b>	<b>\$ 110,056</b>	<b>—</b>	<b>\$ 4,681,250</b>
<b>Bruce Lavine</b>			
Severance Arrangements(1)	\$ 721,220	\$ 721,220	—
Acceleration of Stock Options(2)	\$ 1,087,500	\$ 1,087,500	\$ 2,692,500
Acceleration of Restricted Stock(3)	\$ 970,390	\$ 970,390	\$ 2,722,500
<b>Total</b>	<b>\$ 2,779,110</b>	<b>\$ 2,779,110</b>	<b>\$ 5,415,000</b>
<b>Amit Muni</b>			
Severance Arrangements(1)	\$ 721,220	\$ 721,220	—
Acceleration of Stock Options(2)	\$ 1,003,250	\$ 1,003,250	\$ 1,277,000
Acceleration of Restricted Stock(3)	\$ 182,692	\$ 182,692	\$ 605,000
<b>Total</b>	<b>\$ 1,907,162</b>	<b>\$ 1,907,162</b>	<b>\$ 1,882,000</b>
<b>Luciano Siracusano</b>			
Severance Arrangements(1)	—	—	—
Acceleration of Stock Options(2)	—	—	\$ 535,000
Acceleration of Restricted Stock(3)	\$ 110,056	—	—
<b>Total</b>	<b>\$ 110,056</b>	<b>—</b>	<b>\$ 535,000</b>
<b>Peter Ziembra</b>			
Severance Arrangements(1)	\$ 721,220	\$ 721,220	—
Acceleration of Stock Options(2)	\$ 1,376,000	\$ 1,376,000	\$ 2,372,000
Acceleration of Restricted Stock(3)	\$ 182,692	\$ 182,692	\$ 605,000
<b>Total</b>	<b>\$ 2,279,912</b>	<b>\$ 2,279,922</b>	<b>\$ 2,977,000</b>

- (1) As described below, severance payments include an amount equal to the sum of one-year's base salary and guaranteed bonus as well as the value of COBRA benefits for twelve months. In addition, the severance amount will include a pro-rated portion of the minimum guaranteed bonus for the year in which the termination occurred.
- (2) Represents the dollar value of unvested options calculated using the difference between \$6.05, the closing price of the company's stock as of December 30, 2011, and the option strike price.
- (3) Represents the dollar value of restricted stock using \$6.05, the closing price of the company's stock as of December 30, 2011.



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### *Severance Arrangements*

Pursuant to the terms of their employment agreements, each of Messrs. Lavine, Muni and Ziembra is entitled to certain benefits in the event of the involuntary termination of his employment without "cause" (as defined in the applicable agreement) or the voluntary termination of his employment for "good reason" (as defined in the applicable agreement). Under these circumstances, we will pay each of Messrs. Lavine, Muni and Ziembra, in addition to all accrued but unpaid base salary guaranteed minimum annual bonus and any discretionary bonus that has been awarded but not yet paid, an amount equal to the sum of one-year's base salary and guaranteed minimum bonus and a pro-rated guaranteed minimum bonus amount. Each of Messrs. Lavine, Muni and Ziembra may also elect to have us pay for COBRA insurance coverage for a one-year period following his termination, provided that Mr. Lavine's severance amount and COBRA payments will be reduced by 50% if the involuntary termination occurs after he has provided notice of his intent to resign. Assuming termination of employment had occurred on December 30, 2011, the last business day of the fiscal year, Messrs. Lavine, Muni and Ziembra would have each received incremental values of \$721,220 as a result of the provisions of these employment agreements. Messrs. Steinberg and Siracusano are not party to employment agreements.

### *Acceleration of Options*

Certain of the stock options we have granted to Messrs. Lavine, Muni, Siracusano, Steinberg and Ziembra provide that, upon a change of control (as defined in the applicable agreement) each such stock option will fully vest. As a result, assuming the change of control had occurred on December 30, 2011, the last business day of the fiscal year, Messrs. Lavine, Muni, Siracusano, Steinberg and Ziembra would have received incremental values of \$2,692,500, \$1,277,000, \$535,000, \$4,681,250 and \$2,372,000, respectively.

In addition, certain of the stock options we have granted to each of Messrs. Lavine, Muni and Ziembra provide that in the event of the involuntary termination of his employment without "cause" (as defined in the applicable agreement) or the voluntary termination of his employment for "good reason" (as defined in the applicable agreement), the portion of such stock option that would have otherwise vested during the one year period immediately following the date of termination will vest. As a result, assuming the date of termination was on December 30, 2011, the last business day of the fiscal year, Messrs. Lavine, Muni and Ziembra would have received incremental values of \$1,087,500, \$1,003,250 and \$1,376,000, respectively.

### *Acceleration of Restricted Stock*

Certain of the restricted stock awards we have granted to each of Messrs. Lavine, Muni and Ziembra provide that, upon a change of control (as defined in the applicable agreement), the conditions and restrictions on any restricted stock award will be removed. As a result, assuming the change of control had occurred on December 30, 2011, the last business day of the fiscal year, Messrs. Lavine, Muni and Ziembra would have received incremental values of \$2,722,500, \$605,000 and \$605,000, respectively.

Certain of the restricted stock awards we have granted to each of Messrs. Lavine, Muni and Ziembra provide that, upon the involuntary termination of his employment without "cause" (as defined in the applicable agreement) or the voluntary termination of his employment for "good reason" (as defined in the applicable agreement), the conditions and restrictions on any restricted stock award that would have been removed within the twelve month period that immediately follows the date of termination will be removed. As a result, assuming such termination occurred on December 30, 2011, the last business day of the fiscal year, Messrs. Lavine, Muni and Ziembra would have received incremental values of \$970,390, \$182,692 and \$182,692, respectively.

In addition, certain of the restricted stock awards we have granted to each of Messrs. Siracusano and Steinberg provide that, upon the involuntary termination of his employment without "cause" (as defined in the applicable agreement), the conditions and restrictions on any restricted stock award will be removed. As a result, assuming such termination occurred on December 30, 2011, the last business day of the fiscal year, Messrs. Siracusano and Steinberg would have received incremental values of \$110,056 and \$110,056, respectively.

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### Compensation of Directors

The Board of Directors has determined that each of our non-employee directors that does not hold his membership on the Board of Directors pursuant to a contractual right granted to investors in one or more of our private placements (see “Director and Officers–Board Composition”) is entitled to receive compensation for service as a director. At December 31, 2011, three directors were qualified to receive compensation under this program: Messrs. Begleiter, Lilien and Salerno. However, in connection with his appointment to our Board of Directors in January 2001, Mr. Begleiter waived his right to receive compensation for three years. Under this compensation program these qualifying directors receive a grant of equity valued at \$300,000 on the date of grant based on the volume weighted average price of our common stock over the 30 trading days immediately prior to the grant date. This award vests over three years on the first three anniversaries of the date of grant.

In addition, each of these directors receives the following annual retainers:

- \$30,000 for board service;
- \$10,000 additional for service on either the Audit Committee or the Compensation Committee;
- \$5,000 additional for service on the Nominating Committee;
- \$10,000 additional for chairmanship of either the Audit Committee or the Compensation Committee;
- \$40,000 additional for Independent Lead Director.

All of our directors are reimbursed for out-of-pocket expenses for attending meetings. Our directors also participate in the insurance and indemnification arrangements described below.

The following table describes director compensation for non-management directors for the year ended December 31, 2011. Messrs Salerno and Lilien were the only directors to receive compensation in the year ended December 31, 2011. Directors who are also officers of WisdomTree are not entitled to any compensation for their services as a director.

**Director Compensation Table for the 2011 Fiscal Year**

<u>Name</u>	<u>Fees Earned or Paid in Cash</u>	<u>Fair Value Grant of Restricted Stock</u>	<u>Total</u>
Frank Salerno	\$ 110,000	\$ 319,131	\$ 429,131
R. Jarrett Lilien	\$ 55,000	\$ 319,131	\$ 374,131

### Limitation of Liability and Indemnification Arrangements

As permitted by the Delaware General Corporation Law, or the DGCL, our amended and restated certificate of incorporation and amended and restated by-laws limit or eliminate the personal liability of our directors. Consequently, a director will not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for:

- any breach of the director’s duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;

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- any unlawful payments related to dividends or unlawful stock repurchases, redemptions or other distributions; or
- any transaction from which the director derived an improper personal benefit.

These limitations of liability do not alter director liability under the federal securities laws and do not affect the availability of equitable remedies such as an injunction or rescission.

In addition, our amended and restated by-laws provide that:

- we will indemnify our directors, officers and, in the discretion of our Board of Directors, certain employees to the fullest extent permitted by the DGCL; and
- advance expenses, including attorneys' fees, to our directors and, in the discretion of our Board of Directors, to our officers and certain employees, in connection with legal proceedings, subject to limited exceptions.

We have also entered into indemnification agreements with each of our executive officers and directors. These agreements provide that we will indemnify each of our directors to the fullest extent permitted by the DGCL and advance expenses to each indemnitee in connection with any proceeding in which indemnification is available.

We also maintain general liability insurance to provide insurance coverage to our directors and officers for losses arising out of claims based on acts or omissions in their capacities as directors or officers, including liabilities under the Securities Act of 1933, as amended, or the Securities Act. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, or persons controlling the registrant pursuant to the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

These provisions may discourage stockholders from bringing a lawsuit against our directors in the future for any breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. Furthermore, a stockholder's investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors, officers and certain employees pursuant to these indemnification provisions. We believe that these provisions, the indemnification agreements and the insurance are necessary to attract and retain talented and experienced directors and officers.

At present, there is no pending litigation or proceeding involving any of our directors, officers or employees in which indemnification will be required or permitted. We are not aware of any threatened litigation or proceeding that might result in a claim for such indemnification.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Since January 1, 2008, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or are to be a party in which the amount involved exceeded or will exceed \$120,000 and in which any of our directors or executive officers or holders of more than 5% or more of any class of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or material interest other than the transactions described below.

### October 2009 Private Placement

On October 15, 2009, we closed a private placement of our common stock in which we sold 6,666,672 shares for aggregate consideration of \$5,000,000. Pursuant to the terms of the Securities Purchase Agreement and a Third Amended and Restated Registration Rights Agreement, we agreed to provide the investors in this private placement with certain rights that continued after the closing as follows:

- Until our common stock is listed on either the New York Stock Exchange or the NASDAQ Global Market, we agreed that these investors, together with the investors in our prior private placements of common stock that were completed in November 2004, July 2005 and December 2006, would have the pre-emptive right to purchase a proportionate share of all future issuances of equity securities (including rights to acquire equity securities, such as options and warrants, and debt securities convertible into equity securities) by our Company subject to certain exceptions, such as (i) firm commitment public offerings, (ii) in connection with the acquisition of other companies, (iii) pursuant to employee and director equity compensation programs and (iv) to vendors and consultants to the Company if they are issued in consideration for goods or services provided to the Company. Under this pre-emptive right, we agreed to give the investors prior notice of the intended issuance and the investors then have a right to subscribe for a portion of the issuance in proportion to their ownership of the Company's outstanding common stock determined on a fully diluted basis. The investors also have a further right to subscribe for additional shares of our common stock if other investors do not subscribe for their full proportionate share.
- We also agreed that as long as Michael Steinhardt individually, and RRE Ventures III-A, L.P., RRE Ventures Fund III, L.P., and RRE Ventures III, L.P. (collectively the "RRE Entities"), collectively, beneficially own at least 10,000,000 shares of common stock, they each shall have the independent right to require the Company to either (i) appoint a designee, reasonably acceptable to our Board of Directors, as a member of our Board of Directors, or (ii) provide a designee with notice of all board meetings and copies of all materials delivered to members of our Board of Directors and permit such designee to attend and observe each meeting of our Board of Directors. We further agreed that Mr. Steinhardt and James D. Robinson, IV, as a designee of the RRE Entities, both of whom currently serve as directors of our Company, were acceptable as designees of Mr. Steinhardt and the RRE Entities, respectively. A similar right was granted to James E. Manley, a principal investor in the Company's December 2006 private placement, except that Mr. Manley's continued minimum requisite beneficial ownership is 2,050,000 shares. Anthony Bossone serves as a director of our Company as the designee of Mr. Manley.
- We also granted registration rights to the investors that provide them with the right to have their shares of our common stock registered under the Securities Act for resale to the public unless their shares are otherwise freely transferable in the public market without being subject to the volume limitations under Rule 144 or the shares have already been registered. These registrations are at the expense of the Company and the investors were provided with demand registration rights (on three occasions but only triggered by investors beneficially owning at least 50% of the securities subject to the registration right), demand registration rights with respect to registration rights on Form S-3 (on three occasions but only triggered by investors beneficially owning at least 50% of the securities subject to the registration right) and "piggy-back" registration rights (without numerical limitation).

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The executive officers, directors and 5% or greater stockholders set forth in the table below participated in the October 2009 private placement and the number of shares and consideration paid is set forth next to their names. The participation by these related parties was approved by those members of the Audit Committee and our Board of Directors that were not participating in the private placement, after disclosure was made of the participation by the other directors. We believe that the sale of our common stock in the October 2009 private placement was made on terms no less favorable to us than could have been obtained from unaffiliated third parties. In reaching this conclusion, the directors that were not participating in the placement were aware of the Company's previous unsuccessful efforts to obtain financing from unrelated parties and the fact that most of the investors in the Company that had invested in prior private placements and held a pre-emptive right to participate in the October 2009 placement had declined to participate.

<u>Investor</u>	<u>Relationship to Company</u>	<u>Shares Purchased</u>	<u>Consideration Paid</u>
Anthony Bossone	A director	400,000	\$ 300,000
Hillcrest Financial, LLC	An affiliate of Frank Salerno, a director	200,000	\$ 150,000
R. Jarrett Lilien	A director	266,667	\$ 200,000
Bruce Lavine and his spouse	A director and executive officer	266,667	\$ 200,000
Amit Muni	An executive officer	66,667	\$ 50,000
RRE Entities	5%-or-greater stockholder and affiliate of James D. Robinson, IV, a director	666,667	\$ 500,000
S Family Partners, L.P.	The general partner of which is the spouse of Michael Steinhardt, Chairman of the Board and 5% or greater stockholder	2,666,667	\$ 2,000,000
Peter M. Ziemba	An executive officer	200,000	\$ 150,000

### **Stockholders Agreement**

We are a party to an Amended and Restated Stockholder's Agreement, dated December 21, 2006, among Michael Steinhardt, the RRE Entities, James E. Manley and Jonathan Steinberg. Under this agreement, Messrs. Steinhardt and Steinberg and the RRE Entities agreed to vote their shares for a director nominee of Mr. Manley as long as Mr. Manley holds no fewer than 2,050,000 shares of our common stock. All rights to designate directors under the stockholders agreement terminated immediately upon our common stock being listed on the NASDAQ Global Market on July 26, 2011.

Mr. Steinhardt and the RRE Entities also agreed to give each other and Mr. Manley the opportunity to sell a proportionate share of his common stock if either of them were to sell more than 1 million of their shares in a private transaction. This obligation, known as a "tag-along" right, terminates on July 26, 2012, which is one year after our common stock was listed on the NASDAQ Global Market, pursuant to the terms of the agreement. Furthermore, Mr. Steinberg agreed to give Mr. Steinhardt and the RRE Entities a right-of-first refusal to purchase any shares he intends to sell if he were to sell any of his shares in a private transaction.

### **Family Relationship**

Jeremy Rayne Steinberg, the stepbrother of Jonathan Steinberg, our CEO, was formerly employed by our Company as eCommerce Manager. In 2008, 2009 and 2010 he was paid \$143,750, \$129,425 and \$158,333 in cash compensation as salary and bonus related to his employment. In addition, as an employee he received restricted stock awards of 7,500, 16,393 and 6,667 shares in each of 2008, 2009 and 2010, and in January 2011

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he received a restricted stock award of 3,378 shares. The grant awarded in 2008 vested in 28 months and the other awards had one year vesting schedules and represented 25% of the value of the discretionary bonus awarded to him for the prior year.

### **Procedures for Approval of Related Person Transactions**

In accordance with its written charter, our Audit Committee conducts an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis, and the approval of our Audit Committee is required for all related party transactions. The term “related person transaction” refers to any transaction required to be disclosed by us pursuant to Item 404 of Regulation S-K (or any successor provision) promulgated by the SEC, except that “related party transactions” do not include compensation or employment arrangements that we disclose in our proxy statement (or, if the related person is an executive officer, that we would disclose if such person was a named executive officer).

### **Director Independence**

See the section entitled “Board Independence” under the section “Management” above.

## PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of shares of our common stock as of December 31, 2011 (except as otherwise indicated) by:

- each person (including any “group” of persons as that term is used in Section 13d-3 of the Exchange Act) we know to be the beneficial owner of more than 5% of the outstanding shares of our common stock;
- each of our named executive officers;
- each of our directors;
- all of our directors and executive officers as a group; and
- each of the selling stockholders.

Beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act. Except as otherwise indicated in the footnotes to the following table, we believe, based on the information provided to us, that the persons named in the following table have sole vesting and investment power with respect to the shares they beneficially own, subject to applicable community property laws. Unless otherwise indicated, based on the information supplied to us by or on behalf of the selling stockholders, no selling stockholder is a broker-dealer or an affiliate of a broker-dealer. Unless otherwise noted, the business address of each of the persons and entities that beneficially own 5% or more of the outstanding shares of common stock is c/o WisdomTree Investments, Inc., 380 Madison Avenue, 21<sup>st</sup> Floor, New York, N.Y. 10017.

The information in the table below with respect to each selling stockholder has been obtained from that selling stockholder. When we refer to the “selling stockholders” in this prospectus, we mean those persons listed in the table below as offering shares, as well as the pledgees, donees, assignees, transferees, successors and others who may hold any of the selling stockholders’ interest.

We have based our calculation of the percentage of beneficial ownership prior to this offering on 116,703,278 shares of our common stock deemed to be outstanding as of December 31, 2011, including shares of restricted stock issued to our employees but not yet vested. We have based our calculation of the percentage of beneficial ownership after this offering on 121,281,104 shares of our common stock outstanding immediately after the completion of this offering (assuming no exercise of the underwriters’ option to purchase 2,154,336 additional shares, no exercise of options after December 31, 2011, except for 3,577,826 shares of common stock to be issued and sold in this offering upon the exercise of vested stock options, and the sale of 13,362,251 shares of our common stock by the selling stockholders).

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In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included the shares the person has the right to acquire within 60 days of the date above, including through the exercise of any option, warrant or other right or conversion of any security. The shares that a stockholder has the right to acquire within 60 days, however, are not included in the computation of the percentage ownership of any other stockholder.

Name of Beneficial Owner	Shares Beneficially Owned Prior to the Offering		Number of Shares Being Offered	Shares Beneficially Owned After the Offering	
	Number	Percentage		Number	Percentage
<b>Named Executive Officers and Directors</b>					
Jonathan L. Steinberg(1)	12,480,807	9.9%	3,103,869	9,376,938	7.4%
Bruce I. Lavine(2)	2,183,014	1.9	674,465	1,508,549	1.2
Amit Muni(3)	682,866	0.6	—	682,866	0.6
Luciano Siracusano, III(4)	1,511,695	1.3	258,348	1,253,347	1.0
Peter M. Ziemba(5)	1,423,198	1.2	172,232	1,250,966	1.0
Michael Steinhardt(6)	35,155,362	29.9	3,014,057	32,141,305	26.3
Steven L. Begleiter(7)	—	—	—	—	—
Anthony Bossone(8)	400,000	0.3	—	400,000	0.3
R. Jarrett Lilien(9)	781,055	0.7	269,045	512,010	0.4
James D. Robinson, IV(10)	20,212,823	17.3	1,722,318	18,490,505	15.2
Frank Salerno(11)	1,070,273	0.9	129,174	941,099	0.8
All directors and executive officers as a group (11 persons)(12)	75,901,079	58.2	9,343,508	66,557,585	50.7
<b>Other 5% or Greater Stockholders</b>					
Entities Affiliated with RRE Ventures, LLC(13)	20,212,823	17.3	1,722,318	18,490,505	15.2
Flexpoint Fund, L.P.(14)	10,000,000	8.6	1,722,318	8,277,682	6.8
<b>Other Selling Stockholders</b>					
S Family Partners, L.P.(15)	2,666,667	2.3	2,296,425	370,242	0.3

- (1) Includes (i) 798 shares of common stock owned by Mr. Steinberg's spouse with whom he may be deemed to share voting power; (ii) 16,889 shares of common stock held in a joint account with Mr. Steinberg's spouse with whom he shares voting power; (iii) 18,191 shares of restricted stock that vest within 60 days of December 31, 2011 and are not transferable by Mr. Steinberg until they vest, but over which he exercises voting control; and (iv) 8,751,792 shares of common stock issuable upon the exercise of options that are currently exercisable or will become exercisable within 60 days from December 31, 2011. Excludes an aggregate of 437,500 shares of common stock issuable upon exercise of options that are not exercisable within 60 days of December 31, 2011. Does not reflect 17,276 shares of restricted stock awarded to Mr. Steinberg on January 25, 2012 nor his surrender to the Company of 7,800 shares of restricted stock on January 27, 2012 to cover withholding taxes associated with the vesting of 18,191 shares of restricted stock on that date. Mr. Steinberg is an affiliate of ALPS Distributors, Inc., a broker-dealer subject to FINRA regulations.
- (2) Includes 160,395 shares of restricted stock that vest and 300,000 shares of restricted stock that do not vest within 60 days of December 31, 2011 and are not transferable by Mr. Lavine until they vest, but over which he exercises voting power; and 375,000 shares of common stock issuable upon the exercise of options that are currently exercisable or will become exercisable within 60 days from December 31, 2011. Excludes an aggregate of 300,000 shares of common stock issuable upon exercise of options that are not exercisable within 60 days of December 31, 2011. Does not reflect 10,797 shares of restricted stock awarded to Mr. Lavine on January 25, 2012 nor his surrender to the Company of 4,202 shares of restricted stock on January 27, 2012 to cover withholding taxes associated with the vesting of 10,395 shares of restricted stock on that date. Mr. Lavine is an affiliate of ALPS Distributors, Inc., a broker-dealer subject to FINRA regulations.
- (3) Includes (i) 186,002 shares of common stock held in a joint account with Mr. Muni's spouse with whom he shares voting and dispositive power; (ii) 30,197 shares of restricted stock that vest and 75,000 shares of restricted stock that do not vest within 60 days of December 31, 2011 and are not transferable by Mr. Muni until they vest, but over which he exercises voting power; and (iii) 325,000 shares of common stock issuable upon the exercise of options that are currently exercisable or will become exercisable within 60 days from December 31, 2011. Excludes an aggregate of 225,000 shares of common stock issuable upon exercise of options that are not exercisable within 60 days of December 31, 2011. Does not reflect 156,351 shares of restricted stock awarded to Mr. Muni on January 25, 2012 nor his surrender to the Company of 10,938 shares of restricted stock on January 27, 2012 to cover withholding taxes associated with the vesting of 30,197 shares of restricted stock on that date.



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- (4) Includes (i) 18,191 shares of restricted stock that vest within 60 days of December 31, 2011 and are not transferable by Mr. Siracusano until they vest, but over which he exercises voting control; and (ii) 1,395,259 shares of common stock issuable upon the exercise of options that are currently exercisable or will become exercisable within 60 days from December 31, 2011. Excludes an aggregate of 50,000 shares of common stock issuable upon exercise of options that are not exercisable within 60 days of December 31, 2011. Does not reflect 167,276 shares of restricted stock awarded to Mr. Siracusano on January 25, 2012 nor his surrender to the Company of 7,158 shares of restricted stock on January 27, 2012 to cover withholding taxes associated with the vesting of 18,191 shares of restricted stock on that date. Mr. Siracusano is an affiliate of ALPS Distributors, Inc., a broker-dealer subject to FINRA regulations.
- (5) Includes (i) 30,197 shares of restricted stock that vest and 75,000 shares of restricted stock that do not vest within 60 days of December 31, 2011 and are not transferable by Mr. Ziemba until they vest, but over which he exercises voting control; (ii) 900,000 shares of common stock issuable upon the exercise of options that are currently exercisable or will become exercisable within 60 days from December 31, 2011; and (iii) 9,600 shares of common stock owned by Mr. Ziemba's adult son, over which Mr. Ziemba possesses shared voting and dispositive power. Does not reflect 156,351 shares of restricted stock awarded to Mr. Ziemba on January 25, 2012 nor his surrender to the Company of 11,510 shares of restricted stock on January 27, 2012 to cover withholding taxes associated with the vesting of 30,197 shares of restricted stock on that date.
- (6) Includes 835,000 shares of common stock issuable upon the exercise of options that are currently exercisable or will become exercisable within 60 days from December 31, 2011. Also includes 1,150,000 shares held by the Judy and Michael Steinhardt Foundation for which Mr. Steinhardt serves as a co-Trustee. Does not include 2,666,667 shares of common stock owned by S Family Partners, L.P., a limited partnership for which Mr. Steinhardt's spouse is the sole general partner and the limited partners are Mr. Steinhardt's adult children. Mr. Steinhardt disclaims any beneficial ownership of the shares of common stock held by S Family Partners, L.P. Of the shares being offered, 2,350,000 are being offered by Mr. Steinhardt and 1,150,000 are being offered by the Foundation.
- (7) Mr. Begleiter serves as a Managing Principal of Flexpoint Ford, LLC, an affiliate of Flexpoint Fund, L.P. However, Mr. Begleiter does not have voting or dispositive power over the 10,000,000 shares of common stock held by Flexpoint Fund, L.P., a private investment fund (See note 12 below).
- (8) Mr. Bossone is an affiliate of Atlantic-Pacific Capital, Inc., a broker-dealer subject to FINRA regulations.
- (9) Includes (i) 40,705 shares of restricted stock that do not vest within 60 days of December 31, 2011 and are not transferable by Mr. Lilien until they vest, but over which he exercises voting power; and (ii) 394,735 shares of common stock issuable upon the exercise of options that are currently exercisable or will become exercisable within 60 days from December 31, 2011, all of which shares and options are held by Bendigo Ventures, a sole proprietorship over which Mr. Lilien holds voting and dispositive power. The shares are being offered by Bendigo Ventures. Mr. Lilien is an affiliate of Bendigo Securities, LLC, a broker-dealer subject to FINRA regulations.
- (10) Includes 17,894,007 shares of common stock held by RRE Ventures III-A, L.P., 1,495,345 shares of common stock held by RRE Ventures Fund III, L.P., and 823,471 shares of common stock held by RRE Ventures III, L.P. (collectively the "RRE Entities"). The general partner of each of the RRE Entities is RRE Ventures GP III, LLC. The general partners of RRE Ventures GP III, LLC are James D. Robinson III, James D. Robinson IV, Stuart J. Ellman and Andrew L. Zalasin and they share voting and dispositive power over these shares. The business address of Mr. Robinson is 130 East 59th Street, New York, NY 10022. Mr. Robinson disclaims beneficial ownership of the shares held by the RRE Entities except to the extent of his pecuniary interest in the shares.
- (11) Includes (i) 34,884 shares of common stock held in a joint account with Mr. Salerno's spouse with whom he shares voting and dispositive power, (ii) 360,258 shares of common stock held by Hillcrest Financial, LLC, a limited liability company of which Mr. Salerno and his spouse are the managing members and with whom Mr. Salerno shares voting and dispositive power, (iii) 40,705 shares of restricted stock that do not vest within 60 days of December 31, 2011 and are not transferable by Mr. Salerno until they vest, but over which he exercises voting power; and (iv) 634,426 shares of common stock issuable upon the exercise of options that are currently exercisable or will become exercisable within 60 days from December 31, 2011. The shares are being offered by Hillcrest Financial, LLC.
- (12) Includes an aggregate of 13,611,212 shares of common stock issuable upon the exercise of options that are currently exercisable or will become exercisable within 60 days of December 31, 2011 held by the named executive officers and directors included in this group.
- (13) Includes 17,894,007 shares of common stock held by RRE Ventures III-A, L.P., 1,495,345 shares of common stock held by RRE Ventures Fund III, L.P., and 823,471 shares of common stock held by RRE Ventures III, L.P. (collectively the "RRE Entities"). The general partner of each of the RRE Entities is RRE Ventures GP III, LLC. The general partners of RRE Ventures GP III, LLC are James D. Robinson III, James D. Robinson IV, Stuart J. Ellman and Andrew L. Zalasin and they share voting and dispositive power over these shares. The business address of the RRE Entities is 130 East 59th Street, New York, NY 10022. The shares are being offered by the RRE Entities in proportion to their ownership.
- (14) The business address of Flexpoint Fund, L.P. is 676 N. Michigan Avenue, Suite 3300, Chicago, IL 60611. One limited partner that holds 22% of the equity interests of Flexpoint Fund, L.P. is an affiliate of Commonfund Securities, Inc., and another limited partner that holds 11% of the equity interests of Flexpoint Fund, L.P. is an affiliate of Southwest Securities, Inc. Both Commonfund Securities, Inc. and Southwest Securities, Inc. are broker-dealers subject to FINRA regulations.
- (15) Mr. Steinhardt's spouse is the sole general partner of S Family Partners, L.P., and the limited partners are Mr. Steinhardt's adult children. The business address of S Family Partners, L.P. is 650 Madison Avenue, New York, NY 10022. Mr. Steinhardt disclaims any beneficial ownership of the shares of common stock held by S Family Partners, L.P.

## DESCRIPTION OF CAPITAL STOCK

The following summary description sets forth some of the general terms and provisions of our capital stock. Because this is a summary description, it does not contain all of the information that may be important to you. For a more detailed description of our capital stock, you should refer to the provisions of our amended and restated certificate of incorporation.

### Common Stock

There were 116,703,278 shares of our common stock, par value \$0.01 per share, issued and outstanding as of December 31, 2011, including shares of restricted stock issued to our employees but not yet vested. Each share of our common stock has one vote. Because holders of our common stock do not have cumulative voting rights or preemptive or other subscription rights, the holders of a majority of our common stock can elect all of the members of our Board of Directors. We cannot redeem our common stock. Holders of our common stock are entitled to any dividends as may be declared by our Board of Directors out of legally available funds. If we are liquidated, dissolved or wound up, the holders of our common stock are entitled to receive a pro rata portion of all of our assets available for distribution to our stockholders. All outstanding shares of our common stock are fully paid and non-assessable. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future. Except as described under “—Antitakeover Effects of Delaware Law and Provisions of Our Amended and Restated Certificate of Incorporation and Amended and Restated By-laws” below, a majority vote of the holders of common stock is generally required to take action under our amended and restated certificate of incorporation and amended and restated by-laws.

### Price Range of our Common Stock

Our common stock is traded on the NASDAQ Global Market under the symbol “WETF.” Prior to July 26, 2011, our common stock was quoted on the over-the-counter Pink OTC Markets under the symbol “WSDT.” The following table sets forth the intra-day high and low sale prices per share as reported by the NASDAQ Global Market and the Pink OTC Markets, for the respective periods that our common stock was traded thereon.

<u>Period</u>	<u>High</u>	<u>Low</u>
<b>Fiscal 2011</b>		
Quarter ended December 31, 2011	\$8.22	\$5.68
Quarter ended September 30, 2011	\$9.60	\$6.35
Quarter ended June 30, 2011	\$7.25	\$5.68
Quarter ended March 31, 2011	\$5.87	\$4.08
<b>Fiscal 2010</b>		
Quarter ended December 31, 2010	\$4.15	\$2.30
Quarter ended September 30, 2010	\$2.55	\$1.75
Quarter ended June 30, 2010	\$3.00	\$2.01
Quarter ended March 31, 2010	\$3.04	\$1.85

On January 27, 2012, the high and low trading prices for shares of our common stock were \$6.35 and \$6.26 per share, respectively. As of December 31, 2011, there were approximately 140 registered holders of record of shares of our common stock.

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### Securities Authorized for Issuance under Equity Compensation Plans

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders(1)	8,379,195	\$ 1.62	4,923,494
Equity compensation plans not approved by security holders(2)	12,473,419	\$ 0.24	631,865
<b>Total</b>	<b>20,852,614</b>	<b>\$ 0.79</b>	<b>5,555,359</b>

(1) Includes securities issuable upon exercise of outstanding options, warrants and rights that were issued pursuant to the Company's 1993 Stock Option Plan, 1996 Performance Equity Plan, 2000 Performance Equity Plan and 2005 Performance Equity Plan.

(2) Our non-plan options are similar to options granted under our equity compensation plans and generally were granted outside of these plans when insufficient shares were available for grant under our plans. These options provide the holder with the right to purchase a certain number of shares of our common stock at a predetermined fixed price for a period of not more than ten years. All of the non-plan options were granted to directors, employees or advisors to our Board of Directors and the exercise price was determined to be not less than the fair market value of our common stock on the date of grant.

### Preferred Stock

Subject to the provisions of our certificate of incorporation and to the limitations prescribed by law, our Board of Directors has the authority, without further action by our stockholders, to issue up to 2,000,000 shares of our authorized but unissued preferred stock, par value \$0.01 per share, in one or more series. Our Board of Directors has the power and authority to fix the rights, designations, preferences, privileges, qualifications and restrictions of our preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences and sinking fund terms, any or all of which may be greater than the rights of our common stock. No preferred stock is outstanding and we have no present plans to issue any shares of preferred stock.

Having undesignated preferred stock enables us to render more difficult or to discourage a third party's attempt to obtain control of us by means of a tender offer, proxy contest, merger, or otherwise, which thereby protects the continuity of our management. The issuance of shares of our preferred stock also may discourage a party from making a bid for our common stock because such issuance may adversely affect the rights of the holders of our common stock. For example, preferred stock that we issue may rank prior to our common stock as to dividend rights, liquidation preference, or both, may have full or limited voting rights and may be convertible into shares of common stock. Accordingly, the issuance by us of shares of preferred stock may discourage or delay bids for our common stock or may otherwise adversely affect the market price of our common stock.

### Registration Rights

We have granted registration rights to certain of our stockholders that provide them with the right to have their shares of our common stock registered under the Securities Act for resale to the public unless their shares are otherwise transferable in the public market without being subject to the volume limitations under Rule 144 or the shares have already been registered. These registrations are at our expense and those stockholders were provided with demand registration rights (on three occasions but only triggered by investors beneficially owning at least 50% of the securities subject to the registration right), demand registration rights with respect to registration rights on Form S-3 (on three occasions but only triggered by investors beneficially owning at least 50% of the securities subject to the registration right) and "piggy-back" registration rights (without numerical limitation).

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### **Antitakeover Effects of Delaware Law and Provisions of Our Amended and Restated Certificate of Incorporation and Amended and Restated By-laws**

Certain provisions of the Delaware General Corporation Law and of our amended and restated certificate of incorporation and amended and restated by-laws could have the effect of delaying, deferring or discouraging another party from acquiring control of us. These provisions, which are summarized below, are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and, as a consequence, they might also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions are also designed in part to encourage anyone seeking to acquire control of us to first negotiate with our Board of Directors. These provisions might also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders might otherwise deem to be in their best interests. However, we believe that the advantages gained by protecting our ability to negotiate with any unsolicited and potentially unfriendly acquirer outweigh the disadvantages of discouraging such proposals, including those priced above the then-current market value of our common stock, because, among other reasons, the negotiation of such proposals could improve their terms.

### **Delaware Takeover Statute**

We are subject to the provisions of Section 203 of the Delaware General Corporation Law as our common stock is listed on a national securities exchange. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a three-year period following the time that this stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. A “business combination” includes, among other things, a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. An “interested stockholder” is a person who, together with affiliates and associates, owns, or did own within three years prior to the time of determination of interested stockholder status, 15% or more of the corporation’s outstanding voting stock. Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

- before the time the stockholder became interested, the board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding, for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans, in some instances; or
- at or after the time the stockholder became interested, the business combination was approved by the board of directors of the corporation and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

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### **Provisions of Our Amended and Restated Certificate of Incorporation and Amended and Restated By-laws**

Our amended and restated certificate of incorporation and amended and restated by-laws include a number of provisions that may have the effect of delaying, deferring or discouraging another party from acquiring control of us and encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our Board of Directors rather than pursue non-negotiated takeover attempts. These provisions include the items described below.

*Board Composition and Filling Vacancies.* In accordance with our amended and restated certificate of incorporation, our Board of Directors is divided into three classes serving staggered three-year terms, with one class being elected each year. Our amended and restated certificate of incorporation also provides that directors may be removed only for cause and then only by the affirmative vote of the holders of 75% or more of the shares then entitled to vote at an election of directors. Furthermore, any vacancy on our Board of Directors, however occurring, including a vacancy resulting from an increase in the size of our Board of Directors, may only be filled by the affirmative vote of a majority of our directors then in office even if less than a quorum.

*No Written Consent of Stockholders.* Our amended and restated certificate of incorporation provides that all stockholder actions are required to be taken by a vote of the stockholders at an annual or special meeting, and that stockholders may not take any action by written consent in lieu of a meeting. This limit may lengthen the amount of time required to take stockholder actions and would prevent the amendment of our by-laws or removal of directors by our stockholder without holding a meeting of stockholders.

*Meetings of Stockholders.* Our amended and restated by-laws provide that only a majority of the members of our Board of Directors then in office may call special meetings of stockholders and only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders. Our by-laws limit the business that may be conducted at an annual meeting of stockholders to those matters properly brought before the meeting.

*Advance Notice Requirements.* Our amended and restated by-laws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders. These procedures provide that notice of stockholder proposals must be timely given in writing to our corporate secretary prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at our principal executive offices not less than 90 days or more than 120 days prior to the first anniversary date of the annual meeting for the preceding year. The notice must contain certain information specified in our amended and restated by-laws.

*Amendment to Certificate of Incorporation and By-laws.* As required by the Delaware General Corporation Law, any amendment of our amended and restated certificate of incorporation must first be approved by a majority of our Board of Directors, and if required by law or our amended and restated certificate of incorporation, must thereafter be approved by a majority of the outstanding shares entitled to vote on the amendment, and a majority of the outstanding shares of each class entitled to vote thereon as a class, except that the amendment of the provisions relating to stockholder action, directors, limitation of liability and the amendment of our amended and restated certificate of incorporation must be approved by not less than 75% of the outstanding shares entitled to vote on the amendment, and not less than 75% of the outstanding shares of each class entitled to vote thereon as a class. Our amended and restated by-laws may be amended by the affirmative vote of a majority vote of the directors then in office, subject to any limitations set forth in the by-laws; and may also be amended by the affirmative vote of at least 75% of the outstanding shares entitled to vote on the amendment, or, if our Board of Directors recommends that the stockholders approve the amendment, by the affirmative vote of the majority of the outstanding shares entitled to vote on the amendment, in each case voting together as a single class.

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*Undesignated Preferred Stock.* Our amended and restated certificate of incorporation authorizes shares of preferred stock. The existence of authorized but unissued shares of preferred stock may enable our Board of Directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise. For example, if in the due exercise of its fiduciary obligations, our Board of Directors were to determine that a takeover proposal is not in the best interests of us or our stockholders, our Board of Directors could cause shares of preferred stock to be issued without stockholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquirer or insurgent stockholder or stockholder group. In this regard, our amended and restated certificate of incorporation grants our Board of Directors broad power to establish the rights and preferences of authorized and unissued shares of preferred stock. The issuance of shares of preferred stock could decrease the amount of earnings and assets available for distribution to holders of shares of common stock. The issuance may also adversely affect the rights and powers, including voting rights, of these holders and may have the effect of delaying, deterring or preventing a change in control of us.

### **Transfer Agent and Registrar**

Continental Stock Transfer & Trust Company serves as our transfer agent and registrar for our common stock.

### **Listing**

Since July 26, 2011, our common stock has been traded on the NASDAQ Global Market under the symbol “WETF.”

## SHARES ELIGIBLE FOR FUTURE SALE

Future sales of substantial amounts of our common stock in the public market, or the perception that substantial sales may occur, could adversely affect the prevailing market price of our common stock or impair our ability to raise equity capital in the future. Upon the completion of this offering and based upon 116,703,278 shares outstanding as of December 31, 2011, there will be 121,281,104 shares of our common stock outstanding assuming no exercise of the underwriters' option to purchase additional shares and no exercise of outstanding stock options or warrants, other than the options exercised by the selling stockholders in connection with the offering. All of these shares will be freely tradable, except for any shares held by our "affiliates" as defined in Rule 144 under the Securities Act, whose sales would be subject to certain limitations and restrictions described below.

Following this offering, 74,835,267 shares of common stock, or 73,051,173 shares of common stock if the underwriters exercise their option to purchase additional shares of common stock in this offering in full, will be beneficially owned by our affiliates. Holders, some of whom are selling stockholders, of 87,417,760 shares of common stock (and following this offering, 75,205,509 shares of common stock, or 73,051,173 shares of common stock if the underwriters exercise their option to purchase additional shares of common stock in this offering in full) have signed lock-up agreements under which they have agreed, subject to certain exceptions, including the sale of shares in this offering, not to sell, transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for or repayable with shares of our common stock without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC for a period of 90 days, subject to a possible extension under certain circumstances, after the date of this prospectus. After the expiration of the lock-up period, these shares may be sold in the public market, subject to prior registration or qualification for an exemption from registration, including, in the case of shares held by affiliates, compliance with the volume restrictions of Rule 144 described below.

### Rule 144

In general, under Rule 144 as in effect on the date of this prospectus, a person who is not one of our affiliates at any time during the 90 days preceding a sale, and who has beneficially owned shares of our common stock for at least six months, including the holding period of any prior owner other than an affiliate, would be entitled to sell an unlimited number of shares of our common stock without complying with the manner of sale or notice provisions of Rule 144 provided that current public information about us is available and, after owning such shares for at least one year, including the holding period of any prior owner other than our affiliates, would be entitled to sell an unlimited number of shares of our common stock without restriction. Our affiliates who have beneficially owned restricted shares of common stock for at least six months are entitled to sell within any three-month period a number of restricted shares that does not exceed the greater of:

- 1.0% of the number of shares of common stock then outstanding, which will equal approximately 1,212,811 shares immediately after the completion of this offering; or
- the average weekly trading volume of our common stock on the NASDAQ Global Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales of restricted stock under Rule 144 by our affiliates are also subject to manner of sale provisions, notice requirements and the availability of current public information about us.

### Rule 701

Rule 701 generally allows most of our employees, directors, officers, consultants or advisors who purchased shares of our common stock pursuant to a written compensatory plan or contract and who are not deemed to have been one of our affiliates during the immediately preceding 90 days to sell these shares in

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reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation, or notice provisions of Rule 144. Rule 701 also permits our affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144.

### **Lock-Up Agreements**

We, the selling stockholders (except for the Foundation, which is not expected to hold any shares of our common stock following this offering), our directors and executive officers have agreed that, subject to certain exceptions, without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC, on behalf of the underwriters, we will not, during the period beginning on the date of this prospectus and ending 90 days thereafter:

- offer, pledge, sell, announce the intention to sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for or repayable with our common stock;
- enter into any swap or any other agreement or any transaction that transfers to another, in whole or in part, any of the economic consequences of ownership of our common stock or such other securities; or
- exercise any right with respect to the registration of any shares of our common stock or any security convertible into or exercisable or exchangeable for or repayable with our common stock or file or cause to be filed any registration statement in connection therewith, except, with respect to us, a registration statement in Form S-8 relating to the resale of shares issued by us upon the exercise of options granted or to be granted by us pursuant to any employee benefit plan described in this prospectus;

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. This lock-up provision applies to common stock and such other securities owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

This agreement is subject to certain exceptions and is also subject to extension for up to an additional 34 days, as set forth in “Underwriting.”

### **Stock Options and Other Equity Awards**

On September 2, 2011, we filed a registration statement on Form S-8 under the Securities Act covering the shares of common stock to be issued pursuant to options and other equity awards granted under our equity compensation plan. The registration statement became effective upon filing. Accordingly, shares registered under the registration statement on Form S-8 are available for sale in the open market, except for such shares held by our affiliates, which must comply with Rule 144 volume limitations and with applicable 90-day lock-up agreements.

### **Registration Rights**

Immediately following this offering, the holders of approximately 75,205,509 shares of common stock, including certain of the selling stockholders, or their transferees will be entitled to various rights with respect to the registration of these shares under the Securities Act. Registration of these shares under the Securities Act would result in these shares becoming fully tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates. See “Description of Capital Stock—Registration Rights” for additional information. Shares covered by a registration statement will be eligible for sale in the public market upon the expiration or release from the terms of any applicable lock-up agreement.



**MATERIAL UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS  
FOR NON-U.S. HOLDERS OF COMMON STOCK**

This section summarizes certain material United States federal income and estate tax considerations for non-U.S. Holders (as defined below) relating to the ownership and disposition of common stock. This summary does not provide a complete analysis of all potential tax considerations. The information provided below is based upon provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and Treasury regulations promulgated thereunder, administrative rulings and judicial decisions currently in effect. These authorities may change at any time, possibly on a retroactive basis, or the Internal Revenue Service (the “IRS”), might interpret the existing authorities differently. In either case, the tax considerations of owning or disposing of common stock could differ from those described below. For purposes of this summary, a “non-U.S. holder” is any holder other than:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for United States federal income tax purposes, created or organized under the laws of the United States, any state thereof or the District of Columbia;
- a trust that (1) is subject to the primary supervision of a United States court and one or more United States persons have authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person; or
- an estate the income of which is subject to United States federal income tax regardless of source.

If a partnership or other entity taxed as a partnership, is a beneficial owner of common stock, the tax treatment of a partner in the partnership or an owner of the entity will depend upon the status of the partner or other owner and the activities of the partnership or other entity. Any partner in a partnership or member in an entity taxed as a partnership holding shares of our common stock should consult its own tax advisor.

This discussion assumes that a non-U.S. holder will hold our common stock as a capital asset (generally, property held for investment). This summary generally does not address tax considerations that may be relevant to particular investors because of their specific circumstances, or because they are subject to special rules, including if the investor is a United States expatriate or former long-term permanent resident, an integral part or controlled entity of a foreign sovereign, “controlled foreign corporation,” “passive foreign investment company,” corporation that accumulates earnings to avoid United States federal income tax, broker-dealer, dealer in securities or currencies, financial institution, regulated investment company, real estate investment trust, tax-exempt entity, insurance company, hybrid entity, person holding our common stock as part of a hedging, integrated, conversion or constructive sale transaction or a straddle, trader in securities that elects to use a mark-to-market method of accounting, person liable for the alternative minimum tax, tax-qualified retirement plans, person who holds or receives our common stock pursuant to the exercise of any employee stock option or otherwise as compensation, and partnerships or other entities taxed as partnerships (and their owners). Finally, this summary does not describe the effects of any applicable foreign, state or local laws, or, except to the extent discussed below, the effects of any applicable gift or estate tax laws.

**INVESTORS CONSIDERING THE PURCHASE OF COMMON STOCK SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE UNITED STATES FEDERAL INCOME AND ESTATE TAX LAWS TO THEIR PARTICULAR SITUATIONS AND THE CONSEQUENCES OF FOREIGN, STATE OR LOCAL LAWS, AND TAX TREATIES.**

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### **Dividends**

We do not expect to declare or pay any distributions on our common stock in the foreseeable future. If we do make any distributions on shares of our common stock, however, such distributions generally will constitute dividends for United States federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of our current and accumulated earnings and profits will constitute a return of capital that is applied against and reduces, but not below zero, a non-U.S. holder's adjusted tax basis in shares of our common stock. Any remaining excess will be treated as gain realized on the sale or other disposition of our common stock. See "—Sale of Common Stock."

Any dividend paid to a non-U.S. holder on our common stock will generally be subject to United States withholding tax at a 30% rate. The withholding tax might not apply, however, or might apply at a reduced rate, under the terms of an applicable income tax treaty between the United States and the non-U.S. holder's country of residence. You should consult your tax advisors regarding your entitlement to benefits under a relevant income tax treaty. Generally, in order for us or our paying agent to withhold tax at a lower treaty rate, a non-U.S. holder must certify its entitlement to treaty benefits. A non-U.S. holder generally can meet this certification requirement by providing an IRS Form W-8BEN (or any successor form) or appropriate substitute form to us or our paying agent. If the holder holds the stock through a financial institution or other agent acting on the holder's behalf, the holder will be required to provide appropriate documentation to the agent. The holder's agent will then be required to provide certification to us or our paying agent, either directly or through other intermediaries. If you are eligible for a reduced rate of United States federal withholding tax under an income tax treaty, you may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the IRS in a timely manner.

Dividends received by a non-U.S. holder that are effectively connected with a U.S. trade or business conducted by the non-U.S. holder, or, if an income tax treaty between the United States and the non-U.S. holder's country of residence applies, are attributable to a permanent establishment or a fixed base, in the case of an individual, the non-U.S. holder maintains in the United States, are not subject to such withholding tax. To obtain this exemption, a non-U.S. holder must provide us with an IRS Form W-8ECI properly certifying such exemption. Such effectively connected dividends, although not subject to withholding tax, are taxed at the same graduated rates applicable to U.S. persons, net of certain deductions and credits, subject to any applicable tax treaty providing otherwise. In addition to the graduated tax described above, dividends received by corporate non-U.S. holders that are effectively connected with a U.S. trade or business of the corporate non-U.S. holder may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty.

### **Sale or Other Disposition of Common Stock**

Non-U.S. holders will generally not be subject to United States federal income tax on any gains realized on the sale, exchange or other disposition of common stock unless:

- the gain (1) is effectively connected with the conduct by the non-U.S. holder of a United States trade or business and (2) if an income tax treaty between the United States and the non-U.S. holder's country of residence applies, the gain is attributable to a permanent establishment (or, in the case of an individual, a fixed base) maintained by the non-U.S. holder in the United States (in which case the special rules described below apply);
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale, exchange or other disposition of our common stock, and certain other requirements are met (in which case the gain would be subject to a flat 30% tax, or such reduced rate as may be specified by an applicable income tax treaty, which may be offset by United States

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source capital losses, even though the individual is not considered a resident of the United States); or

- the rules of the Foreign Investment in Real Property Tax Act, (“FIRPTA”), treat the gain as effectively connected with a United States trade or business.

The FIRPTA rules may apply to a sale, exchange or other disposition of common stock if we are, or were within the shorter of the five-year period preceding the disposition and the non-U.S. holder’s holding period, a “U.S. real property holding corporation,” (“USRPHC”). In general, we would be a USRPHC if the fair market value of our United States real estate comprised 50% or more of the sum of the fair market value of our worldwide real property interests plus our other assets used or held for use in a trade or business. We do not believe that we are a USRPHC and we do not anticipate becoming one in the future. Even if we become a USRPHC, as long as our common stock is regularly traded on an established securities market, such common stock will be treated as United States real property interests only if the non-U.S. holder actually or constructively owns more than 5% of our outstanding common stock.

If any gain from the sale, exchange or other disposition of common stock, (1) is effectively connected with a United States trade or business conducted by a non-U.S. holder and (2) if an income tax treaty between the United States and the non-U.S. holder’s country of residence so provides, is attributable to a permanent establishment (or, in the case of an individual, a fixed base) maintained by such non-U.S. holder in the United States, then the gain generally will be subject to United States federal income tax at the regular graduated rates. If the non-U.S. holder is a corporation, under certain circumstances, that portion of its earnings and profits that is effectively connected with its United States trade or business, subject to certain adjustments, generally would be subject to a “branch profits tax.” The branch profits tax rate is generally 30%, although an applicable income tax treaty between the United States and the non-U.S. holder’s country of residence might provide for a lower rate.

### **Legislation Affecting Certain Non-U.S. Holders**

Legislation enacted in 2010 generally imposes withholding at a rate of 30% on payments to certain foreign entities of dividends on and the gross proceeds of dispositions of U.S. common stock, unless various U.S. information reporting and due diligence requirements (generally relating to ownership by U.S. persons of interests in or accounts with those entities) have been satisfied. Pursuant to published guidance from the IRS and the U.S. Treasury Department, this legislation generally applies to payments of dividends made after December 31, 2013 and payments of gross proceeds made after December 31, 2014. Non-U.S. holders should consult their tax advisors regarding the possible implications of this legislation on their investment in our common stock.

### **United States Federal Estate Tax**

The estates of nonresident alien individuals generally are subject to United States federal estate tax on property with a United States situs. Because we are a United States corporation, our common stock will be United States situs property and therefore will be included in the taxable estate of a nonresident alien decedent, unless an applicable estate tax treaty between the United States and the decedent’s country of residence provides otherwise.

### **Backup Withholding and Information Reporting**

We must report to a non-U.S. holder and the IRS the amount of dividends paid during each calendar year, if any, and the amount of any tax withheld. These information reporting requirements apply even if no withholding was required because the distributions were effectively connected with the non-U.S. holder’s conduct of a U.S. trade or business, or withholding was reduced or eliminated by an applicable income tax treaty. This information also may be made available under a specific treaty or agreement with the tax authorities in the

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country in which the non-U.S. holder resides or is established. Backup withholding, however, generally will not apply to distributions to a non-U.S. holder of shares of our common stock provided the non-U.S. holder furnishes to us or our paying agent the required certification as to its non-U.S. status, such as by providing a valid IRS Form W-8BEN or IRS Form W-8ECI, or certain other requirements are met. Notwithstanding the foregoing, backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the non-U.S. holder is a U.S. person as defined under the Code that is not an exempt recipient.

The payment of proceeds from the disposition of shares of our common stock by a non-U.S. holder made to or through a U.S. office of a broker generally will be subject to information reporting and backup withholding unless the non-U.S. holder furnishes to the broker the required certification as to its non-U.S. status, such as by providing the forms referenced above (and the broker does not have actual knowledge, or reason to know, that the holder is a U.S. person) and certain other conditions are met, or the non-U.S. holder otherwise establishes an exemption. Effective January 1, 2011, brokers required to file such information returns with respect to stock in a corporation acquired on or after January 1, 2011 must also report (1) each customer's adjusted basis (computed in accordance with rules formulated for this reporting requirement) and (2) whether any gain or loss realized is long-term or short-term. The payment of proceeds from the disposition of shares of our common stock by a non-U.S. holder made to or through a non-U.S. office of a broker generally will not be subject to backup withholding or information reporting. Information reporting, but not backup withholding, except in limited circumstances, will apply to a payment of proceeds, even if that payment is made outside of the United States, if a non-U.S. holder sells our common stock through a non-U.S. office of a broker with certain connections to the United States, unless the non-U.S. holder furnishes to the broker the required certification as to its non-U.S. status as described above and certain other conditions are satisfied, or the non-U.S. holder otherwise establishes an exemption (and the broker has no actual knowledge or reason to know to the contrary).

Backup withholding is not an additional tax and may be refunded to the extent it results in an overpayment of tax and appropriate information is timely supplied to the IRS.

THE PRECEDING DISCUSSION OF UNITED STATES FEDERAL TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY. IT IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR UNITED STATES FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

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**UNDERWRITING**

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC are acting as representatives, have severally agreed to purchase, and we and the selling stockholders have agreed to sell to them, the number of shares of common stock indicated in the table below:

<u>Underwriter</u>	<u>Number of Shares</u>
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Morgan Stanley & Co. LLC	
Barclays Capital Inc.	
Citigroup Global Markets Inc.	
UBS Securities LLC	
Piper Jaffray & Co.	
Sandler O'Neill & Partners, L.P.	
Sterne, Agee & Leach, Inc.	
Total	<u>14,362,251</u>

The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and the selling stockholders and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to other conditions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' option described below. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions, and part of the shares of common stock to certain dealers at a price that represents a concession not in excess of \$ \_\_\_\_\_ a share under the public offering price. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives.

Certain of the selling stockholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to 2,154,336 additional shares of common stock at the public offering price, less underwriting discounts and commissions. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of the additional shares of common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table.

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The following table shows the public offering price, underwriting discounts and commissions that we and the selling stockholders are to pay to the underwriters in connection with this offering and proceeds before expenses to us and the selling stockholders. The information assumes either no exercise or full exercise by the underwriters of their option.

	Per Share	Total	
		Without Option	With Option
Public offering price	\$	\$	\$
Underwriting discounts and commissions			
by us	\$	\$	—
by the selling stockholders	\$	\$	\$
Proceeds, before expenses			
to us	\$	\$	—
to the selling stockholders	\$	\$	\$

In addition, we estimate that the expenses of this offering other than underwriting discounts and commissions payable by us and the selling stockholders will be approximately \$562,866.

We, the selling stockholders (except for the Foundation, which is not expected to hold any shares of our common stock following this offering), our directors and executive officers have agreed that without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC, on behalf of the underwriters, we will not, during the period beginning on the date of this prospectus and ending 90 days thereafter:

- offer, pledge, sell, announce the intention to sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for or repayable with our common stock;
- enter into any swap or any other agreement or any transaction that transfers to another, in whole or in part, any of the economic consequences of ownership of our common stock or such other securities; or
- exercise any right with respect to the registration of any shares of our common stock or any security convertible into or exercisable or exchangeable for or repayable with our common stock or file or cause to be filed any registration statement in connection therewith, except with respect to us, a registration statement on Form S-8 relating to the resale of shares issued by us upon the exercise of options granted or to be granted by us pursuant to any employee benefit plan described in this prospectus;

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. This lock-up provision applies to common stock and such other securities owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

With respect to us, the restrictions described above do not apply to:

- the shares to be sold in this offering;
- any shares of common stock issued by us upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof of which the underwriters have been advised in writing;

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- any shares of common stock issued or options to purchase common stock granted pursuant to existing employee benefit plans, qualified stock option plans or other employee compensation plans of which the underwriters have been advised in writing; or
- the entry into an agreement providing for the issuance of securities in connection with an acquisition, merger or similar transaction by us or any of our subsidiaries, and the issuance of such securities pursuant to any such agreement or pursuant to an employee benefit plan assumed by us or any of our subsidiaries in connection with such transaction; *provided* that the aggregate number of shares issued in all such transactions does not exceed 5% of the total number of shares of common stock outstanding immediately following the completion of the transaction and prior to any such issuance we shall cause any such securities issued pursuant thereto to be subject to the restrictions described above.

With respect to our directors, officers and the other applicable selling stockholders, the restrictions described above do not apply to transfer of shares of our common stock or any securities convertible into or exercisable or exchangeable for or repayable with our common stock:

- as a *bona fide* gift or gifts;
- to any immediate family member or to trusts for the direct or indirect benefit of such director, officer or selling stockholder or the immediate family of such person, in each case, for estate planning purposes;
- as a distribution to members, limited partners or stockholders of such director, officer or selling stockholder; or
- to such director, officer or selling stockholder's affiliates or to any investment fund or other entity controlled or managed by such director, officer or selling stockholder;

*provided* that in the case of any transfer or distribution pursuant to the third and fourth bullets immediately above, (1) such transfers are not required to be reported with the SEC on Form 4 in accordance with Section 16 of the Exchange Act, and (2) the applicable director, officer or selling stockholder does not otherwise voluntarily effect any public filing or report regarding such transfers; and *provided further* that in the case of any transfer or distribution pursuant to each of the clauses above, (1) the representatives receive a signed lock-up agreement for the balance of the lockup period from each donee, trustee, distributee, or transferee, as the case may be and (2) any such transfer shall not involve a disposition for value.

Furthermore, each of our directors, officers and the other applicable selling stockholders may:

- sell shares of our common stock purchased by such director, officer or selling stockholder on the open market following this offering if and only if (i) such sales are not required to be reported in any public report or filing with the SEC, or otherwise and (ii) such director, officer or selling stockholder does not otherwise voluntarily effect any public filing or report regarding such sales;
- enter into, or amend, a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of our common stock *provided* that such plan does not provide for the transfer of our common stock during the restricted period contemplated herein and no public announcement or filing under the Exchange Act regarding the entrance into, or amendment of, such plan shall be required of or voluntarily made by or on behalf of such director, officer or selling stockholder or us during the restricted period contemplated herein;
- exercise an option to purchase shares of our common stock granted under a stock incentive plan or stock purchase plan of us described in this prospectus or the acceptance of restricted stock awards from us and disposition of shares of restricted stock to us pursuant to the terms of such plan;

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- sell shares of our common stock back to us in connection with satisfying withholding tax obligations associated with the vesting of restricted stock granted to such director, officer or selling stockholder by us; and
- sell shares of our common stock to the underwriters in connection with this offering.

The 90-day restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the 90-day restricted period we issue an earnings release, or material news or a material event relating to us occurs; or
- prior to the expiration of the 90-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day restricted period,

in which case the restrictions described in this paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the option. The underwriters can close out a covered short sale by exercising the option or by purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the option. The underwriters may also sell shares in excess of the option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. In addition, to stabilize the price of the common stock, the underwriters may bid for and purchase shares of common stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in the offering, if the syndicate repurchases previously distributed common stock to cover syndicate short positions or to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters may conduct these transactions on the NASDAQ Global Market, in the over-the-counter market or otherwise. The underwriters are not required to engage in these activities and may end any of these activities at any time.

The shares are listed on the NASDAQ Global Market under the symbol “WETF.”

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make for these liabilities.

The underwriters do not expect to sell more than 5% of the shares of common stock in the aggregate to accounts over which they exercise discretionary authority.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters, and one or more of the underwriters may distribute prospectuses electronically. The underwriters may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters that make Internet distributions on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters’ respective websites is not part of this prospectus.



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### **Conflict of Interest**

Jonathan L. Steinberg, our Chief Executive Officer and one of the selling stockholders, holds a general securities license and, like all members of our sales force, is associated with the distributor of our ETFs, Alps Distributors, Inc., a broker-dealer subject to FINRA regulations. Because more than five percent of the net offering proceeds will be received by Mr. Steinberg upon the sale of his shares, a “conflict of interest” is deemed to exist under FINRA Rule 5121. This offering is being conducted in compliance with the applicable provisions of Rule 5121. Pursuant to that rule, the appointment of a “qualified independent underwriter” (as such term is defined in Rule 5121) is not necessary in connection with this offering, as the members primarily responsible for managing the public offering do not have a conflict of interest, are not affiliates of any member that has a conflict of interest, and meet the requirements of paragraph (f)(12)(E) of Rule 5121.

### **Selling Restrictions**

No action has been or will be taken by us or by any underwriter in any jurisdiction except in the United States that would permit a public offering of our common stock, or the possession, circulation or distribution of a prospectus or any other material relating to us and our common stock in any country or jurisdiction where action for that purpose is required. Accordingly, our common stock may not be offered or sold, directly or indirectly, and neither this prospectus nor any other material or advertisements in connection with this offering may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

**European Economic Area.** In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), no offer of shares may be made to the public in that Relevant Member State other than:

- A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or
- C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,  
  
provided that no such offer of shares shall require the Company or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State (other than a Relevant Member State where there is a Permitted Public Offer) who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that (A) it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive, and (B) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than “qualified investors” as defined in the Prospectus Directive, or in circumstances in which the prior consent of the Subscribers has been given to the offer or resale. In the case of any shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons

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in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

The Company, the representatives and their affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

This prospectus has been prepared on the basis that any offer of shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Relevant Member State of shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for the Company or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the underwriters have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for the Company or the underwriters to publish a prospectus for such offer.

For the purpose of the above provisions, the expression “an offer to the public” in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

**United Kingdom.** In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

**Switzerland.** The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“SIX”) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company, the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (“FINMA”), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

**Dubai International Financial Centre.** This prospectus supplement relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (“DFSA”). This prospectus supplement is intended for distribution only to persons of a type specified in the Offered Securities

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Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement nor taken steps to verify the information set forth herein and has no responsibility for the prospectus supplement. The shares to which this prospectus supplement relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus supplement you should consult an authorized financial advisor.

### **Relationships**

The underwriters or their affiliates may engage in transactions with, and may perform and have, from time to time, performed investment banking and advisory services for us in the ordinary course of their business and for which they have received or would receive customary fees and expenses.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for us by Goodwin Procter LLP, Boston, Massachusetts. Milbank, Tweed, Hadley & McCloy LLP, New York, New York, is acting as counsel to the underwriters in connection with certain legal matters relating to the common stock being offered by this prospectus.

## EXPERTS

The consolidated financial statements of WisdomTree Investments, Inc. at December 31, 2010 and 2009, and for each of the three years in the period ended December 31, 2010, appearing in this prospectus and Registration Statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission, or the SEC, a registration statement on Form S-1 under the Securities Act that registers the shares of our common stock to be sold in this offering. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits and schedules filed as part of the registration statement. For further information with respect to us and our common stock, we refer you to the registration statement and the exhibits and schedules filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, we refer you to the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The reports and other information we file with the SEC can be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. Copies of these materials can be obtained at prescribed rates from the Public Reference Section of the SEC at the principal offices of the SEC, 100 F Street, NE, Washington D.C. 20549. You may obtain information regarding the operation of the public reference room by calling 1-800-SEC-0330. The SEC also maintains a web site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers like us that file electronically with the SEC.

We are also subject to the reporting and information requirements of the Exchange Act and, in accordance therewith, file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information are available for inspection and copying at the SEC's public reference room and the web site of the SEC referred to above.

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders of  
WisdomTree Investments, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of WisdomTree Investments, Inc. and Subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of WisdomTree Investments, Inc. and Subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP  
New York, NY  
March 31, 2011

[Table of Contents](#)**WisdomTree Investments, Inc. and Subsidiaries**

Consolidated Balance Sheets  
(In Thousands, Except Per Share Amounts)

	December 31,	
	2010	2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 14,233	\$ 11,476
Investments	1,295	2,627
Accounts receivable	4,825	2,884
Other current assets	642	961
Total current assets	20,995	17,948
Fixed assets, net	756	977
Investments	7,300	6,693
Other noncurrent assets	91	85
Total assets	<u>\$ 29,142</u>	<u>\$ 25,703</u>
<b>Liabilities and stockholders' equity</b>		
<b>Liabilities:</b>		
Current liabilities:		
Fund management and administration payable	\$ 5,714	\$ 5,055
Compensation and benefits payable	3,638	2,587
Accounts payable and other liabilities	2,263	1,603
Total current liabilities	11,615	9,245
Other noncurrent liabilities	292	430
Total liabilities	<u>11,907</u>	<u>9,675</u>
<b>Stockholders' equity:</b>		
Preferred stock, par value \$0.01; 2,000 shares authorized:	—	—
Common stock, par value \$0.01; 250,000 shares authorized; issued: 115,291 and 114,535; outstanding: 113,132 and 110,106	1,152	1,145
Additional paid-in capital	158,236	149,487
Accumulated deficit	(142,153)	(134,604)
Total stockholders' equity	<u>17,235</u>	<u>16,028</u>
Total liabilities and stockholders' equity	<u>\$ 29,142</u>	<u>\$ 25,703</u>

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

[Table of Contents](#)**WisdomTree Investments, Inc. and Subsidiaries**

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

	Year Ended December 31,		
	2010	2009	2008
Revenues:			
ETF advisory fees	\$ 40,567	\$ 20,812	\$ 21,643
Other income	1,045	1,283	1,968
Total revenues	41,612	22,095	23,611
Expenses:			
Compensation and benefits	19,193	18,943	20,338
Fund management and administration	14,286	13,387	14,772
Marketing and advertising	3,721	2,762	5,875
Sales and business development	2,730	2,495	3,642
Professional and consulting fees	3,779	1,780	1,871
Occupancy, communication, and equipment	1,118	1,087	1,564
Depreciation and amortization	314	360	337
Third party sharing arrangements	2,296	89	(320)
Other	1,724	2,420	2,577
Total expenses	49,161	43,323	50,656
Loss before provision for income taxes	(7,549)	(21,228)	(27,045)
Provision for income taxes	—	—	—
Net loss	<u>\$ (7,549)</u>	<u>\$ (21,228)</u>	<u>\$ (27,045)</u>
Net loss per share—basic and diluted	<u>\$ (0.07)</u>	<u>\$ (0.21)</u>	<u>\$ (0.27)</u>
Weighted-average common shares—basic and diluted	<u>111,981</u>	<u>103,397</u>	<u>100,236</u>

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



**WisdomTree Investments, Inc. and Subsidiaries**

Consolidated Statements of Stockholders' Equity  
(In Thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Gain/(Loss)	Accumulated Deficit	Total
	Shares Issued	Par Value				
Balance—January 1, 2008	103,369	\$1,033	\$124,602	\$ —	\$ (86,331)	\$ 39,304
Restricted stock issued, net	1,107	11	(11)	—	—	—
Exercise of stock options	96	1	3	—	—	4
Stock issued for services	672	7	1,279	—	—	1,286
Net unrealized loss on investments	—	—	—	(3)	—	(3)
Stock-based compensation	—	—	8,510	—	—	8,510
Net loss	—	—	—	—	(27,045)	(27,045)
Balance—December 31, 2008	105,244	1,052	134,383	(3)	(113,376)	22,056
Net proceeds from sale of common stock	6,667	67	4,921	—	—	4,988
Restricted stock issued, net	1,906	19	(19)	—	—	—
Exercise of warrants	194	2	(2)	—	—	—
Stock issued for services	524	5	1,013	—	—	1,018
Net unrealized gain on investments	—	—	—	3	—	3
Stock-based compensation	—	—	9,191	—	—	9,191
Net loss	—	—	—	—	(21,228)	(21,228)
Balance—December 31, 2009	114,535	1,145	149,487	—	(134,604)	16,028
Restricted stock issued, net	501	5	(5)	—	—	—
Exercise of stock options, net	235	2	(1)	—	—	1
Stock issued for services	20	—	29	—	—	29
Stock-based compensation	—	—	8,726	—	—	8,726
Net loss	—	—	—	—	(7,549)	(7,549)
Balance—December 31, 2010	<u>115,291</u>	<u>\$1,152</u>	<u>\$158,236</u>	<u>\$ —</u>	<u>\$ (142,153)</u>	<u>\$ 17,235</u>

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

[Table of Contents](#)**WisdomTree Investments, Inc. and Subsidiaries**Consolidated Statements of Cash Flows  
(In Thousands)

	Year Ended December 31,		
	2010	2009	2008
<b>Cash flows from operating activities:</b>			
Net loss	\$ (7,549)	\$ (21,228)	\$ (27,045)
Adjustments to reconcile net loss to net cash provided by/(used in) operating activities:			
Depreciation and amortization and other	314	583	675
Stock-based compensation	8,755	10,209	9,546
Loss on subleased office space	—	—	139
Deferred rent	(105)	(185)	(36)
Accretion to interest income	4	(68)	111
(Increase)/decrease in operating assets and liabilities:			
Accounts receivable	(1,941)	(1,354)	468
Other assets	313	(45)	579
Fund management and administration payable	659	(3,911)	2,600
Compensation and benefits payable	1,051	575	(1,531)
Accounts payable and other liabilities	627	397	(1,121)
Net cash provided by/(used in) operating activities	2,128	(15,027)	(15,615)
<b>Cash flows from investing activities:</b>			
Purchase of fixed assets	(93)	(295)	(703)
Purchase of investments	(6,935)	(7,290)	(16,809)
Proceeds from the redemption of investments	7,656	15,825	31,260
Net cash provided by investing activities	628	8,240	13,748
<b>Cash flows from financing activities:</b>			
Net proceeds from sale of common stock	—	4,988	—
Proceeds from exercise of stock options and warrants	1	—	4
Net cash provided by financing activities	1	4,988	4
Net increase/(decrease) in cash and cash equivalents	2,757	(1,799)	(1,863)
Cash and cash equivalents—beginning of year	11,476	13,275	15,138
Cash and cash equivalents—end of year	<u>\$14,233</u>	<u>\$ 11,476</u>	<u>\$ 13,275</u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for income taxes	<u>\$ 11</u>	<u>\$ 3</u>	<u>\$ 5</u>
<b>Noncash investing and financing activities:</b>			
Cash less exercise of stock options and warrants	<u>\$ 517</u>	<u>\$ 81</u>	<u>\$ 1</u>

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. (“WisdomTree” or the “Company”) is a New York-based exchange-traded fund sponsor and asset manager. The Company is the eighth largest sponsor of ETFs in the United States based on assets under management (“AUM”). In June 2006, the Company launched 20 ETFs and, as of February 28, 2011, has 45 ETFs with AUM of approximately \$10.3 billion. Through its operating subsidiary, the Company provides investment advisory and other management services to the WisdomTree Trust (“WTT”) and WisdomTree ETFs. The Company also licenses its indexes to third parties and promotes the use of WisdomTree ETFs in 401(k) plans. The Company has the following subsidiaries:

- WisdomTree Asset Management, Inc. (“WTAM”)—a wholly owned subsidiary formed in February 2005, is an investment advisor registered with the Securities and Exchange Commission (“SEC”). WTAM provides investment advisory and other management services to WTT and the WisdomTree ETFs. In exchange for providing these services, the Company receives advisory fee revenues based on a percentage of the ETFs average daily net assets under management.
- WisdomTree Retirement Services, Inc. (“WTRS”)—a wholly owned subsidiary formed in August 2007, markets with selected third parties the use of WisdomTree ETFs in 401(k) plans as well as offering a platform that offers ETFs to the 401(k) marketplace.

WTT, a non-consolidated third-party, is a Delaware statutory trust registered with the SEC as an open-end management investment company. The WisdomTree ETFs are issued by the WisdomTree Trust. The WisdomTree Trust offers ETFs across equities, currency, fixed income and alternatives asset classes. The Company has licensed the use of its own fundamentally-weighted indexes on a non-exclusive basis to the WisdomTree Trust for the WisdomTree ETFs. The Board of the WisdomTree Trust, or the Trustees, is separate from the Board of the Company. The Trustees are primarily responsible for overseeing the management and affairs of the WisdomTree ETFs and the Trust for the benefit of the WisdomTree ETF shareholders and has contracted with the Company to provide for general management and administration services of WisdomTree Trust and the WisdomTree ETFs. The Company, in turn, has contracted with third parties to provide the majority of these administration services. In addition, certain officers of the Company provide general management services for the WTT.

**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 WTAM and WTRS. All intercompany accounts and transactions have been eliminated in consolidation. Certain accounts in the prior years’ consolidated financial statements have been reclassified to conform to the current year’s consolidated financial statements presentation. These reclassifications had no effect on the previously reported net losses.

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### ***Use of Estimates***

The preparation of the Company's consolidated financial statements in conformity with 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 from those estimates.

### ***Revenue Recognition***

The Company earns investment advisory fees for ETFs and separately managed accounts as well as licensing fees from third parties. ETF advisory fees are based on a percentage of the ETFs average daily net assets and recognized over the period the related service is provided. Fees for separately managed accounts and licensing are based on a percentage of the average monthly net assets and recognized over the period the related service is provided.

### ***Depreciation and Amortization***

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

Equipment	3 years
Furniture and fixtures	7 years

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

### ***Marketing and Advertising***

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

### ***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. Cash and cash equivalents are held with one large financial institution.

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

Accounts receivable are customers' obligations due under normal trade terms. An allowance for doubtful accounts is not provided since, in the opinion of management, all accounts receivable recorded are deemed collectible.

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

On a periodic basis, 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.

### ***Loss per Share***

Basic loss per share is computed by dividing loss available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted loss per share includes the potential

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dilution that could occur if options or other contracts to issue common stock were exercised or converted into common stock. Options, restricted shares, and warrants to purchase shares of common stock were not included in the computation of diluted loss per share for the years ended December 31, 2010, 2009 and 2008 as the Company incurred a loss during the period.

### ***Investments***

The Company accounts for most of its investments as held-to-maturity, which are recorded at amortized cost, which approximates fair value. For held-to-maturity investments, the Company has the intent and ability to hold investments to maturity and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity.

In 2009, the Company accounted for an investment as available-for-sale which is reported at fair value with unrealized gains or losses included in other comprehensive income. There were no material realized gains or losses recorded through earnings during the year.

On a periodic basis, the Company reviews its portfolio of investments for impairment. If a decline in fair value is deemed to be other-than-temporary, the security is written down to its fair value through earnings.

### ***Subsequent Events***

The Company has evaluated subsequent events after the date of the consolidated financial statements to consider whether or not the impact of such events needed to be reflected or disclosed in the consolidated financial statements. Such evaluation was performed through the report date of the consolidated financial statements.

### ***Stock-Based Awards***

Accounting for share-based compensation requires the measurement and recognition of compensation expense for all equity awards based on estimated fair values. The Company accounts for stock-based compensation for its employees based on the cost of employee services received in exchange for a stock-based award. Stock-based compensation is measured based on the grant-date fair value of the award and are amortized over the relevant service period.

Stock-based awards granted to non-employees for goods or services are valued at the fair value of the equity instruments issued or the fair value of consideration received, whichever is a more reliable measure of the fair value of the transaction, and recognized when performance obligations are complete.

### ***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 basis 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 adjusted by a valuation allowance if, based on the weight of available evidence, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

In order to recognize and measure any unrecognized tax benefits, management evaluates and determines whether any of its tax positions are more-likely-than-not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets this recognition threshold, the position is measured to determine the amount of benefit to be recognized in the consolidated financial statements. Management does not believe that the Company has any material uncertain tax positions. The Company records interest and penalties, if any, related to income taxes within the provision for income taxes in the consolidated statements of operations.

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The Company currently has tax years December 31, 1996 through December 31, 2010 open for examination by federal and state agencies as of December 31, 2010.

### **Related-Party Transactions**

The Company's revenues are derived primarily from investment advisory agreements with WTT and WisdomTree ETFs. Under these agreements, the Company has granted WTT an exclusive license to its own indexes for operation of the WisdomTree ETFs. The Trustees are primarily responsible for overseeing the management and affairs of the WisdomTree ETFs and the Trust for the benefit of the WisdomTree ETF shareholders and has contracted with the Company to provide for general management and administration of WisdomTree Trust and the WisdomTree ETFs. The Company is also responsible for expenses of WTT, including the cost of transfer agency, custody, fund administration and accounting, legal, audit, and other non-distribution services. In exchange, the Company receives fees based on a percentage of the ETF average daily net assets. The advisory agreements may be terminated by WTT upon notice. Certain officers of the Company also provide general management oversight of WTT; however, these officers have no material decision making responsibilities and primarily implement the decisions of the Trustees. At December 31, 2010, and 2009, the balance of accounts receivable from WTT was approximately \$4,612 and \$2,657, respectively. Revenue from advisory services provided to WTT for the years ended December 31, 2010, 2009 and 2008 was approximately \$40,567, \$20,812 and \$21,643, respectively.

### **Third Party Sharing Arrangements**

Included in third party sharing arrangements expense are payments/(reimbursements) from/(to) the Company with respect to (i) a collaborative arrangement and (ii) marketing agreements with third parties:

**Collaborative Arrangement**—In 2008, the Company entered into a mutual participation agreement with Mellon Capital Management Corporation and Dreyfus Corporation in which the parties agreed to collaborate in developing currency and fixed income ETFs under the WisdomTree Trust. Under the agreement, the Company is responsible for operating the ETFs and providing sales, marketing and research support at its own cost. Mellon Capital and Dreyfus are responsible for providing sub-advisory, fund administration and accounting services for these collaborated ETFs at its own cost. Any revenues less third party costs, such as marketing, legal, accounting or fund management, related to these collaborative products are shared equally, including any losses ("net profit/loss"). The Company is responsible for arranging any third party costs related to this collaborative arrangement. This agreement expires in March 2013. The Company has determined it is the principal participant for transactions under this collaborative arrangement and as such, records these transactions on a gross basis reflecting all of the revenues and third party expenses on its financial statements in accordance with the nature of the revenue or expense. Any net profit/loss payments are reflected in the Third Party Sharing Arrangement expense line.

Revenues and expenses under this collaborative arrangement included in the Company's financial statement are as follows:

	Year Ended December 31,		
	2010	2009	2008
ETF advisory fee revenue	\$6,578	\$1,623	\$ 973
Expenses:			
Fund management and administration	1,057	660	789
Marketing and advertising	809	674	581
Sales and business development	196	107	243
Other	4	4	—
Total third party expenses	2,066	1,445	1,613
Net profit/(loss)	4,512	178	(640)
50% sharing	\$2,256	\$ 89	(\$ 320)

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Marketing agreements—In 2010, the Company entered into agreements with two external distribution firms to serve as the external marketing agents for the WisdomTree ETFs in the U.S. independent broker-dealer channel and in Latin America. Under these agreements, the Company will pay a percentage of their advisory fee revenue, subject to caps, to the marketing agents based on incremental growth in assets under management in the respective sales channel. The Company incurred marketing fees of \$40 for the year ended December 31, 2010.

### Segment, Geographic and Customer Information

The Company operates as one business segment, as an ETF sponsor and asset manager providing investment advisory services. Revenues are derived in the U.S. and all of the Company's assets are located in the U.S.

### Recently Issued Accounting Pronouncements

In January 2010, ASU No. 2010-6, *Improving Disclosures About Fair Value Measurement*, adds required disclosures about items transferring into and out of Levels 1 and 2 in the fair value hierarchy; adding separate disclosures about purchase, sales, issuances, and settlements relative to Level 3 measurements; and clarifying, among other things, the existing fair value disclosures about the level of disaggregation. ASU No. 2010-6 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the requirement to provide Level 3 purchases, sales, issuances, and settlements on a gross basis, which is effective for fiscal years beginning after December 15, 2010. This standard impacts disclosure requirements only and did not have a material impact on our consolidated financial statements.

### 3. Investments and Fair Value Measurements

The following table is a summary of the Company's investments:

	December 31,		
	2010 Held-to- Maturity	2009 Available- for-Sale	2009 Held-to- Maturity
Federal agency debt instruments	\$ 8,595	\$ —	\$ 9,190
Equity ETF	—	130	—
Total	<u>\$ 8,595</u>	<u>\$ 130</u>	<u>\$ 9,190</u>

The following table summarizes unrealized gains, losses, and fair value of investments:

	December 31,		
	2010 Held-to- Maturity	2009 Available- for-Sale	2009 Held-to- Maturity
Cost/amortized cost	\$ 8,595	\$ 130	\$ 9,190
Gross unrealized gains	47	—	64
Gross unrealized losses	(151)	—	(63)
Fair value	<u>\$ 8,491</u>	<u>\$ 130</u>	<u>\$ 9,191</u>

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The following table sets forth the maturity profile of investments:

	December 31,		
	2010	2009	2009
	Held-to-Maturity	Available-for-Sale	Held-to-Maturity
Due within one year	\$ 1,295	\$ 130	\$ 2,497
Due one year through five years	249	—	1,298
Due five years through ten years	796	—	1,009
Due over ten years	6,255	—	4,386
Total	<u>\$ 8,595</u>	<u>\$ 130</u>	<u>\$ 9,190</u>

### Fair Value Measurement

Under the accounting for fair value measurements and disclosures, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, or the exit price, in an orderly transaction between market participants at the measurement date. The accounting guidance establishes a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions.

These two types of inputs create the following fair value hierarchy:

**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 value drivers are unobservable.

This hierarchy requires the use of observable market data when available. The Company's available-for-sale investments and held-to-maturity securities are categorized as Level 1. The amortized cost of the held-to-maturity securities approximates fair value. The Company does not intend to sell its investments held-to maturity before the recovery of their amortized cost bases which may be at maturity.

Some of our financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: cash and cash equivalents, accounts receivable, certain other current assets, accounts payable and other liabilities, fund management and administration payable, and compensation and benefits payable.

### 4. Fixed Assets

The following table summarized fixed assets:

	December 31,	
	2010	2009
Equipment	\$ 586	\$ 496
Furniture and fixtures	234	232
Leasehold improvements	1,038	1,037
Less accumulated depreciation and amortization	(1,102)	(788)
Total	<u>\$ 756</u>	<u>\$ 977</u>



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### **5. Commitments and Contingencies**

#### *Contractual Obligations*

The Company has entered into obligations under operating leases with initial non-cancelable terms in excess of one year for office space, telephone, and data services. Expenses recorded under these agreements for the years ended December 31, 2010, 2009, and 2008 were approximately \$1,015, \$1,034 and \$1,348, respectively.

Future minimum lease payments with respect to non-cancelable operating leases at December 31, 2010 are approximately as follows:

2011	\$1,360
2012	1,263
2013	1,229
2014	76
2015 and thereafter	—
Total	<u>\$3,928</u>

#### *Letter of Credit*

The Company collateralizes its office lease space through a standby letter credit in the amount of \$700 held as an investment in debt securities, which is included in investments on the consolidated balance sheets at December 31, 2010 and 2009.

#### *Contingencies*

The Company is subject to various routine regulatory reviews and inspections by the SEC as well as legal proceedings arising in the ordinary course of business. The Company is not currently party to any litigation or other legal proceedings that management believes are reasonably likely to have a material adverse effect on the Company's operating results, financial condition or cash flows.

### **6. Stock-Based Awards**

#### *Stock Options*

The Company grants stock options to employees, certain directors and non-employee consultants and special advisors for services. The Company has six stock option plans, which are similar in nature (collectively, referred to as the "Plans"). Under the Plans, the Company can issue a maximum of 25,000,000 shares of Common Stock pursuant to stock options and other stock-based awards and also has issued from time to time stock-based awards outside the Plans.

Options are issued generally for terms of ten years and vest between two to four years. Options are issued with an exercise price equal to the fair value of the Company on the date of grant. Options expire on dates ranging from May 13, 2011 to December 12, 2020.

In January 2009, the Company's Compensation Committee and Board of the Directors approved a proposal to provide eligible employees an opportunity to exercise their underwater stock options in the future at an alternative lower strike price. To obtain the full benefit of the alternative strike price, employees are required to remain with the Company for an additional 4 years. Under the program, eligible employees could exercise one quarter of their stock options each year at an alternative strike price of \$1.07. The alternative strike price

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represented a 50% premium to the Company's thirty day volume weighted-average price on the day the program was approved. Options prices on the programs approval date ranged from \$1.75 to \$9.45 with a weighted-average exercise price of \$4.34. The Company is recording a charge of \$589 over four years which represents the excess of the fair value of eligible options using the alternative strike price over the existing strike price. For the years ended December 31, 2010 and 2009, the Company recorded \$140 and \$145, respectively, for this program.

A summary of option activity is as follows:

	Options	Weighted-Average Exercise Price
Outstanding January 1, 2008	18,360,674	\$ 1.44
Granted	1,367,912	2.06
Forfeitures or expirations	(1,421,071)	3.84
Exercised	(95,806)	0.48
Outstanding at December 31, 2008	18,211,709	1.30
Granted	3,425,000	0.70
Forfeitures or expirations	(263,750)	2.55
Exercised	—	—
Outstanding at December 31, 2009	21,372,959	0.57
Granted	860,000	2.38
Forfeitures or expirations	(336,868)	2.77
Exercised	(452,474)	1.15
Outstanding at December 31, 2010	<u>21,443,617</u>	<u>\$ 0.60</u>

The following table summarizes information on stock options outstanding:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding at December 31, 2010	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Number Exercisable at December 31, 2010	Weighted-Average Exercise Price	Aggregate Intrinsic Value at December 31, 2010
\$0.03—\$0.45	11,922,574	2.8	\$ 0.08	9,797,574	\$ 0.09	\$ 39,762
\$0.70—\$0.97	3,762,240	8.1	0.73	949,411	0.77	3,210
\$1.07—\$1.80	3,799,377	5.9	1.07	944,263	1.07	2,908
\$2.03—\$4.03	1,959,426	6.1	2.60	1,072,951	2.78	1,475
	<u>21,443,617</u>	<u>4.6</u>	<u>\$ 0.60</u>	<u>12,764,199</u>	<u>\$ 0.44</u>	<u>\$ 47,355</u>

Included in the above tables are 1,398,333 options as of December 31, 2010, 2009 and 2008 for option awards granted to nonemployee consultants, special advisors and vendors. These options have a weighted exercise price of \$1.40 and are fully exercisable.

The Company estimated the fair value for options using the Black-Scholes Option Pricing Model. The estimated weighted-average fair value for options granted in 2010, 2009 and 2008 was \$2.38, \$0.44 and \$1.14, respectively. The following assumptions were used in the option pricing model:

	Year Ended December 31,		
	2010	2009	2008
Expected life (years)	5.0	5.0	5.0
Risk free interest rate	1.13% to 2.54%	1.67% to 2.15%	1.50% to 3.73%
Dividends	—	—	—
Volatility	71.13% to 76.55%	76.72% to 78.47%	62.74% to 72.25%

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The Company recognized stock-based compensation in the amount of \$3,824, \$4,253 and \$4,612 for options awarded to employees and directors for the years ended December 31, 2010, 2009 and 2008, respectively.

The amount of unrecognized stock-based compensation relating to stock options grants as of December 31, 2010 is \$2,734 and the weighted-average remaining vesting period is approximately 1.69 years.

The Company recognized stock-based compensation expense in the amount of \$0, \$47 and \$34, for option awards to nonemployee consultants, special advisors and vendors for the years ended 2010, 2009 and 2008, which is included in professional and consulting fees and other expenses on the consolidated statements of operations.

In 2008, the Company modified 539,843 options by extending the exercise period for certain employees who were terminated from the Company. The Company recognized additional stock-based compensation expense of \$285 related to these modifications.

### ***Restricted Shares***

The Company grants restricted stock to employees, and certain directors. All restricted stock awards require future service as a condition of delivery of the underlying shares of common stock along with certain other requirements outlined in the award agreements. Restricted stock awards generally vest over one to four years.

From time-to-time, the Company also grants restricted and common stock to nonemployee consultants, special advisors and vendors for services. In general, these awards vest over the contractual period of the consulting arrangement. The fair value of these awards is measured at the grant dated fair value and re-measured at each reporting period. Fair value is determined as the closing price of the Company's common stock on the date of grant.

The following table summarizes information about restricted shares outstanding for the years ended December 31, 2010, 2009 and 2008:

	<b>Restricted Stock Awards</b>
Unvested balance at January 1, 2008	3,943,538
Granted	1,212,377
Vested	(1,145,517)
Forfeited	(105,156)
Unvested balance at December 31, 2008	3,905,242
Granted	1,962,319
Vested	(1,380,935)
Forfeited	(56,503)
Unvested balance at December 31, 2009	4,430,123
Granted	554,011
Vested	(2,772,125)
Forfeited	(53,500)
Unvested balance at December 31, 2010	<u>2,158,509</u>

Included in the above table are 750,000, 1,325,330 and 1,687,350 shares of unvested restricted stock as of December 31, 2010, 2009 and 2008, respectively, for awards granted to nonemployee consultants, special advisors and vendors.

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The Company recognized stock-based compensation in the amount of \$2,921, \$3,864 and \$3,545 for restricted stock awards to employees and directors for the year ended 2010, 2009 and 2008, respectively. The amount of unrecognized stock-based compensation expense for employee restricted share grants as of December 31, 2010 is approximately \$783, and the weighted-average remaining vesting period is approximately 1.49 years.

The Company recognized stock-based compensation expense in the amount of \$2,010, \$2,045 and \$1,355, for restricted stock awards to nonemployee consultants, special advisors and vendors for the years ended 2010, 2009 and 2008, which is included in professional and consulting fees and other expenses on the consolidated statements of operations.

### **Warrants**

In connection with the Company's financing in 2004, the Company issued 300,000 warrants exercisable at \$0.28 per share. 96,124 warrants were forfeited and 193,876 were exercised in 2009. The Company has no further warrants outstanding.

### **7. Employee Benefit Plans**

The Company has a 401(k) savings plan covering all eligible employees in which the Company can make discretionary contributions from its profits. The Company has not made any discretionary contributions for years ended December 31, 2010, 2009 and 2008.

### **8. Other Comprehensive Loss**

Accumulated other comprehensive loss is summarized as follows:

	Unrealized Loss/Gain on Securities	Accumulated Other Comprehensive Loss/Gain
Balance—January 1, 2009	\$ (3)	\$ (3)
Period change	3	3
Balance—December 31, 2009	—	—
Period change	—	—
Balance—December 31, 2010	\$ —	\$ —

### **9. Income Taxes**

At December 31, 2010 and 2009, the Company had net operating losses carry forward of \$101,856 and \$93,552, respectively. This carry forward includes a Section 382 (of the U.S. Internal Revenue Code) limited net operating loss of approximately \$17,657 at December 31, 2010, which expires at various dates through 2024 and the utilization of which is limited in future years. In 2010, \$2,381 of these losses expired. During 2010, the Company preformed a Section 382 study and approximately \$7,100 of the net operating loss carry forward was deemed unusable. At this time, the Company has determined that no limitations will apply to the post ownership losses at December 31, 2010 of \$84,199 which expires at various dates through 2030. The Company has generated operating losses through December 31, 2010.

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The composition of the deferred tax asset is summarized as follows by applying a 45.96% and 44.38% tax rate at December 31, 2010 and 2009, respectively, to the deferred tax items. The deferred tax asset has been offset by a valuation allowance:

	December 31,	
	2010	2009
Deferred tax assets:		
Net operating losses	\$ 42,803	\$ 41,518
Stock-based compensation	8,943	11,086
Fixed assets	185	—
Deferred rent liability	200	—
Other	51	—
Total deferred tax assets and liabilities	52,182	52,604
Less: valuation allowance	(52,182)	(52,604)
Net deferred tax assets and liabilities	<u>\$ —</u>	<u>\$ —</u>

A reconciliation between the statutory federal income tax rate of 35% and the Company's effective rate is as follows:

	December 31,		
	2010	2009	2008
Federal statutory rate	(35.00%)	(35.00%)	(35.00%)
State income tax rate, net of federal benefit	(10.17%)	(9.88%)	(9.00%)
Other differences, net	(0.79%)	0.50%	—
Valuation allowance	45.96%	44.38%	44.00%
Effective rate	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

## 10. Financing

In October 2009, the Company completed a financing raising \$4,988 net of expenses through the issuance of 6,666,672 shares of common stock primarily from its existing investors. The proceeds from this financing has been and will be used for general business purposes.

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Consolidated Balance Sheets  
(In Thousands, Except Per Share Amounts)

	September 30, 2011 (Unaudited)	December 31, 2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 21,052	\$ 14,233
Investments	—	1,295
Accounts receivable	5,737	4,825
Other current assets	1,184	642
Total current assets	27,973	20,995
Fixed assets, net	640	756
Investments	9,233	7,300
Other noncurrent assets	59	91
Total assets	<u>\$ 37,905</u>	<u>\$ 29,142</u>
<b>Liabilities and stockholders' equity</b>		
<b>Liabilities</b>		
Current liabilities:		
Fund management and administration payable	\$ 8,866	\$ 5,714
Compensation and benefits payable	2,987	3,638
Accounts payable and other liabilities	2,810	2,263
Total current liabilities	14,663	11,615
Other noncurrent liabilities	186	292
Total liabilities	14,849	11,907
<b>Stockholders' equity</b>		
Preferred stock, par value \$0.01; 2,000 shares authorized:	—	—
Common stock, par value \$0.01; 250,000 shares authorized; issued: 115,963 and 115,291 outstanding: 114,520 and 113,132	1,159	1,152
Additional paid-in capital	161,847	158,236
Accumulated deficit	(139,950)	(142,153)
Total stockholders' equity	23,056	17,235
Total liabilities and stockholders' equity	<u>\$ 37,905</u>	<u>\$ 29,142</u>

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

[Table of Contents](#)**WisdomTree Investments, Inc. and Subsidiaries**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>Revenues</b>				
ETF advisory fees	\$ 17,554	\$ 9,860	\$ 48,341	\$ 27,456
Other income	182	270	644	743
Total revenues	17,736	10,130	48,985	28,199
<b>Expenses</b>				
Compensation and benefits	5,085	4,405	14,912	14,260
Fund management and administration	5,093	3,569	14,991	10,272
Marketing and advertising	911	745	3,240	2,331
Sales and business development	954	766	2,612	1,972
Professional and consulting fees	1,473	795	3,922	2,526
Occupancy, communication and equipment	288	273	846	829
Depreciation and amortization	68	80	200	235
Third party sharing arrangements	1,794	609	4,434	1,485
Other	711	405	1,625	1,258
Total expenses	16,377	11,647	46,782	35,168
Income/(loss) before provision for income taxes	1,359	(1,517)	2,203	(6,969)
Provision for income taxes	625	—	1,013	—
Tax benefit	(625)	—	(1,013)	—
<b>Net income/(loss)</b>	<b>\$ 1,359</b>	<b>\$ (1,517)</b>	<b>\$ 2,203</b>	<b>\$ (6,969)</b>
Net income/(loss) per share—basic	\$ 0.01	\$ (0.01)	\$ 0.02	\$ (0.06)
Net income/(loss) per share—diluted	\$ 0.01	\$ (0.01)	\$ 0.02	\$ (0.06)
Weighted average common shares—basic	114,238	112,424	113,886	111,675
Weighted average common shares—diluted	136,075	112,424	135,615	111,675

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

[Table of Contents](#)**WisdomTree Investments, Inc. and Subsidiaries**Consolidated Statements of Cash Flows  
(In Thousands)  
(Unaudited)

	Nine Months Ended September 30,	
	2011	2010
<b>Cash flows from operating activities</b>		
Net income/(loss)	\$ 2,203	\$ (6,969)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation, amortization and other	200	235
Stock-based compensation	5,427	6,529
Deferred rent	(115)	(70)
Accretion to interest income	79	(6)
(Increase)/decrease in operating assets and liabilities:		
Accounts receivable	(912)	(842)
Other assets	(510)	88
Fund management and administration payable	3,152	760
Compensation and benefits payable	(651)	(406)
Accounts payable and other liabilities	556	12
Net cash provided by/(used in) operating activities	9,429	(669)
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(84)	(87)
Purchase of investments	(5,833)	(6,114)
Proceeds from the redemption of investments	5,116	7,183
Net cash (used in)/provided by investing activities	(801)	982
<b>Cash flows from financing activities</b>		
Shares repurchased	(2,130)	—
Proceeds from exercise of stock options	321	1
Net cash (used in)/provided by financing activities	(1,809)	1
Net increase in cash and cash equivalents	6,819	314
Cash and cash equivalents—beginning of period	14,233	11,476
<b>Cash and cash equivalents—end of period</b>	<u>\$21,052</u>	<u>\$11,790</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for income taxes	\$ 12	\$ 11
Non-cash investing and financing activities:		
Cashless exercise of stock options	\$ 391	\$ 60

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)*  
*(unaudited)*

**1. Organization and Description of Business**

WisdomTree Investments, Inc. (“WisdomTree” or the “Company”) is a New York-based exchange-traded fund sponsor and asset manager. The Company is the eighth largest sponsor of ETFs in the United States based on assets under management (“AUM”). In June 2006, the Company launched 20 ETFs and, as of September 30, 2011, had 47 ETFs with AUM of \$11.2 billion. Through its operating subsidiary, the Company provides investment advisory and other management services to the WisdomTree Trust (“WTT”) and WisdomTree ETFs. The Company also licenses its indexes to third parties and promotes the use of WisdomTree ETFs in 401(k) plans. The Company has the following subsidiaries:

- WisdomTree Asset Management, Inc. (“WTAM”)—a wholly owned subsidiary formed in February 2005, is an investment advisor registered with the Securities and Exchange Commission (“SEC”). WTAM provides investment advisory and other management services to WTT and the WisdomTree ETFs. In exchange for providing these services, the Company receives advisory fee revenues based on a percentage of the ETFs average daily net assets under management.
- WisdomTree Retirement Services, Inc. (“WTRS”)—a wholly owned subsidiary formed in August 2007, markets with selected third parties the use of WisdomTree ETFs in 401(k) plans as well as offering a platform that offers ETFs to the 401(k) marketplace.

The WisdomTree ETFs are issued by WTT. WTT, a non-consolidated third-party, is a Delaware statutory trust registered with the SEC as an open-end management investment company. WTT offers ETFs across international and domestic equities, currency, fixed income and alternatives asset classes. The Company has licensed the use of its own fundamentally-weighted indexes on an exclusive basis to WTT for the WisdomTree ETFs. The Board of WTT, or the Trustees, is separate from the Board of the Company. The Trustees are primarily responsible for overseeing the management and affairs of the WisdomTree ETFs and the Trust for the benefit of the WisdomTree ETF shareholders and has contracted with the Company to provide for general management and administration services of WTT and the WisdomTree ETFs. The Company, in turn, has contracted with third parties to provide the majority of these administration services. In addition, certain officers of the Company provide general management services for WTT.

**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 WTAM and WTRS. All intercompany accounts and transactions have been eliminated in consolidation. Certain accounts in the prior periods’ consolidated financial statements have been reclassified to conform to the current period’s consolidated financial statements presentation. These reclassifications had no effect on the previously reported net losses. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes for the year ended December 31, 2010.

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### ***Use of Estimates***

The preparation of the Company's consolidated financial statements in conformity with 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 from those estimates.

### ***Revenue Recognition***

The Company earns investment advisory fees for ETFs and separately managed accounts as well as licensing fees from third parties. ETF advisory fees are based on a percentage of the ETFs average daily net assets and recognized over the period the related service is provided. Fees for separately managed accounts and licensing are based on a percentage of the average monthly net assets and recognized over the period the related service is provided.

### ***Depreciation and Amortization***

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

Equipment	3 years
Furniture and fixtures	7 years

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

### ***Marketing and Advertising***

Advertising costs, including media advertising are expensed when incurred.

### ***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. Cash and cash equivalents are held with one large financial institution.

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

Accounts receivable are customers' obligations due under normal trade terms. An allowance for doubtful accounts is not provided because, in the opinion of management, all accounts receivable recorded are deemed collectible.

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

On a periodic basis, 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.

### ***Earnings/(Loss) per Share***

Basic earnings or loss per share is computed by dividing net income or loss available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential reduction in earnings per share that could occur if options or other contracts to issue

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common stock were exercised or converted into common stock. Options and restricted shares to purchase shares of common stock were included in the three and nine months ended September 30, 2011 but not included in the computation of diluted loss per share for the three and nine months ended September 30, 2010 as the Company incurred losses during those periods.

### ***Investments***

The Company accounts for all of its investments as held-to-maturity, which are recorded at amortized cost, which approximates fair value. For held-to-maturity investments, the Company has the intent and ability to hold investments to maturity and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity.

On a periodic basis, the Company reviews its portfolio of investments for impairment. If a decline in fair value is deemed to be other-than-temporary, the security is written down to its fair value through earnings.

### ***Subsequent Events***

The Company has evaluated subsequent events after the date of the consolidated financial statements to consider whether or not the impact of such events needed to be reflected or disclosed in the consolidated financial statements. Such evaluation was performed through the issuance of these interim consolidated financial statements.

### ***Stock-Based Awards***

Accounting for share-based compensation requires the measurement and recognition of compensation expense for all equity awards based on estimated fair values. The Company accounts for stock-based compensation for its employees based on the cost of employee services received in exchange for a stock-based award. Stock-based compensation is measured based on the grant-date fair value of the award and are amortized over the relevant service period.

Stock-based awards granted to non-employees for goods or services are valued at the fair value of the equity instruments issued or the fair value of consideration received, whichever is a more reliable measure of the fair value of the transaction, and recognized when performance obligations are complete.

### ***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 basis 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 adjusted by a valuation allowance if, based on the weight of available evidence, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

In order to recognize and measure any unrecognized tax benefits, management evaluates and determines whether any of its tax positions are more-likely-than-not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets this recognition threshold, the position is measured to determine the amount of benefit to be recognized in the consolidated financial statements. Management does not believe that the Company has any material uncertain tax positions. The Company records interest and penalties, if any, related to income taxes within the provision for income taxes in the consolidated statements of operations.

The Company had tax years December 31, 1996 through December 31, 2010 open for examination by federal and state agencies as of September 30, 2011.

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### Related-Party Transactions

The Company's revenues are derived primarily from investment advisory agreements with WTT and WisdomTree ETFs. Under these agreements, the Company has granted WTT an exclusive license to its own indexes for operation of the WisdomTree ETFs. The Trustees are primarily responsible for overseeing the management and affairs of the WisdomTree ETFs and the Trust for the benefit of the WisdomTree ETF shareholders and has contracted with the Company to provide for general management and administration of WTT and the WisdomTree ETFs. The Company is also responsible for expenses of WTT, including the cost of transfer agency, custody, fund administration and accounting, legal, audit, and other non-distribution services. In exchange, the Company receives fees based on a percentage of the ETF average daily net assets. The advisory agreements may be terminated by WTT upon notice. Certain officers of the Company also provide general management oversight of WTT; however, these officers have no material decision making responsibilities and primarily implement the decisions of the Trustees. At September 30, 2011 and December 31, 2010, the balance of accounts receivable from WTT was approximately \$5,574 and \$4,612, respectively. Revenue from ETF advisory services provided to WTT for the three months ended September 30, 2011 and 2010 was approximately \$17,554 and \$9,860, respectively and for the nine months ended September 30, 2011 and 2010 was approximately \$48,341 and \$27,456, respectively.

### Third Party Sharing Arrangements

Included in third party sharing arrangements expense are payments (reimbursements) from/(to) the Company with respect to (i) a collaborative arrangement and (ii) marketing agreements with third parties:

**Collaborative Arrangement**—In 2008, the Company entered into a mutual participation agreement with Mellon Capital Management Corporation ("Mellon Capital") and The Dreyfus Corporation ("Dreyfus") in which the parties agreed to collaborate in developing currency and fixed income ETFs under WTT. Under the agreement, the Company is responsible for operating the ETFs and providing sales, marketing and research support at its own cost. Mellon Capital and Dreyfus are responsible for providing sub-advisory, fund administration and accounting services for these collaborative ETFs at its own cost. Any revenues less third party costs, such as marketing, legal, accounting or fund management, related to these collaborative products are shared equally, including any losses ("net profit/(loss)"). The Company is responsible for arranging any third party costs related to this collaborative arrangement. This agreement expires in March 2013. The Company has determined it is the principal participant for transactions under this collaborative arrangement and as such, records these transactions on a gross basis reflecting all of the revenues and third party expenses on its consolidated financial statements in accordance with the nature of the revenue or expense. Any net profit/(loss) payments are reflected in Third Party Sharing Arrangements expense on the consolidated financial statements.

Revenues and expenses under this collaborative arrangement included in the Company's consolidated financial statement are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
ETF advisory fees revenue	\$ 3,882	\$ 1,658	\$ 9,653	\$ 4,608
<b>Expenses:</b>				
Fund management and administration	381	331	1,073	775
Marketing and advertising	41	18	389	679
Sales and business development	69	95	115	186
Other	—	1	—	3
Total third party expenses	491	445	1,577	1,643
Net profit	3,391	1,213	8,076	2,965
50% sharing	\$ 1,696	\$ 606	\$ 4,038	\$ 1,482

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Marketing agreements—In 2010, the Company entered into agreements with two external marketing firms to serve as the external marketing agents for the WisdomTree ETFs in the U.S. independent broker-dealer channel and in Latin America. Under these agreements, the Company will pay a percentage of their advisory fee revenue, subject to caps, to the marketing agents based on incremental growth in assets under management in the respective sales channel. The Company incurred marketing fees for the three and nine months ended September 30, 2011 of \$98 and \$396, respectively and \$3 for the three and nine months ended September 30, 2010.

### **Segment, Geographic and Customer Information**

The Company operates as one business segment, as an ETF sponsor and asset manager providing investment advisory services. Revenues are derived in the United States and all of the Company's assets are located in the United States.

### **Recently Issued Accounting Pronouncements**

In January 2010, ASU No. 2010-6, *Improving Disclosures About Fair Value Measurement*, adds required disclosures about items transferring into and out of Levels 1 and 2 in the fair value hierarchy; adding separate disclosures about purchase, sales, issuances, and settlements relative to Level 3 measurements; and clarifying, among other things, the existing fair value disclosures about the level of disaggregation. ASU No. 2010-6 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the requirement to provide Level 3 purchases, sales, issuances, and settlements on a gross basis, which is effective for fiscal years beginning after December 15, 2010. This standard impacts disclosure requirements only and did not have a material impact on our consolidated financial statements.

In May 2011, FASB issued ASU No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS')." ASU No. 2011-04 includes common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. ASU No. 2011-04 will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, ASU No. 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. At this time, management is evaluating the implications of ASU No. 2011-04 and its impact on the Company's consolidated financial statements.

### **3. Investments and Fair Value Measurements**

The following table is a summary of the Company's investments:

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
	<u>Held-to-Maturity</u>	<u>Held-to-Maturity</u>
Federal agency debt instruments	\$ 9,233	\$ 8,595
Total	<u>\$ 9,233</u>	<u>\$ 8,595</u>

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The following table summarizes unrealized gains, losses, and fair value on investments:

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
	<u>Held-to-Maturity</u>	<u>Held-to-Maturity</u>
Cost/amortized cost	\$ 9,233	\$ 8,595
Gross unrealized gains	50	47
Gross unrealized losses	(41)	(151)
Fair value	<u>\$ 9,242</u>	<u>\$ 8,491</u>

The Company's table sets forth the maturity profile of investments:

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
	<u>Held-to-Maturity</u>	<u>Held-to-Maturity</u>
Due within one year	\$ —	\$ 1,295
Due one year through five years	—	249
Due five years through ten years	1,150	796
Due over ten years	8,083	6,255
Total	<u>\$ 9,233</u>	<u>\$ 8,595</u>

### Fair Value Measurement

Under the accounting for fair value measurements and disclosures, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, or the exit price, in an orderly transaction between market participants at the measurement date. The accounting guidance establishes a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions.

These three types of inputs create the following fair value hierarchy:

**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 value drivers are unobservable.

This hierarchy requires the use of observable market data when available. The Company's held-to-maturity securities are categorized as Level 1. The amortized cost of the held-to-maturity securities approximates fair value. The Company does not intend to sell its investments held-to maturity before the recovery of their amortized cost bases which may be at maturity.

Some of our financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: cash and cash equivalents, accounts receivable, certain other current assets, accounts payable and other liabilities, fund management and administration payable, and compensation and benefits payable.

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### 4. Commitments and Contingencies

#### *Contractual Obligations*

The Company has entered into obligations under operating leases with initial non-cancelable terms in excess of one year for office space, telephone, and data services. Expenses recorded under these agreements for the three months ended September 30, 2011 and 2010 were approximately \$267 and \$248 respectively. Expenses for the nine months ended September 30, 2011 and 2010 were approximately \$781 and \$761 respectively.

Future minimum lease payments with respect to non-cancelable operating leases at September 30, 2011 are approximately as follows:

Remainder of 2011	\$ 352
2012	1,372
2013	1,298
2014	74
2015 and thereafter	—
Total	<u>\$3,096</u>

#### *Letter of Credit*

The Company collateralizes its leased office space through a standby letter credit in the amount of \$700 held as an investment in debt securities, which is included in investments on the consolidated balance sheets at September 30, 2011 and December 31, 2010.

#### *Contingencies*

The Company is subject to various routine regulatory reviews and inspections by the SEC as well as legal proceedings arising in the ordinary course of business. The Company is not currently party to any litigation or other legal proceedings that management believes are reasonably likely to have a material adverse effect on the Company's operating results, financial condition or cash flows.

### 5. Stock-Based Awards

#### *Stock Options and Restricted Stock*

The Company grants stock options to employees, certain directors and non-employee consultants and special advisors for services. Options are issued generally for terms of ten years and vest between two to four years. Options are issued with an exercise price equal to the fair value of the Company on the date of grant. The Company estimated the fair value for options using the Black-Scholes Option Pricing Model.

The Company grants restricted stock to employees and certain directors. All restricted stock awards require future service as a condition of delivery of the underlying shares of common stock along with certain other requirements outlined in the award agreements. Restricted stock awards generally vest over one to four years.

From time-to-time, the Company also grants restricted and common stock to nonemployee consultants, special advisors and vendors for services. In general, these awards vest over the contractual period of the consulting arrangement. The fair value of these awards is measured at the grant dated fair value and re-measured at each reporting period. Fair value is determined as the closing price of the Company's common stock on the date of grant.

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A summary of options and restricted stock activity is as follows:

	Options	Weighted Average Exercise Price of Options	Restricted Stock Awards
Balance at January 1, 2011	21,443,617	\$ 0.60	2,158,509
Granted	755,000	\$ 5.68	561,526
Exercised/vested	(535,842)	\$ 1.12	(1,251,896)
Forfeitures or expirations	(109,066)	\$ 2.32	(25,405)
Balance at September 30, 2011	<u>21,553,709</u>	<u>\$ 0.76</u>	<u>1,442,734</u>

A summary of stock-based compensation expense is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Employees and directors	\$ 995	\$ 1,492	\$ 3,374	\$ 5,319
Non-employees	808	476	2,053	1,210
Total	<u>\$ 1,803</u>	<u>\$ 1,968</u>	<u>\$ 5,427</u>	<u>\$ 6,529</u>

## 6. Earnings and Dividend Per Share

The following is a reconciliation of the basic and diluted earnings per share computation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net income/(loss)	<u>\$ 1,359</u>	<u>\$ (1,517)</u>	<u>\$ 2,203</u>	<u>\$ (6,969)</u>
Shares of common stock and common stock equivalents:				
Weighted averages shares used in basic computation (in thousands)	114,238	112,424	113,886	111,675
Dilutive effect of stock options and unvested restricted stock (in thousands)	<u>21,837</u>	<u>—</u>	<u>21,729</u>	<u>—</u>
Weighted averages shares used in dilutive computation (in thousands)	<u>136,075</u>	<u>112,424</u>	<u>135,615</u>	<u>111,675</u>
Basic earnings per share	\$ 0.01	\$ (0.01)	\$ 0.02	\$ (0.06)
Dilutive earnings per share	\$ 0.01	\$ (0.01)	\$ 0.02	\$ (0.06)

Diluted earnings per share reflects the potential reduction in earnings per share that could occur if options or other contracts to issue common stock were exercised or converted into common stock. Options and restricted shares to purchase shares of common stock were included in the three and nine months ended September 30, 2011 but not included in the computation of diluted loss per share for the three and nine months ended September 30, 2010 as the Company incurred losses during those periods. The number of outstanding options and unvested restricted stock excluded for the three and nine months ended September 30, 2010 were 21,765 and 2,582, respectively.

## 7. Income Taxes

At September 30, 2011 and December 31, 2010, the Company had net operating losses carry forward of \$97,022 and \$101,856, respectively, which it carries as a deferred tax asset which had been completely offset by a valuation allowance. For the three and nine months ended September 30, 2011, the Company has utilized \$625 and \$1,013, respectively, of its net operating loss by applying a 45.96% rate.



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**8. Shares Repurchased**

During the nine months ended September 30, 2011, the Company repurchased 383,201 shares of its Company stock for an aggregate price of \$2,130. The shares repurchased related to the vesting of restricted common stock granted to employees.

**9. Subsequent Event**

On October 17, 2011, the Company filed a registration statement on Form S-1 with the SEC for a proposed public offering of shares of its common stock by the Company and certain of its stockholders. The number of shares to be offered by the stockholders has not yet been determined but the Company intends to issue up to one million new shares. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC are acting as joint book-running managers for the offering.

14,362,251 Shares



**WisdomTree Investments, Inc.**

**Common Stock**

PROSPECTUS

*Joint Book-Running Managers*

**BofA Merrill Lynch**

**Morgan Stanley**

**Barclays Capital**

**Citigroup**

**UBS Investment Bank**

**Piper Jaffray**

**Sandler O'Neill + Partners, L.P.**

**Sterne Agee**

, 2012

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

**Item 13. Other Expenses of Issuance and Distribution**

The following table sets forth all expenses, other than the underwriting discounts and commissions, payable by the Registrant in connection with the sale of the common stock being registered. All the amounts shown are estimates except the SEC registration fee and the FINRA filing fee.

	<u>Total</u>
SEC registration fee	\$ 11,944
FINRA filing fee	\$ 10,922
Blue sky qualification fees and expenses	\$ 5,000
Printing and engraving expenses	\$ 75,000
Legal fees and expenses	\$ 300,000
Accounting fees and expenses	\$ 140,000
Transfer agent and registrar fees	\$ 10,000
Miscellaneous	\$ 10,000
Total	<u>\$ 562,866</u>

\* To be filed by amendment.

**Item 14. Indemnification of Directors and Officers**

Section 145 of the General Corporation Law of the State of Delaware empowers a Delaware corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit, or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe that such person's conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon plea of *nolo contendere* or its equivalent, does not, of itself, create a presumption that such person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

In the case of an action by or in the right of the corporation, Section 145 empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action in any of the capacities set forth above against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in and not opposed to the best interests of the corporation, except that indemnification is not permitted in respect of any claim, issue, or matter as to which such person is adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court deems proper. Section 145 further provides: that a Delaware corporation is required to indemnify a director, officer, employee,

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or agent against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with any action, suit, or proceeding or in defense of any claim, issue, or matter therein as to which such person has been successful on the merits or otherwise; that indemnification provided for by Section 145 shall not be deemed exclusive of any other rights to which the indemnified party may be entitled; that indemnification provided for by Section 145 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of such person's heirs, executors, and administrators; and empowers the corporation to purchase and maintain insurance on behalf of a director or officer against any such liability asserted against such person in any such capacity or arising out of such person's status as such whether or not the corporation would have the power to indemnify him against liability under Section 145. A Delaware corporation may provide indemnification only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct. Such determination is to be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not party to such action, suit, or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders.

Our amended and restated certificate of incorporation (the "Charter") provides that no director of our company shall be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to our company or our stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) in respect of unlawful dividend payments or stock redemptions or repurchases, or (4) for any transaction from which the director derived an improper personal benefit. In addition, our Charter provides that if the Delaware General Corporation Law is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of our company shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended. The Charter further provides that any amendment, repeal or modification of these provisions by our stockholders or an amendment to the Delaware General Corporation Law will not adversely affect any right or protection existing at the time of such amendment, repeal or modification with respect to any acts or omissions occurring before such amendment, repeal or modification of a director serving at the time of such amendment, repeal or modification.

Our amended and restated by-laws (the "By-Laws") provide that we will indemnify each of our directors and officers and, in the discretion of our Board of Directors, certain employees, to the fullest extent permitted by the Delaware General Corporation Law as the same may be amended (except that in the case of an amendment, only to the extent that the amendment permits us to provide broader indemnification rights than the Delaware General Corporation Law permitted us to provide prior to such the amendment) against any and all expenses, judgments, damages, liabilities, losses, penalties, excise taxes, fines and amounts paid in settlement that are incurred or paid by the director, officer or such employee or on the director's, officer's or employee's behalf in connection with any threatened, pending or completed proceeding or any claim, issue or matter therein, to which he or she is or is threatened to be made, a party to or participant in because he or she is or was serving as a director, officer or employee of our company, or at our request as a director, partner, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan, foundation, association, organization or other legal entity, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of our company and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful, provided however, with respect to actions, suits and proceedings other than by or in the right of our company, that no indemnification shall be made under in respect of any claim, issue or matter as to which he or she has been finally adjudged by a court of competent jurisdiction to be liable to our company, unless, and only to the extent that, the Delaware Court of Chancery or another court in which such proceeding was brought has determined upon application that, despite adjudication of liability, but in view of all the circumstances of the case, he or she is fairly and reasonably entitled to indemnification for such expenses that such court deems proper. The By-Laws further provide for the advancement of expenses to each of our directors and, in the discretion of the Board of Directors, to certain

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officers and employees. In addition, the By-Laws provide that the right of each of our directors and officers to indemnification and advancement of expenses shall be a contract right and shall not be exclusive of any other right now possessed or hereafter acquired under any statute, provision of the Charter or By-Laws, agreement, vote of stockholders or otherwise. Furthermore, the By-Laws authorize us to provide insurance for our directors, officers and employees against any liability, whether or not we would have the power to indemnify such person against such liability under the Delaware General Corporation Law or the By-Laws.

Additionally, we have entered into indemnification agreements with certain of our directors and officers whereby we have agreed to indemnify, and advance expenses to, each indemnitee to the fullest extent permitted by applicable law. These indemnification agreements will continue until and terminate upon the later of (i) ten years after the date that the indemnitee has ceased to serve as a director or officer of any entity which the indemnitee served at our request, or (ii) one year after the final termination of any proceedings then pending in respect of which the indemnitee is granted rights of indemnification or advancement of expenses or any proceeding commenced by the indemnitee.

We maintain a directors' and officers' liability insurance policy. The policy insures directors and officers against unindemnified losses arising from certain wrongful acts in their capacities as directors and officers and reimburses us for those losses for which we have lawfully indemnified the directors and officers. The policy contains various exclusions.

### **Item 15. Recent Sales of Unregistered Securities**

Set forth below is information regarding shares of capital stock issued and options granted by us since October 1, 2008. Also included is the consideration, if any, received by us for such shares and options and information relating to the section of the Securities Act, or rules of the SEC under which exemption from registration was claimed. As identified below, certain of the transactions described below involved directors, executive officers and greater than five percent stockholders. No underwriters were involved in any of the following sales of securities.

The securities described below were issued to U.S. investors in reliance upon exemptions from the registration provisions of the Securities Act set forth in Section 4(2) thereof relative to sales by an issuer not involving any public offering, to the extent an exemption from such registration was required. All purchasers of shares of our preferred stock described below represented to us in connection with their purchase that they were accredited investors and were acquiring the shares for investment and not distribution, that they could bear the risks of the investment and that they understood that the securities must be held indefinitely unless a subsequent disposition was registered under the Securities Act or exempt from registration. The purchasers received written disclosures that the securities had not been registered under the Securities Act and that any resale must be made pursuant to a registration or an available exemption from registration. The issuance of stock options and the common stock issuable upon the exercise of stock options as described below were issued pursuant to written compensatory benefit plans or arrangements with our employees, directors and consultants, in reliance on the exemption provided by Rule 701 promulgated under the Securities Act or Section 4(2) of the Securities Act.

#### ***October 2009 Private Placement***

On October 15, 2009, we closed a private placement of our common stock in which we sold 6,666,672 shares for aggregate consideration of \$5,000,000 pursuant to a securities purchase agreement. This transaction is described in this registration statement under the section entitled "Certain Relationships and Related Party Transactions." The shares were issued to U.S. investors in reliance upon the exemption from the registration provisions of the Securities Act set forth in Section 4(2) thereof and Rule 506 of Regulation D promulgated thereunder relative to sales by an issuer not involving any public offering. All purchasers of the shares represented to us in connection with their purchase that they were accredited investors and were acquiring the shares for investment and not distribution, that they could bear the risks of the investment and that they understood that the securities must be held indefinitely unless a subsequent disposition was registered under the

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Securities Act or exempt from registration. The purchasers received written disclosures that the securities had not been registered under the Securities Act and that any resale must be made pursuant to a registration or an available exemption from registration. All stock certificates carried an appropriate restrictive legend.

### ***Issuances to Treasury Equity, LLC***

On March 12, 2007, we entered into a purchase agreement with Treasury Equity, LLC pursuant to which we acquired, among other things, the rights to an application pending with the SEC for exemptive relief to operate currency funds. In consideration of the purchase price, we issued to the seller, Treasury Equity, LLC, on the dates indicated below shares of our common stock upon the satisfaction of certain conditions under the purchase agreement:

- November 10, 2008: We issued 371,563 shares valued at \$500,000
- December 4, 2009: We issued 504,881 shares valued at \$1,000,000

The shares were issued to U.S. investors in reliance upon the exemption from the registration provisions of the Securities Act set forth in Section 4(2) thereof relative to sales by an issuer not involving any public offering. The seller represented to us in the purchase agreement that it was an accredited investor and was acquiring the shares for investment and not distribution, that it could bear the risks of the investment and that it understood that the securities must be held indefinitely unless a subsequent disposition was registered under the Securities Act or exempt from registration. The sellers received written disclosures that the securities had not been registered under the Securities Act and that any resale must be made pursuant to a registration or an available exemption from registration. All stock certificates carried an appropriate restrictive legend.

### ***Issuances to Europa Partners, Limited, Angela Burns and Aktiva Ltd.***

Effective September 24, 2007, we entered into an amendment to an agreement, dated January 16, 2007, with Europa Partners, Limited, a firm located in London, England, which served as a solicitation agent for our investment advisor subsidiary to identify and assist us in soliciting institutional clients for which we could manage assets on a separate account basis. In consideration for its services, we agreed to issue shares of our common stock on a semi-annual basis to it and to its principal in charge of our account, Angela Burns. Effective November 8, 2009, this engagement was terminated and we entered into a similar engagement with Aktiva Ltd., another firm located in London, England, for which Angela Burns was the sole principal, pursuant to which we were to issue shares directly to Ms. Burns. Under these arrangements on the dates indicated below we issued shares of common stock as follows:

- March 1, 2009: We issued 10,000 shares to Angela Burns
- September 1, 2009: We issued 10,000 shares to Angela Burns
- March 1, 2010: We issued 10,000 shares to Angela Burns
- September 1, 2010: We issued 10,000 shares to Angela Burns
- March 1, 2011: We issued 10,000 shares to Angela Burns
- September 1, 2011: We issued 10,000 shares to Angela Burns.

These shares of common stock were issued in an offshore transaction not subject to registration under the Securities Act pursuant to Regulation S promulgated thereunder. In connection with these issuances, the recipients of the shares represented to us that it or she (i) was outside the United States when receiving and executing the applicable agreement and was not a "U.S. Person" as defined in Rule 902 of Regulation S, (ii) was

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not acquiring the shares as a result of, and will not itself engage in, any “directed selling efforts” (as defined in Regulation S) in the United States in respect of our common stock, which would include any activities undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the resale of the shares, (iii) understood and agreed that any offer and resale of the shares prior to the expiration of the one-year period after the issuance of the shares could only be made in compliance with the safe harbor provisions set forth in Regulation S or pursuant to an exemption from the registration requirements of the Securities Act, and that all offers and sales after the one-year period could be made only pursuant to an exemption from the registration requirements of the Securities Act. The recipients further agreed not to engage in any hedging transactions involving our common stock prior to the expiration of the one-year period unless such transactions are in compliance with the Securities Act. All stock certificates carried an appropriate restrictive legend.

### ***Issuances to Employees, Consultants and Non-Employee Directors***

We believe employee ownership of common stock is in the best interest of our company and the issuance of stock options and restricted stock as a regular component of overall compensation for our employee and non-employee directors. The issuance of stock options and the common stock issuable upon the exercise of stock options as described below were issued pursuant to written compensatory benefit plans or arrangements with our employees, directors and senior board advisors in reliance on the exemption provided by Rule 701 promulgated under the Securities Act or Section 4(2) of the Securities Act. All stock certificates carried an appropriate restrictive legend.

Since October 1, 2008, at various times, we have issued an aggregate of 5,459,736 options to purchase shares of our common stock to our employees and non-employee independent directors at exercise prices ranging from \$0.70 to \$8.51. These options were issued without cash consideration and become exercisable over time (between one and four years) based upon continued employment.

Since October 1, 2008 and at various time we issued an aggregate of 3,156,803 shares of restricted stock to our employees, senior advisors to our Board of Directors and non-employee independent directors. These shares of restricted stock were issued without cash consideration and they vest over time (between one and four year) based upon continued employment or service to the company. At September 30, 2011, 2,065,849 of these shares had vested and became unrestricted.

Since October 1, 2008 and at various times, we have issued 927,326 shares of our common stock pursuant to the exercise of stock options or warrants for an aggregate consideration of \$1,311,455.

### **Item 16. Exhibits and Financial Statement Schedules**

(a) Exhibits.

The exhibits to the registration statement are listed in the Exhibit Index to this registration statement and are incorporated herein by reference.

(b) Financial Statement Schedule.

All schedules have been omitted because they are not applicable.

### **Item 17. Undertakings**

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the

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event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, or the Securities Act, and will be governed by the final adjudication of such issue.

The Registrant hereby undertakes that:

(a) The Registrant will provide to the underwriters at the closing as specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(c) For the purpose of determining any liability under the Securities Act each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.



**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Amendment No. 1 to the Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, the State of New York, on the 30th day of January, 2012.

WISDOMTREE INVESTMENTS, INC.

By: /s/ Jonathan L. Steinberg  
Jonathan L. Steinberg  
Chief Executive Officer and Director

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 1 to the Registration Statement has been signed by the following persons in the capacities indicated below on the 30th day of January, 2012.

<u>Signature</u>	<u>Title</u>
<u>/s/ Jonathan L. Steinberg</u> Jonathan L. Steinberg	Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ Amit Muni</u> Amit Muni	Executive Vice President—Finance and Chief Financial Officer (Principal Financial and Accounting Officer)
<u>*</u> Bruce I. Lavine	President, Chief Operating Officer and Director
<u>*</u> Michael Steinhardt	Non-Executive Chairman of the Board
<u>*</u> Steven L. Begleiter	Director
<u>*</u> Anthony Bossone	Director
<u>*</u> R. Jarrett Lilien	Director
<u>*</u> James D. Robinson, IV	Director
<u>*</u> Frank Salerno	Director
*By: <u>/s/ Peter M. Ziemba</u> Peter M. Ziemba Attorney-in-Fact	

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
1.1	Form of Underwriting Agreement
3.1*	Amended and Restated Certificate of Incorporation
3.2*	Amended and Restated By-laws
4.1*	Specimen Common Stock Certificate
4.2*	Amended and Restated Stockholders Agreement among Registrant and certain investors dated December 21, 2006
4.3*	Securities Purchase Agreement among Registrant and certain investors dated December 21, 2006
4.4*	Securities Purchase Agreement among Registrant and certain investors dated October 15, 2009
4.5*	Third Amended and Restated Registration Rights Agreement dated October 15, 2009
5.1	Opinion of Goodwin Procter LLP
10.1*	Representative Form of Advisory Agreement between WisdomTree Asset Management, Inc. and WisdomTree Trust
10.2*	Form of License Agreement between WisdomTree Investments, Inc. and WisdomTree Trust dated March 21, 2006
10.3*	Mutual Participation Agreement by and among WisdomTree Investments, Inc., WisdomTree Asset Management, Inc. Mellon Capital Management Corporation and The Dreyfus Corporation dated January 24, 2008
10.4*	WisdomTree Investments, Inc. 1993 Stock Option Plan
10.5*	WisdomTree Investments, Inc. 1996 Performance Equity Plan
10.6*	WisdomTree Investments, Inc. 1996 Management Incentive Plan
10.7*	WisdomTree Investments, Inc. 2000 Performance Equity Plan
10.8*	WisdomTree Investments, Inc. 2001 Performance Equity Plan
10.9*	WisdomTree Investments, Inc. 2005 Performance Equity Plan
10.10*	Amendment to WisdomTree Investments, Inc. 2005 Performance Equity Plan approved by stockholder on August 20, 2007
10.11*	Amendment to WisdomTree Investments, Inc. 2005 Performance Equity Plan approved by stockholder on August 23, 2010
10.12*	Form of Restricted Stock Agreement (Multiple Year Vesting) for Executive Officers
10.13*	Form of Restricted Stock Agreement (Single Year Vesting) for Executive Officers
10.14*	Form of Stock Option Agreement for Executive Officers
10.15*	Form of Restricted Stock Agreement for Independent Directors
10.16*	Form of Stock Option Agreement for Independent Directors
10.17*	Form of Amendment dated January 26, 2009 to Existing Option Agreements between Registrant and Employees
10.18*	Stock Option Agreement between Registrant and Jonathan Steinberg dated April 3, 2002
10.19*	Stock Option Agreement between Registrant and Jonathan Steinberg dated March 17, 2004

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<u>Exhibit Number</u>	<u>Description</u>
10.20*	Amendment dated November 10, 2004 to Stock Option Agreements between Registrant and Jonathan Steinberg dated January 3, 2001, April 3, 2002 and March 17, 2004
10.21*	Stock Option Agreement between Registrant and Jonathan Steinberg dated November 10, 2004
10.22*	Stock Option Agreement between Registrant and Luciano Siracusano dated November 6, 2002
10.23*	Stock Option Agreement between Registrant and Luciano Siracusano dated July 30, 2003
10.24*	Stock Option Agreement between Registrant and Luciano Siracusano dated March 17, 2004
10.25*	Amendment dated October 7, 2004 to Stock Option Agreement between Registrant and Luciano Siracusano dated April 3, 2002
10.26*	Stock Option Agreement between Registrant and Luciano Siracusano dated November 10, 2004
10.27*	Stock Option Agreement between Registrant and Luciano Siracusano dated January 26, 2009
10.28*	Amendment dated March 30, 2011 to Stock Option Agreements between Registrant and Luciano Siracusano dated January 26, 2009
10.29*	Stock Option Agreement between Registrant and Michael Steinhardt dated November 10, 2004
10.30*	Stock Option Agreement between Registrant and Frank Salerno dated July 22, 2005
10.31*	Amended and Restated Employment Agreement between WisdomTree Asset Management, Inc. and Bruce Lavine dated as of May 24, 2011
10.32*	Amended and Restated Employment Agreement between WisdomTree Asset Management, Inc. and Peter M. Ziemba dated as of May 24, 2011
10.33*	Amended and Restated Employment Agreement between WisdomTree Asset Management, Inc. and Amit Muni dated as of May 24, 2011
10.34*	Form of Proprietary Rights and Confidentiality Agreement
10.35*	Form of Indemnification Agreement for Officers and Directors
21.1*	Subsidiaries of WisdomTree Investments, Inc.
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm
23.2	Consent of Goodwin Procter LLP (included in Exhibit 5.1)
24.1**	Power of Attorney (see page II-6 of the original filing of this registration statement)
101.INS†	XBRL Instance Document
101.SCH†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document

\* Incorporated by reference from the Registrant's Registration Statement on Form 10 filed with the SEC on March 31, 2011.

\*\* Previously filed.

† Pursuant to Rule 406T, the interactive data files in Exhibit 101 hereto are deemed not filed or a part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under these sections.

WISDOMTREE INVESTMENTS, INC.

(a Delaware corporation)

14,362,251 Shares of Common Stock

UNDERWRITING AGREEMENT

Dated: February [—], 2012

WISDOMTREE INVESTMENTS, INC.

(a Delaware corporation)

14,362,251 Shares of Common Stock

**UNDERWRITING AGREEMENT**

February [—], 2012

Merrill Lynch, Pierce, Fenner & Smith  
Incorporated  
Morgan Stanley & Co. LLC

as Representatives of the several Underwriters

c/o Merrill Lynch, Pierce, Fenner & Smith  
Incorporated

One Bryant Park  
New York, New York 10036

c/o Morgan Stanley & Co. LLC  
1585 Broadway  
New York, New York 10036

Ladies and Gentlemen:

WisdomTree Investments, Inc., a Delaware corporation (the “Company”), and the persons listed in Schedule B hereto (the “Selling Stockholders”), confirm their respective agreements with Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch”) and Morgan Stanley & Co. LLC (“Morgan Stanley”) and each of the other Underwriters named in Schedule A hereto (collectively, the “Underwriters,” which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom Merrill Lynch and Morgan Stanley are acting as representatives (in such capacity, the “Representatives”), with respect to (i) the sale by the Company and the Selling Stockholders, acting severally and not jointly, and the purchase by the Underwriters, acting severally and not jointly, of the respective numbers of shares of Common Stock, par value \$0.01 per share, of the Company (“Common Stock”) set forth in Schedules A and B hereto and (ii) the grant by certain Selling Stockholders to the Underwriters, acting severally and not jointly, of the option described in Section 2(b) hereof to purchase all or any part of 2,154,336 additional shares of Common Stock. The aforesaid 14,362,251 shares of Common Stock (the “Initial Securities”) to be purchased by the Underwriters and all or any part of the 2,154,336 shares of Common Stock subject to the option described in Section 2(b) hereof (the “Option Securities”) are herein called, collectively, the “Securities.”

The Company and the Selling Stockholders understand that the Underwriters propose to make a public offering of the Securities as soon as the Representatives deem advisable after this Agreement has been executed and delivered.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 (No. 333-177346), including the related preliminary prospectus or prospectuses, covering the registration of the sale of the Securities under the Securities Act of 1933, as amended (the "1933 Act"). Promptly after execution and delivery of this Agreement, the Company will prepare and file a prospectus in accordance with the provisions of Rule 430A ("Rule 430A") of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") and Rule 424(b) ("Rule 424(b)") of the 1933 Act Regulations. The information included in such prospectus that was omitted from such registration statement at the time it became effective but that is deemed to be part of such registration statement at the time it became effective pursuant to Rule 430A(b) is herein called the "Rule 430A Information." Such registration statement, including the amendments thereto, the exhibits thereto and any schedules thereto, at the time it became effective, and including the Rule 430A Information, is herein called the "Registration Statement." Any registration statement filed pursuant to Rule 462(b) of the 1933 Act Regulations is herein called the "Rule 462(b) Registration Statement" and, after such filing, the term "Registration Statement" shall include the Rule 462(b) Registration Statement. Each prospectus used prior to the effectiveness of the Registration Statement, and each prospectus that omitted the Rule 430A Information that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a "preliminary prospectus." The final prospectus, in the form first furnished to the Underwriters for use in connection with the offering of the Securities, is herein called the "Prospectus." For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus, the Prospectus or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system or any successor system ("EDGAR").

As used in this Agreement:

"Applicable Time" means [ :00 P./A.M.], New York City time, on February [—], 2012 or such other time as agreed by the Company and the Representatives.

"General Disclosure Package" means any Issuer General Use Free Writing Prospectuses issued at or prior to the Applicable Time, the most recent preliminary prospectus that is distributed to investors prior to the Applicable Time and the information included on Schedule C-1 hereto, all considered together.

"Issuer Free Writing Prospectus" means any "issuer free writing prospectus," as defined in Rule 433 of the 1933 Act Regulations ("Rule 433"), including without limitation any "free writing prospectus" (as defined in Rule 405 of the 1933 Act Regulations ("Rule 405")) relating to the Securities that is (i) required to be filed with the Commission by the Company, (ii) a "road show that is a written communication" within the meaning of Rule 433(d)(8)(i), whether or not required to be filed with the Commission, or (iii) exempt from filing with the Commission pursuant to Rule 433(d)(5)(i) because it contains a description of the Securities or of the offering that does not reflect the final terms, in each case in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company's records pursuant to Rule 433(g).

"Issuer General Use Free Writing Prospectus" means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors, as evidenced by its being specified in Schedule C-2 hereto.

"Issuer Limited Use Free Writing Prospectus" means any Issuer Free Writing Prospectus that is not an Issuer General Use Free Writing Prospectus.

SECTION 1. Representations and Warranties.

(a) *Representations and Warranties by the Company.* The Company represents and warrants to each Underwriter as of the date hereof, the Applicable Time, the Closing Time (as defined below) and any Date of Delivery (as defined below), and agrees with each Underwriter, as follows:

(i) Registration Statement, Prospectuses and 1934 Act Filings. Each of the Registration Statement and any amendment thereto has become effective under the 1933 Act. No stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto has been issued under the 1933 Act, no order preventing or suspending the use of any preliminary prospectus or the Prospectus has been issued and no proceedings for any of those purposes have been instituted or are pending or, to the Company's knowledge, contemplated. The Company has complied with each request (if any) from the Commission for additional information.

Each of the Registration Statement and any post-effective amendment thereto, at the time it became effective, complied in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations. Each preliminary prospectus, the Prospectus and any amendment or supplement thereto, at the time each was filed with the Commission, complied in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations. Each preliminary prospectus delivered to the Underwriters for use in connection with this offering and the Prospectus was or will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

The documents filed by the Company with the Commission under the Securities Exchange Act of 1934, as amended (the "1934 Act") and the rules and regulations of the Commission under the 1934 Act (the "1934 Act Regulations"), at the time they were filed with the Commission, complied in all material respects with the requirements of the 1934 Act and the 1934 Act Regulations.

(ii) Accurate Disclosure. Neither the Registration Statement nor any amendment thereto, at its effective time, at the Closing Time or at any Date of Delivery, contained, contains or will contain an untrue statement of a material fact or omitted, omits or will omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. As of the Applicable Time, neither (A) the General Disclosure Package nor (B) any individual Issuer Limited Use Free Writing Prospectus, when considered together with the General Disclosure Package, included, includes or will include an untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Neither the Prospectus nor any amendment or supplement thereto (including any prospectus wrapper), as of its issue date, at the time of any filing with the Commission pursuant to Rule 424(b), at the Closing Date or at any Date of Delivery, included, includes or will include an untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement (or any amendment thereto), the General Disclosure Package or the Prospectus (or any amendment or supplement thereto) made in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives expressly for use therein. For purposes of this Agreement, the only information

so furnished shall be the information in the third paragraph under the heading “Underwriting” relating to underwriting commission and concession, the information in ninth paragraph under the heading “Underwriting” relating to price stabilization and the information in the thirteenth paragraph under the heading “Underwriting” relating to electronic offer, sale and distribution of shares in each case contained in the Prospectus (collectively, the “Underwriter Information”).

(iii) Issuer Free Writing Prospectuses. No Issuer Free Writing Prospectus conflicts or will conflict with the information contained in the Registration Statement or the Prospectus, and any preliminary or other prospectus deemed to be a part thereof that has not been superseded or modified.

(iv) Company Not Ineligible Issuer. At the time of filing the Registration Statement and any post-effective amendment thereto, at the earliest time thereafter that the Company or another offering participant made a *bona fide* offer (within the meaning of Rule 164(h)(2) of the 1933 Act Regulations) of the Securities and at the date hereof, the Company was not and is not an “ineligible issuer,” as defined in Rule 405, without taking account of any determination by the Commission pursuant to Rule 405 that it is not necessary that the Company be considered an ineligible issuer.

(v) Independent Accountants. The accountants who certified the financial statements and supporting schedules included in the Registration Statement, the General Disclosure Package and the Prospectus are independent public accountants as required by the 1933 Act, the 1933 Act Regulations, the 1934 Act, the 1934 Act Regulations and the Public Accounting Oversight Board.

(vi) Financial Statements: Non-GAAP Financial Measures. The financial statements included in the Registration Statement, the General Disclosure Package and the Prospectus, together with the related schedules and notes, present fairly the financial position of the Company and its consolidated subsidiaries at the dates indicated and the statement of operations, stockholders’ equity and cash flows of the Company and its consolidated subsidiaries for the periods specified; said financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) applied on a consistent basis throughout the periods involved (except as otherwise noted therein). The supporting schedules, if any, present fairly in accordance with GAAP the information required to be stated therein. The selected financial data and the summary financial information included in the Registration Statement, the General Disclosure Package and the Prospectus present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included therein. The pro forma financial information included in the Registration Statement, the General Disclosure Package and the Prospectus present fairly the information shown therein, have been prepared in accordance with the Commission’s rules and guidelines with respect to pro forma financial information and have been properly compiled on the bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein. Except as included therein, no historical or pro forma financial statements or supporting schedules are required to be included or incorporated by reference in the Registration Statement, the General Disclosure Package or the Prospectus under the 1933 Act, the 1933 Act Regulations, the 1934 Act or the 1934 Act Regulations. The interactive data in eXtensible Business Reporting Language included in the Registration Statement, the General Disclosure Package and the Prospectus fairly presents the information called for in all material respects and has been prepared in accordance with the Commission’s rules and guidelines applicable thereto.



(vii) No Material Adverse Change in Business. Except as otherwise stated therein, since the respective dates as of which information is given in the Registration Statement, the General Disclosure Package or the Prospectus, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a “Material Adverse Effect”), (B) there have been no transactions entered into by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its subsidiaries considered as one enterprise, and (C) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(viii) Good Standing of the Company. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the General Disclosure Package and the Prospectus and to enter into and perform its obligations under this Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not reasonably be expected to result in a Material Adverse Effect.

(ix) Good Standing of Subsidiaries. Each “significant subsidiary” of the Company (as such term is defined in Rule 1-02 of Regulation S-X) (each, a “Subsidiary” and, collectively, the “Subsidiaries”) has been duly organized and is validly existing in good standing under the laws of the jurisdiction of its incorporation or organization, has corporate or similar power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the General Disclosure Package and the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify or to be in good standing would not reasonably be expected to result in a Material Adverse Effect. Except as otherwise disclosed in the Registration Statement, the General Disclosure Package and the Prospectus, all of the issued and outstanding capital stock of each Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity. None of the outstanding shares of capital stock of any Subsidiary were issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary. The only subsidiaries of the Company are the subsidiaries listed on Exhibit 21 to the Registration Statement.

(x) Capitalization. As of the Closing Date, the authorized, issued and outstanding shares of capital stock of the Company are as set forth in the Registration Statement, the General Disclosure Package and the Prospectus in the column entitled “Actual” under the caption “Capitalization” (except for subsequent issuances, if any, pursuant to this Agreement, pursuant to reservations, agreements or employee benefit plans, qualified stock option plans or other employee compensation plans referred to in the Registration Statement, the General Disclosure Package and the Prospectus or pursuant to the exercise of outstanding convertible securities or options referred to in the Registration Statement, the General Disclosure Package and the Prospectus). The outstanding shares of capital stock of the Company, including the Securities to be purchased by the Underwriters from the Selling Stockholders, have been duly authorized and validly issued and are fully paid and non-assessable. None of the outstanding shares of capital stock of the Company, including the Securities to be purchased by the Underwriters from the

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Selling Stockholders, were issued in violation of the preemptive or other similar rights of any securityholder of the Company.

(xi) Authorization of Agreement. This Agreement has been duly authorized, executed and delivered by the Company.

(xii) Authorization and Description of Securities. The Securities to be purchased by the Underwriters from the Company have been duly authorized for issuance and sale to the Underwriters pursuant to this Agreement and, when issued and delivered by the Company pursuant to this Agreement against payment of the consideration set forth herein, will be validly issued and fully paid and non-assessable; and the issuance of the Securities is not subject to the preemptive or other similar rights of any securityholder of the Company. The Common Stock conforms to all statements relating thereto contained in the Registration Statement, the General Disclosure Package and the Prospectus and such description conforms to the rights set forth in the instruments defining the same. No holder of Securities will be subject to personal liability by reason of being such a holder.

(xiii) Registration Rights. There are no contracts, agreements or other arrangements between the Company or any of its Subsidiaries and any person granting such person registration rights or other similar rights to have any securities registered for sale pursuant to the Registration Statement or otherwise registered for sale or sold by the Company under the 1933 Act pursuant to this Agreement, other than those rights that have been disclosed in the Registration Statement, the General Disclosure Package and the Prospectus and have been waived.

(xiv) Absence of Violations, Defaults and Conflicts. Neither the Company nor any of its subsidiaries is (A) in violation of its charter, by-laws or similar organizational document, (B) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound or to which any of the properties or assets of the Company or any subsidiary is subject (collectively, the "Agreements and Instruments"), except for such defaults that would not, singly or in the aggregate, reasonably be expected to result in a Material Adverse Effect, or (C) in violation of any law, statute, rule, regulation, judgment, order, writ or decree of any arbitrator, court, governmental body, regulatory body, administrative agency or other authority, body or agency having jurisdiction over the Company or any of its subsidiaries or any of their respective properties, assets or operations (each, a "Governmental Entity"), except for such violations that would not, singly or in the aggregate, reasonably be expected to result in a Material Adverse Effect. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein and in the Registration Statement, the General Disclosure Package and the Prospectus (including the issuance and sale of the Securities and the use of the proceeds from the sale of the Securities as described therein under the caption "Use of Proceeds") and compliance by the Company with its obligations hereunder have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any properties or assets of the Company or any subsidiary pursuant to, the Agreements and Instruments (except for such conflicts, breaches, defaults or Repayment Events or liens, charges or encumbrances that would not, singly or in the aggregate, reasonably be expected to result in a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter, by-laws or similar organizational document of the Company or any of its subsidiaries or any law, statute, rule, regulation, judgment, order, writ or decree of any

Governmental Entity. As used herein, a “Repayment Event” means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder’s behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any of its subsidiaries.

(xv) Absence of Labor Dispute. No labor dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or any subsidiary’s principal suppliers, manufacturers, customers or contractors, which, in either case, would reasonably be expected to result in a Material Adverse Effect.

(xvi) Absence of Proceedings. Except as disclosed in the Registration Statement, the General Disclosure Package and the Prospectus, there is no action, suit, proceeding, inquiry or investigation before or brought by any Governmental Entity now pending or, to the knowledge of the Company, threatened, against or affecting the Company or any of its subsidiaries, which might reasonably be expected to result in a Material Adverse Effect, or which might materially and adversely affect their respective properties or assets or the consummation of the transactions contemplated in this Agreement or the performance by the Company of its obligations hereunder; and the aggregate of all pending legal or governmental proceedings to which the Company or any such subsidiary is a party or of which any of their respective properties or assets is the subject which are not described in the Registration Statement, the General Disclosure Package and the Prospectus, including ordinary routine litigation incidental to the business, would not reasonably be expected to result in a Material Adverse Effect.

(xvii) Accuracy of Exhibits. There are no contracts or documents which are required to be described in the Registration Statement, the General Disclosure Package or the Prospectus or to be filed as exhibits to the Registration Statement which have not been so described and filed as required.

(xviii) Absence of Further Requirements. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any Governmental Entity is necessary or required for the performance by the Company of its obligations hereunder, in connection with the offering, issuance or sale of the Securities hereunder or the consummation of the transactions contemplated by this Agreement, except such as have been already obtained or as may be required under the 1933 Act, the 1933 Act Regulations, the rules of the NASDAQ Stock Market LLC, state securities laws or the rules of the Financial Industry Regulatory Authority, Inc. (“FINRA”).

(xix) Possession of Licenses and Permits. The Company and its subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, “Governmental Licenses”) issued by the appropriate Governmental Entities necessary to conduct the business now operated by them, except where the failure so to possess would not, singly or in the aggregate, reasonably be expected to result in a Material Adverse Effect. The Company and its subsidiaries are in compliance with the terms and conditions of all Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, reasonably be expected to result in a Material Adverse Effect. All of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not, singly or in the aggregate, reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification

of any Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to result in a Material Adverse Effect.

(xx) Title to Property. The Company and its subsidiaries have good and marketable title to any real property owned by them and good title to all other properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind except such as (A) are described in the Registration Statement, the General Disclosure Package and the Prospectus or (B) do not, singly or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its subsidiaries; and all of the leases and subleases material to the business of the Company and its subsidiaries, considered as one enterprise, and under which the Company or any of its subsidiaries holds properties described in the Registration Statement, the General Disclosure Package or the Prospectus, are in full force and effect, and neither the Company nor any such subsidiary has any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company or any subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or such subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease.

(xxi) Possession of Intellectual Property. The Company and its subsidiaries own, possess, have the right to use or can acquire on commercially reasonable terms ownership of or rights to use, all patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by them except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and except as disclosed in the Registration Statement, the General Disclosure Package and the Prospectus, neither the Company nor any of its subsidiaries has received any notice or is otherwise aware of any claim of infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its subsidiaries therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would reasonably be expected to result in a Material Adverse Effect.

(xxii) Environmental Laws. Except as described in the Registration Statement, the General Disclosure Package and the Prospectus or would not, singly or in the aggregate, reasonably be expected to result in a Material Adverse Effect, (A) neither the Company nor any of its subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products, asbestos-containing materials or mold (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental

Law against the Company or any of its subsidiaries and (D) there are no events or circumstances that would reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or Governmental Entity, against or affecting the Company or any of its subsidiaries relating to Hazardous Materials or any Environmental Laws.

(xxiii) Accounting Controls and Disclosure Controls. The Company and each of its subsidiaries maintain effective internal control over financial reporting (as defined under Rule 13-a15 and 15d-15 under the 1934 Act Regulations) and a system of internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Except as described in the Registration Statement, the General Disclosure Package and the Prospectus, since the end of the Company's most recent audited fiscal year, there has been (1) no material weakness in the Company's internal control over financial reporting (whether or not remediated) and (2) no change in the Company's internal control over financial reporting that has materially adversely affected, or is reasonably likely to materially adversely affect, the Company's internal control over financial reporting. The Company and each of its subsidiaries maintain an effective system of disclosure controls and procedures (as defined in Rule 13a-15 and Rule 15d-15 under the 1934 Act Regulations) that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the 1934 Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and is accumulated and communicated to the Company's management, including its principal executive officer or officers and principal financial officer or officers, as appropriate, to allow timely decisions regarding disclosure.

(xxiv) Compliance with the Sarbanes Oxley Act. There is and has been no failure on the part of the Company or any of the Company's directors or officers, in their capacities as such, to comply in all material respects with any applicable provision of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith, including Section 402 related to loans and Sections 302 and 906 related to certifications.

(xxv) Payment of Taxes. All United States federal income tax returns of the Company and its subsidiaries required by law to be filed have been filed and all taxes shown by such returns or otherwise assessed, which are due and payable, have been paid, except assessments against which appeals have been or will be promptly taken and as to which adequate reserves have been provided. The United States federal income tax returns of the Company through the fiscal year ended December 31, 2010 have been settled and no assessment in connection therewith has been made against the Company. The Company and its subsidiaries have filed all other tax returns that are required to have been filed by them pursuant to applicable foreign, state, local or other law except insofar as the failure to file such returns would not, singly or in the aggregate, reasonably be expected to result in a Material Adverse Effect, and has paid all taxes due pursuant to such returns or pursuant to any assessment received by the Company and its subsidiaries, except for such taxes, if any, as are being contested in good faith and as to which adequate reserves have been established by the Company. The charges, accruals and reserves on the books of the Company in respect of any income and corporation tax liability for any years not finally determined are adequate to meet any assessments or re-assessments for additional income tax for any years not finally determined, except to the extent of any inadequacy that would not, singly or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(xxvi) Insurance. The Company and its subsidiaries carry or are entitled to the benefits of insurance, with financially sound and reputable insurers, in such amounts and covering such risks as is generally maintained by companies of established repute engaged in the same or

similar business, and all such insurance is in full force and effect. The Company has no reason to believe that it or any of its subsidiaries will not be able (A) to renew its existing insurance coverage as and when such policies expire or (B) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not reasonably be expected to result in a Material Adverse Change. Neither of the Company nor any of its subsidiaries has been denied any insurance coverage which it has sought or for which it has applied.

(xxvii) Investment Company Act. The Company is not required, and upon the issuance and sale of the Securities as herein contemplated and the application of the net proceeds therefrom as described in the Registration Statement, the General Disclosure Package and the Prospectus will not be required, to register as an “investment company” under the Investment Company Act of 1940, as amended (the “1940 Act”).

(xxviii) Absence of Manipulation. Neither the Company nor any affiliate of the Company has taken, nor will the Company or any affiliate take, directly or indirectly, any action which is designed, or would be expected, to cause or result in, or which constitutes, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities or to result in a violation of Regulation M under the 1934 Act.

(xxix) Foreign Corrupt Practices Act. None of the Company, any of its subsidiaries or, to the knowledge of the Company, any director, officer, agent, employee, affiliate or other person acting on behalf of the Company or any of its subsidiaries is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the “FCPA”), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any “foreign official” (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the Company and, to the knowledge of the Company, its affiliates have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

(xxx) Money Laundering Laws. The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Entity (collectively, the “Money Laundering Laws”); and no action, suit or proceeding by or before any Governmental Entity involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(xxxi) OFAC. None of the Company, any of its subsidiaries or, to the knowledge of the Company, any director, officer, agent, employee, affiliate or representative of the Company or any of its subsidiaries is an individual or entity (“Person”) currently the subject or target of any sanctions administered or enforced by the United States Government, including, without limitation, the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”), the United Nations Security Council (“UNSC”), the European Union, Her Majesty’s Treasury

(“HMT”), or other relevant sanctions authority (collectively, “Sanctions”), nor is the Company located, organized or resident in a country or territory that is the subject of Sanctions; and the Company will not directly or indirectly use the proceeds of the sale of the Securities, or lend, contribute or otherwise make available such proceeds to any subsidiaries, joint venture partners or other Person, to fund any activities of or business with any Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions or in any other manner that will result in a violation by any Person (including any Person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions.

(xxxii) Lending Relationship. Except as disclosed in the Registration Statement, the General Disclosure Package and the Prospectus, the Company (i) does not have any material lending or other relationship with any bank or lending affiliate of any Underwriter and (ii) does not intend to use any of the proceeds from the sale of the Securities to repay any outstanding debt owed to any affiliate of any Underwriter.

(xxxiii) Statistical and Market-Related Data. Any statistical and market-related data included in the Registration Statement, the General Disclosure Package or the Prospectus are based on or derived from sources that the Company believes, after reasonable inquiry, to be reliable and accurate and, to the extent required, the Company has obtained the written consent to the use of such data from such sources.

(xxxiv) No Rated Securities. Neither the Company nor any of its subsidiaries has any outstanding securities with respect to which a rating has been assigned by any “nationally recognized rating organization” (as defined in Section 3(a)(62) of the 1934 Act).

(b) *Representations and Warranties by the Selling Stockholders*. Each Selling Stockholder, severally and not jointly, represents and warrants to each Underwriter as of the date hereof, as of the Applicable Time, as of the Closing Time and, if such Selling Stockholder is selling Option Securities on a Date of Delivery, as of each such Date of Delivery, and agrees with each Underwriter, as follows:

(i) Accurate Disclosure. Neither the General Disclosure Package nor the Prospectus or any amendments or supplements thereto includes any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, such representations and warranties set forth in this subsection (b)(i) apply only to statements or omissions made in reliance upon and in conformity with information relating to such Selling Stockholder furnished to the Company in writing by or on behalf of such Selling Stockholder expressly for use in the Registration Statement, the General Disclosure Package, the Prospectus or any other Issuer Free Writing Prospectus or any amendment or supplement thereto (the “Selling Stockholder Information”); such Selling Stockholder is not prompted to sell the Securities to be sold by such Selling Stockholder hereunder by any material nonpublic information concerning the Company or any subsidiary of the Company which is not set forth in the General Disclosure Package or the Prospectus.

(ii) Authorization of this Agreement. This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Stockholder.

(iii) Authorization of Power of Attorney and Custody Agreement. The Power of Attorney and Custody Agreement, in the form heretofore furnished to the Representatives (the “Power of Attorney and Custody Agreement”), has been duly authorized, executed and delivered by such Selling Stockholder and is the valid and binding agreement of such Selling Stockholder.

(iv) Noncontravention. The execution and delivery of this Agreement and the Power of Attorney and Custody Agreement and the sale and delivery of the Securities to be sold by such Selling Stockholder and the consummation of the transactions contemplated herein and compliance by such Selling Stockholder with its obligations hereunder do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default under, or result in the creation or imposition of any tax, lien, charge or encumbrance upon the Securities to be sold by such Selling Stockholder or any property or assets of such Selling Stockholder pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, license, lease or other agreement or instrument to which such Selling Stockholder is a party or by which such Selling Stockholder may be bound, or to which any of the property or assets of such Selling Stockholder is subject, nor will such action result in any violation of the provisions of the charter or by-laws or other organizational instrument of such Selling Stockholder, if applicable, or any treaty, law, statute, rule, regulation, judgment, order, writ or decree applicable to such Selling Stockholder of any government, government instrumentality or court, domestic or foreign, having jurisdiction over such Selling Stockholder or any of its properties.

(v) Valid Title. Such Selling Stockholder has, and at the Closing Time and, if such Selling Stockholder is selling Option Securities on a Date of Delivery, as of each such Date of Delivery, will have, valid title to the Securities to be sold by such Selling Stockholder free and clear of all security interests, claims, liens, equities or other encumbrances and the legal right and power, and all authorization and approval required by law, to enter into this Agreement and the Power of Attorney and Custody Agreement and to sell, transfer and deliver the Securities to be sold by such Selling Stockholder.

(vi) Delivery of Securities. The Securities to be sold by such Selling Stockholder pursuant to this Agreement are certificated securities in registered form and are not held in any securities account or by or through any securities intermediary within the meaning of the Uniform Commercial Code as in effect in the State of New York (the "UCC"). Certificates for all of the Securities to be sold by such Selling Stockholder pursuant to this Agreement, in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank with signatures guaranteed, have been placed in custody with Continental Stock Transfer & Trust Company (the "Custodian") with irrevocable conditional instructions to deliver such Securities to the Underwriters pursuant to this Agreement. Upon payment of the purchase price for the Securities to be sold by such Selling Stockholder pursuant to this Agreement, delivery of such Securities, as directed by the Underwriters, to Cede & Co. ("Cede") or such other nominee as may be designated by The Depository Trust Company ("DTC"), registration of such Securities in the name of Cede or such other nominee, and the crediting of such Securities on the books of DTC to securities accounts (within the meaning of Section 8-501(a) of the UCC) of the Underwriters (assuming that neither DTC nor any such Underwriter has notice of any "adverse claim," within the meaning of Section 8-105 of the UCC to such Securities), (A) under Section 8-501 of the UCC, the Underwriters will acquire a valid "security entitlement" in respect of such Securities and (B) no action (whether framed in conversion, replevin, constructive trust, equitable lien, or other theory) based on any "adverse claim," within the meaning of Section 8-102 of the UCC, to such Securities may be asserted against the Underwriters with respect to such security entitlement; for purposes of this representation, such Selling Stockholder may assume that when such payment, delivery (if necessary) and crediting occur, (I) such Securities will have been registered in the name of Cede or another nominee designated by DTC, in each case on the Company's share registry in accordance with its certificate of incorporation, bylaws and applicable law, (II) DTC will be registered as a "clearing corporation," within the meaning of Section 8-102 of the UCC, (III) appropriate entries to the accounts of the several Underwriters on



the records of DTC will have been made pursuant to the UCC, (IV) to the extent DTC, or any other securities intermediary which acts as “clearing corporation” with respect to the Securities, maintains any “financial asset” (as defined in Section 8-102(a)(9) of the UCC) in a clearing corporation pursuant to Section 8-111 of the UCC, the rules of such clearing corporation may affect the rights of DTC or such securities intermediaries and the ownership interest of the Underwriters, (V) claims of creditors of DTC or any other securities intermediary or clearing corporation may be given priority to the extent set forth in Section 8-511(b) and 8-511(c) of the UCC and (VI) if at any time DTC or other securities intermediary does not have sufficient Securities to satisfy claims of all of its entitlement holders with respect thereto then all holders will share pro rata in the Securities then held by DTC or such securities intermediary.

(vii) Absence of Manipulation. Such Selling Stockholder has not taken, and will not take, directly or indirectly, any action which is designed to or which has constituted or would be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(viii) Absence of Further Requirements. No filing with, or consent, approval, authorization, order, registration, qualification or decree of any arbitrator, court, governmental body, regulatory body, administrative agency or other authority, body or agency, domestic or foreign, is necessary or required for the performance by such Selling Stockholder of its obligations hereunder or in the Power of Attorney and Custody Agreement, or in connection with the sale and delivery of the Securities hereunder or the consummation of the transactions contemplated by this Agreement, except such as have been already obtained or as may be required under the 1933 Act, the 1933 Act Regulations, the 1934 Act, the 1934 Act Regulations, the rules of the NASDAQ Stock Market LLC, state securities laws or the rules of FINRA.

(ix) No Registration or Other Similar Rights. Such Selling Stockholder does not have any registration or other similar rights to have any equity or debt securities registered for sale by the Company under the Registration Statement or included in the offering contemplated by this Agreement that has not been waived.

(x) No Free Writing Prospectuses. Such Selling Stockholder has not prepared or had prepared on its behalf or used or referred to, any “free writing prospectus” (as defined in Rule 405), and has not distributed any written materials in connection with the offer or sale of the Securities.

(xi) No Association with FINRA. Except as disclosed in writing to the Representatives, neither such Selling Stockholder nor any of his/her/its affiliates directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with any member firm of FINRA or is a person associated with a member (within the meaning of the FINRA By-Laws) of FINRA.

(c) *Officer's Certificates*. Any certificate signed by any officer of the Company or any of its subsidiaries delivered to the Representatives or to counsel for the Underwriters shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby; and any certificate signed by or on behalf of the Selling Stockholders as such and delivered to the Representatives or to counsel for the Underwriters pursuant to the terms of this Agreement shall be deemed a representation and warranty by such Selling Stockholder to the Underwriters as to the matters covered thereby.

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SECTION 2. Sale and Delivery to Underwriters: Closing

(a) *Initial Securities.* On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company and each Selling Stockholder, severally and not jointly, agree to sell to each Underwriter, severally and not jointly, and each Underwriter, severally and not jointly, agrees to purchase from the Company and each Selling Stockholder, at the price per share set forth in Schedule A, that proportion of the number of Initial Securities set forth in Schedule B opposite the name of the Company or such Selling Stockholder, as the case may be, which the number of Initial Securities set forth in Schedule A opposite the name of such Underwriter, plus any additional number of Initial Securities which such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof, bears to the total number of Initial Securities, subject, in each case, to such adjustments among the Underwriters as the Representatives in their sole discretion shall make to eliminate any sales or purchases of fractional shares.

(b) *Option Securities.* In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, certain of the Selling Stockholders, acting severally and not jointly, hereby grant an option to the Underwriters, severally and not jointly, to purchase up to an additional 2,154,336 shares of Common Stock, as set forth in Schedule B, at the price per share set forth in Schedule A, less an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial Securities but not payable on the Option Securities. The option hereby granted may be exercised for 30 days after the date hereof and may be exercised in whole or in part from time to time upon notice by the Representatives to the Company and the Selling Stockholders granting such option setting forth the number of Option Securities as to which the several Underwriters are then exercising the option and the time and date of payment and delivery for such Option Securities. Any such time and date of delivery (a "Date of Delivery") shall be determined by the Representatives, but shall not be later than seven full business days after the exercise of said option, nor in any event prior to the Closing Time. If the option is exercised as to all or any portion of the Option Securities, each of the Underwriters, acting severally and not jointly, will purchase that proportion of the total number of Option Securities then being purchased which the number of Initial Securities set forth in Schedule A opposite the name of such Underwriter bears to the total number of Initial Securities, subject, in each case, to such adjustments as the Representatives in their sole discretion shall make to eliminate any sales or purchases of fractional shares.

(c) *Payment.* Payment of the purchase price for, and delivery of certificates for, the Initial Securities shall be made at the offices of Milbank, Tweed, Hadley & McCloy LLP, or at such other place as shall be agreed upon by the Representatives, the Company and the Selling Stockholders, at 9:00 A.M. (New York City time) on the third (fourth, if the pricing occurs after 4:30 P.M. (New York City time) on any given day) business day after the date hereof (unless postponed in accordance with the provisions of Section 10), or such other time not later than ten business days after such date as shall be agreed upon by the Representatives, the Company and the Selling Stockholders (such time and date of payment and delivery being herein called "Closing Time").

In addition, in the event that any or all of the Option Securities are purchased by the Underwriters, payment of the purchase price for, and delivery of certificates for, such Option Securities shall be made at the above-mentioned offices, or at such other place as shall be agreed upon by the Representatives and the Company and the relevant Selling Stockholders, on each Date of Delivery as specified in the notice from the Representatives to the Company and the relevant Selling Stockholders.

Payment shall be made to the Company and the Selling Stockholders by wire transfer of immediately available funds to bank accounts designated by the Company and the Custodian pursuant to each Selling Stockholder's Power of Attorney and Custody Agreement, as the case may be, against

delivery to the Representatives for the respective accounts of the Underwriters of certificates for the Securities to be purchased by them. It is understood that each Underwriter has authorized the Representatives, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Initial Securities and the Option Securities, if any, which it has agreed to purchase. The Representatives, individually and not as representatives of the Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Initial Securities or the Option Securities, if any, to be purchased by any Underwriter whose funds have not been received by the Closing Time or the relevant Date of Delivery, as the case may be, but such payment shall not relieve such Underwriter from its obligations hereunder.

SECTION 3. Covenants of the Company and the Selling Stockholders. The Company and each Selling Stockholder covenant with each Underwriter as follows:

(a) *Compliance with Securities Regulations and Commission Requests.* The Company, subject to Section 3(b), will comply with the requirements of Rule 430A, and will notify the Representatives immediately, and, upon the request of the Representatives, confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective or any amendment or supplement to the Prospectus shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information, (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment or of any order preventing or suspending the use of any preliminary prospectus or the Prospectus, or of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes or of any examination pursuant to Section 8(d) or 8(e) of the 1933 Act concerning the Registration Statement and (v) if the Company becomes the subject of a proceeding under Section 8A of the 1933 Act in connection with the offering of the Securities. The Company will effect all filings required under Rule 424(b), in the manner and within the time period required by Rule 424(b) (without reliance on Rule 424(b)(8)), and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any stop order, prevention or suspension and, if any such order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) *Continued Compliance with Securities Laws.* The Company will comply with the 1933 Act and the 1933 Act Regulations so as to permit the completion of the distribution of the Securities as contemplated in this Agreement and in the Registration Statement, the General Disclosure Package and the Prospectus. If at any time when a prospectus relating to the Securities is (or, but for the exception afforded by Rule 172 of the 1933 Act Regulations ("Rule 172"), would be) required by the 1933 Act to be delivered in connection with sales of the Securities, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the Underwriters or for the Company, to (i) amend the Registration Statement in order that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) amend or supplement the General Disclosure Package or the Prospectus in order that the General Disclosure Package or the Prospectus, as the case may be, will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser or (iii) amend the Registration Statement or amend or supplement the General Disclosure Package or the Prospectus, as the case may be, in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly (A) give the Representatives notice of such event, (B) prepare any amendment or supplement as may be necessary to correct such statement or

omission or to make the Registration Statement, the General Disclosure Package or the Prospectus comply with such requirements and, a reasonable amount of time prior to any proposed filing or use, furnish the Representatives with copies of any such amendment or supplement and (C) file with the Commission any such amendment or supplement; provided that the Company shall not file or use any such amendment or supplement to which the Representatives or counsel for the Underwriters shall object. The Company will furnish to the Underwriters such number of copies of such amendment or supplement as the Underwriters may reasonably request. The Company has given the Representatives notice of any filings made pursuant to the 1934 Act or 1934 Act Regulations within 48 hours prior to the Applicable Time; the Company will give the Representatives notice of its intention to make any such filing from the Applicable Time to the Closing Time and will furnish the Representatives with copies of any such documents a reasonable amount of time prior to such proposed filing, as the case may be, and will not file or use any such document to which the Representatives or counsel for the Underwriters shall reasonably object.

(c) *Delivery of Registration Statements.* The Company has furnished or will deliver to the Representatives and counsel for the Underwriters, without charge, signed copies of the Registration Statement as originally filed and each amendment thereto, and will also deliver to the Representatives, without charge, a conformed copy of the Registration Statement as originally filed and each amendment thereto (without exhibits) for each of the Underwriters. The copies of the Registration Statement and each amendment thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(d) *Delivery of Prospectuses.* The Company has delivered to each Underwriter, without charge, as many copies of each preliminary prospectus as such Underwriter reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act. The Company will furnish to each Underwriter, without charge, during the period when a prospectus relating to the Securities is (or, but for the exception afforded by Rule 172, would be) required to be delivered under the 1933 Act, such number of copies of the Prospectus (as amended or supplemented) as such Underwriter may reasonably request. The Prospectus and any amendments or supplements thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) *Blue Sky Qualifications.* The Company will use its best efforts, in cooperation with the Underwriters, to qualify the Securities for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the Representatives may designate and to maintain such qualifications in effect so long as required to complete the distribution of the Securities; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

(f) *Rule 158.* The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement for the purposes of, and to provide to the Underwriters the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(g) *Use of Proceeds.* The Company will use the net proceeds received by it from the sale of the Securities in the manner specified in the Registration Statement, the General Disclosure Package and the Prospectus under "Use of Proceeds."

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(h) *Listing.* The Company will use its best efforts to maintain the listing of the Securities on the Nasdaq Global Market.

(i) *Restriction on Sale of Securities.* During a period of 90 days from the date of the Prospectus, the Company will not, without the prior written consent of the Representatives, (i) directly or indirectly, offer, pledge, sell, announce the intention to sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for or repayable with Common Stock, (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, or (iii) file any registration statement with the Commission relating to the offering of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, other than registration statements on Form S-8 relating to the resale of shares issued by the Company upon the exercise of options granted or to be granted by the Company pursuant to any employee benefit plan, the terms of which have been disclosed in the General Disclosure Package. The foregoing sentence shall not apply to (A) the Securities to be sold hereunder, (B) any shares of Common Stock issued by the Company upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof of which the Underwriters have been advised in writing, (C) any shares of Common Stock issued or options to purchase Common Stock granted pursuant to existing employee benefit plans, qualified stock option plans or other employee compensation plans of which the Underwriters have been advised in writing, or (D) the entry into an agreement providing for the issuance of securities in connection with an acquisition, merger or similar transaction by the Company or any of its subsidiaries, and the issuance of such securities pursuant to any such agreement or pursuant to an employee benefit plan assumed by the Company or any of its subsidiaries in connection with such transaction; provided that, in the case of clause (D), the aggregate number of shares issued in all such transactions does not exceed 5% of the total number of shares of Common Stock outstanding immediately following the completion of the transaction and prior to any such issuance the Company shall cause any such securities issued pursuant thereto to be subject to transfer restrictions substantially similar to those contained in Exhibit C hereto. Notwithstanding the foregoing, if (1) during the last 17 days of the 90-day restricted period the Company issues an earnings release or material news or a material event relating to the Company occurs or (2) prior to the expiration of the 90-day restricted period, the Company announces that it will issue an earnings release or becomes aware that material news or a material event will occur during the 16-day period beginning on the last day of the 90-day restricted period, the restrictions imposed in this clause (i) shall continue to apply until the expiration of the 18-day period beginning on the date of the issuance of the earnings release or the occurrence of the material news or material event, unless the Representatives waive, in writing, such extension.

(j) If the Representatives, in their sole discretion, agree to release or waive the restrictions set forth in a lock-up agreement described in Section 5(i) hereof for an officer or director of the Company and provide the Company with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Exhibit F hereto through a major news service at least two business days before the effective date of the release or waiver.

(k) *Reporting Requirements.* The Company, during the period when a Prospectus relating to the Securities is (or, but for the exception afforded by Rule 172, would be) required to be delivered under the 1933 Act, will file all documents required to be filed with the Commission pursuant to the 1934 Act within the time periods required by the 1934 Act and 1934 Act Regulations. Additionally, the Company

shall report the use of proceeds from the issuance of the Shares as may be required under Rule 463 under the 1933 Act.

(l) *Issuer Free Writing Prospectuses*. Each of the Company and each Selling Stockholder agrees that, unless it obtains the prior written consent of the Representatives, it will not make any offer relating to the Securities that would constitute an Issuer Free Writing Prospectus or that would otherwise constitute a “free writing prospectus,” or a portion thereof, required to be filed by the Company with the Commission or retained by the Company under Rule 433; provided that the Representatives will be deemed to have consented to the Issuer Free Writing Prospectuses listed on Schedule C-2 hereto and any “road show that is a written communication” within the meaning of Rule 433(d)(8)(i) that has been reviewed by the Representatives. Each of the Company and each Selling Stockholder represents that it has treated or agrees that it will treat each such free writing prospectus consented to, or deemed consented to, by the Representatives as an “issuer free writing prospectus,” as defined in Rule 433, and that it has complied and will comply with the applicable requirements of Rule 433 with respect thereto, including timely filing with the Commission where required, legending and record keeping. If at any time following issuance of an Issuer Free Writing Prospectus there occurred or occurs an event or development as a result of which such Issuer Free Writing Prospectus conflicted or would conflict with the information contained in the Registration Statement, any preliminary prospectus or the Prospectus or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify the Representatives and will promptly amend or supplement, at its own expense, such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

#### SECTION 4. Payment of Expenses.

(a) *Expenses*. The Company will pay or cause to be paid all expenses incident to the performance of its and the Selling Stockholders’ obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and each amendment thereto, (ii) the preparation, printing and delivery to the Underwriters of copies of each preliminary prospectus, each Issuer Free Writing Prospectus and the Prospectus and any amendments or supplements thereto and any costs associated with electronic delivery of any of the foregoing by the Underwriters to investors, (iii) the preparation, issuance and delivery of the certificates for the Securities to the Underwriters, including any stock or other transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Securities to the Underwriters, (iv) the fees and disbursements of the Company’s counsel, accountants and other advisors, (v) the qualification of the Securities under securities laws in accordance with the provisions of Section 3(e) hereof, including filing fees and the reasonable and documented fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplement thereto (provided that, the amount payable by the Company pursuant to subsection (v) shall not exceed \$5,000), (vi) the fees and expenses of any transfer agent or registrar for the Securities, (vii) the filing fees incident to, and the reasonable and documented fees and disbursements of counsel to the Underwriters in connection with, the review by FINRA of the terms of the sale of the Securities, (viii) the fees and expenses incurred in connection with the listing, if necessary, of the Securities on the Nasdaq Global Market and (ix) the costs and expenses associated with the reforming of any contracts for sale of the Securities made by the Underwriters caused by a breach of the representation contained in the third sentence of Section 1(a)(ii). In addition, the Company agrees to pay or cause to be paid the costs and expenses of the Company relating to investor presentations on any “road show” undertaken in connection with the marketing of the Securities, including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show

presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and 50% of the cost of any aircraft or other transportation chartered in connection with the road show. It is understood, however, that except as provided in this Section, Section 6 and Section 10, the Underwriters will pay all of their costs and expenses, including (i) fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Securities by them and any advertising expenses connected with any offers they may make, (ii) all travel and lodging expenses of the representatives of the Underwriters in connection with the road show, and (iii) 50% of the cost of any aircraft chartered in connection with the road show.

(b) *Expenses of the Selling Stockholders.* The Selling Stockholders, jointly and severally, will pay all expenses incident to the performance of their respective obligations under, and the consummation of the transactions contemplated by, this Agreement, including (i) any stamp and other duties and stock and other transfer taxes, if any, payable upon the sale of the Securities to the Underwriters and their transfer between the Underwriters pursuant to an agreement between such Underwriters, and (ii) the fees and disbursements of their respective counsel and other advisors.

(c) *Termination of Agreement.* If this Agreement is terminated by the Representatives in accordance with the provisions of Section 5, Section 9(a)(i) or (iii), Section 10 or Section 11 hereof, the Company shall reimburse the Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Underwriters.

(d) *Allocation of Expenses.* The provisions of this Section shall not supersede or otherwise affect any agreement that the Company and the Selling Stockholders may make for the sharing of such costs and expenses among themselves.

SECTION 5. Conditions of Underwriters' Obligations. The obligations of the several Underwriters hereunder are subject to the accuracy of the representations and warranties of the Company and the Selling Stockholders contained herein or in certificates of any officer of the Company or any of its subsidiaries or on behalf of any Selling Stockholder delivered pursuant to the provisions hereof, to the performance by the Company and each Selling Stockholder of their respective covenants and other obligations hereunder, and to the following further conditions:

(a) *Effectiveness of Registration Statement; Rule 430A Information.* The Registration Statement, including any Rule 462(b) Registration Statement, has become effective and at Closing Time no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto has been issued under the 1933 Act, no order preventing or suspending the use of any preliminary prospectus or the Prospectus has been issued and no proceedings for any of those purposes have been instituted or are pending or, to the Company's knowledge, contemplated; and the Company has complied with each request (if any) from the Commission for additional information. A prospectus containing the Rule 430A Information shall have been filed with the Commission in the manner and within the time frame required by Rule 424(b) without reliance on Rule 424(b)(8) or a post-effective amendment providing such information shall have been filed with, and declared effective by, the Commission in accordance with the requirements of Rule 430A.

(b) *Opinion of Counsel for Company.* At the Closing Time, the Representatives shall have received the favorable opinion, dated the Closing Time, of Goodwin Procter LLP, counsel for the Company, in form and substance satisfactory to counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters, to the effect set forth in Exhibit A hereto.

(c) *Opinion of Counsel for the Selling Stockholders.* At the Closing Time, the Representatives shall have received the favorable opinion, dated the Closing Time, of Goodwin Procter LLP, counsel for the Selling Stockholders, in form and substance satisfactory to counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters, to the effect set forth in Exhibit B hereto.

(d) *Opinion of Counsel for Underwriters.* At the Closing Time, the Representatives shall have received the favorable opinion, dated the Closing Time, of Milbank, Tweed, Hadley & McCloy LLP, counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters with respect to the matters set forth in Exhibit A, clauses (6), (7) (with respect to the last sentence of such clause, solely as to preemptive or other similar rights arising by operation of law or under the charter or by-laws of the Company), (9) (solely as to the information in the Prospectus under “Description of Capital Stock—Common Stock”), the fourth-to-last paragraph and the first sentence of the penultimate paragraph of Exhibit A hereto, and other related matters as the Representatives may require. In giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of New York, the General Corporation Law of the State of Delaware and the federal securities laws of the United States, upon the opinions of counsel satisfactory to the Representatives. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers and other representatives of the Company and its subsidiaries and certificates of public officials.

(e) *Officers’ Certificates.* (i) At the Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Registration Statement, the General Disclosure Package or the Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the Representatives shall have received a certificate of the Chief Executive Officer or the President of the Company and of the chief financial or chief accounting officer of the Company, dated the Closing Time, to the effect that (1) there has been no such material adverse change, (2) the representations and warranties of the Company in this Agreement are true and correct with the same force and effect as though expressly made at and as of the Closing Time, (3) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement under the 1933 Act has been issued, no order preventing or suspending the use of any preliminary prospectus or the Prospectus has been issued and no proceedings for any of those purposes have been instituted or are pending or, to their knowledge, contemplated.

(ii) At the Closing Time, the Representatives shall have received (1) a certificate of the Chief Legal Officer of the Company, dated the Closing Time, in form and substance satisfactory to the counsel for the Underwriters, together with signed or reproduced copies of such certificate for each of the other Underwriters, to the effect set forth in Exhibit D hereto, and (2) a certificate of the Chief Financial Officer of the Company, dated the Closing Time, to the effect set forth in Exhibit E hereto.

(f) *Certificate of Selling Stockholders.* At the Closing Time, the Representatives shall have received a certificate of an Attorney-in-Fact on behalf of each Selling Stockholder, dated the Closing Time, to the effect that (i) the representations and warranties of each Selling Stockholder in this Agreement are true and correct with the same force and effect as though expressly made at and as of the Closing Time and (ii) each Selling Stockholder has complied with all agreements and all conditions on its part to be performed under this Agreement at or prior to the Closing Time.



(g) *Accountant's Comfort Letter.* At the time of the execution of this Agreement, the Representatives shall have received from Ernst & Young LLP a letter, dated such date, in form and substance satisfactory to the Representatives, together with signed or reproduced copies of such letter for each of the other Underwriters containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement, the General Disclosure Package and the Prospectus.

(h) *Bring-down Comfort Letter.* At the Closing Time, the Representatives shall have received from Ernst & Young LLP a letter, dated as of the Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (g) of this Section, except that the specified date referred to shall be a date not more than three business days prior to the Closing Time.

(i) *No Objection.* FINRA has confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements relating to the offering of the Securities.

(j) *Lock-up Agreements.* At the date of this Agreement, the Representatives shall have received an agreement substantially in the form of Exhibit C hereto signed by the persons listed on Schedule D hereto.

(k) *Conditions to Purchase of Option Securities.* In the event that the Underwriters exercise their option provided in Section 2(b) hereof to purchase all or any portion of the Option Securities, the representations and warranties of the Company and the Selling Stockholders contained herein and the statements in any certificates furnished by the Company, any of its subsidiaries and the Selling Stockholders hereunder shall be true and correct as of each Date of Delivery and, at the relevant Date of Delivery, the Representatives shall have received:

(i) *Officers' Certificates.* Certificates, each dated such Date of Delivery, of (1) the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company confirming that the certificate delivered at the Closing Time pursuant to Section 5(e)(i) hereof remains true and correct as of such Date of Delivery, and (2) the Chief Legal Officer of the Company confirming that the certificate delivered at the Closing Time pursuant to Section 5(e)(ii)(1) hereof remains true and correct as of such Date of Delivery.

(ii) *Certificate of Selling Stockholders.* A certificate, dated such Date of Delivery, of an Attorney-in-Fact on behalf of each Selling Stockholder confirming that the certificate delivered at Closing Time pursuant to Section 5(f) remains true and correct as of such Date of Delivery.

(iii) *Opinion of Counsel for Company.* If requested by the Representatives, the favorable opinion of Goodwin Procter LLP, counsel for the Company, in form and substance satisfactory to counsel for the Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b) hereof.

(iv) *Opinion of Counsel for the Selling Stockholders.* If requested by the Representatives, the favorable opinion of Goodwin Procter LLP, counsel for the Selling Stockholders, in form and substance satisfactory to counsel for the Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(c) hereof.

(v) Opinion of Counsel for Underwriters. If requested by the Representatives, the favorable opinion of Milbank, Tweed, Hadley & McCloy LLP, counsel for the Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(d) hereof.

(vi) Bring-down Comfort Letter. If requested by the Representatives, a letter from Ernst & Young LLP, in form and substance satisfactory to the Representatives and dated such Date of Delivery, substantially in the same form and substance as the letter furnished to the Representatives pursuant to Section 5(g) hereof, except that the “specified date” in the letter furnished pursuant to this paragraph shall be a date not more than three business days prior to such Date of Delivery.

(l) *Additional Documents*. At the Closing Time and at each Date of Delivery (if any) counsel for the Underwriters shall have been furnished with such documents and opinions as they may require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company and the Selling Stockholders in connection with the issuance and sale of the Securities as herein contemplated shall be satisfactory in form and substance to the Representatives and counsel for the Underwriters.

(m) *Termination of Agreement*. If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement, or, in the case of any condition to the purchase of Option Securities on a Date of Delivery which is after the Closing Time, the obligations of the several Underwriters to purchase the relevant Option Securities, may be terminated by the Representatives by notice to the Company and the Selling Stockholders at any time at or prior to Closing Time or such Date of Delivery, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Sections 1, 6, 7, 8, 15, 16 and 17 shall survive any such termination and remain in full force and effect.

#### SECTION 6. Indemnification.

(a) *Indemnification of Underwriters*. The Company agrees to indemnify and hold harmless each Underwriter, its affiliates (as such term is defined in Rule 501(b) under the 1933 Act (each, an “Affiliate”)), its selling agents and each person, if any, who controls any Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact included (A) in any preliminary prospectus, any Issuer Free Writing Prospectus, the General Disclosure Package or the Prospectus (or any amendment or supplement thereto), or (B) in any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the offering of the Stock (“Marketing Materials”), including any roadshow or investor presentations made to investors by the Company (whether in person or electronically), or the omission or alleged omission in any preliminary prospectus, Issuer Free Writing Prospectus, Prospectus or in any Marketing Materials of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 6(e) below) any such settlement is effected with the written consent of the Company and the Selling Stockholders;

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by the Representatives), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in the Registration Statement (or any amendment thereto), including the Rule 430A Information, the General Disclosure Package or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with the Underwriter Information.

(b) *Indemnification of Underwriters by Selling Stockholders.* Each Selling Stockholder, severally and not jointly, agrees to indemnify and hold harmless each Underwriter, its Affiliates and selling agents and each person, if any, who controls any Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act to the extent and in the manner set forth in clauses (a)(i), (ii) and (iii) above; provided that each Selling Stockholder shall be liable only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission has been made in the Registration Statement, any preliminary prospectus, the General Disclosure Package, the Prospectus (or any amendment or supplement thereto) or any Issuer Free Writing Prospectus in reliance upon and in conformity with the Selling Stockholder Information provided by such Selling Stockholder; provided, that the liability under this subsection of each Selling Stockholder shall be limited to an amount equal to the aggregate proceeds after underwriting commissions and discounts, but before expenses, to such Selling Stockholder from the sale of Securities sold by such Selling Stockholder hereunder.

(c) *Indemnification of Company, Directors and Officers and Selling Stockholders.* Each Underwriter severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, and each Selling Stockholder and each person, if any, who controls any Selling Stockholder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information, the General Disclosure Package or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with the Underwriter Information.

(d) *Actions against Parties; Notification.* Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to

Section 6(a) and 6(b) above, counsel to the indemnified parties shall be selected by the Representatives, and, in the case of parties indemnified pursuant to Section 6(c) above, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 6 or Section 7 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(e) *Settlement without Consent if Failure to Reimburse.* If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

(f) *Other Agreements with Respect to Indemnification* The provisions of this Section shall not affect any agreement among the Company and the Selling Stockholders with respect to indemnification.

SECTION 7. Contribution. If the indemnification provided for in Section 6 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Stockholders, on the one hand, and of the Underwriters, on the other hand, in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, in connection with the offering of the Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Securities pursuant to this Agreement (before deducting expenses) received by the Company and the Selling Stockholders, on the one hand, and the total underwriting discount received by the Underwriters, on the other hand, in each case as set forth on the cover of the Prospectus, bear to the aggregate initial public offering price of the Securities as set forth on the cover of the Prospectus.

The relative fault of the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Selling Stockholders or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 7. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 7 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, no Underwriter shall be required to contribute any amount in excess of the underwriting commissions received by such Underwriter in connection with the Shares underwritten by it and distributed to the public.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 7, each person, if any, who controls an Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act and each Underwriter's Affiliates and selling agents shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company or any Selling Stockholder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company or such Selling Stockholder, as the case may be. The Underwriters' respective obligations to contribute pursuant to this Section 7 are several in proportion to the number of Initial Securities set forth opposite their respective names in Schedule A hereto and not joint.

The provisions of this Section shall not affect any agreement among the Company and the Selling Stockholders with respect to contribution.

**SECTION 8. Representations, Warranties and Agreements to Survive** All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company or any of its subsidiaries or the Selling Stockholders submitted pursuant hereto, shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of any Underwriter or its Affiliates or selling agents, any person controlling any Underwriter, its officers or directors, any person controlling the Company or any person controlling any Selling Stockholder and (ii) delivery of and payment for the Securities.

**SECTION 9. Termination of Agreement**

(a) *Termination*. The Representatives may terminate this Agreement, by notice to the Company and the Selling Stockholders, at any time at or prior to the Closing Time (i) if there has been, in the judgment of the Representatives, since the time of execution of this Agreement or since the respective

dates as of which information is given in the Registration Statement, the General Disclosure Package or the Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Representatives, impracticable or inadvisable to proceed with the completion of the offering or to enforce contracts for the sale of the Securities, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the Nasdaq Global Market, or (iv) if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq Global Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by order of the Commission, FINRA or any other governmental authority, or (v) a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States or with respect to Clearstream or Euroclear systems in Europe, or (vi) if a banking moratorium has been declared by either Federal or New York authorities.

(b) *Liabilities.* If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 6, 7, 8, 15, 16 and 17 shall survive such termination and remain in full force and effect.

SECTION 10. Default by One or More of the Underwriters. If one or more of the Underwriters shall fail at Closing Time or a Date of Delivery to purchase the Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the Representatives shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Representatives shall not have completed such arrangements within such 24-hour period, then:

(i) if the number of Defaulted Securities does not exceed 10% of the number of Securities to be purchased on such date, each of the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Underwriters, or

(ii) if the number of Defaulted Securities exceeds 10% of the number of Securities to be purchased on such date, this Agreement or, with respect to any Date of Delivery which occurs after the Closing Time, the obligation of the Underwriters to purchase, and the Company to sell, the Option Securities to be purchased and sold on such Date of Delivery shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement or, in the case of a Date of Delivery which is after the Closing Time, which does not result in a termination of the obligation of the Underwriters to purchase and the Company to sell the relevant Option Securities, as the case may be, either the

(i) Representatives or (ii) the Company and any Selling Stockholder shall have the right to postpone Closing Time or the relevant Date of Delivery, as the case may be, for a period not

exceeding seven days in order to effect any required changes in the Registration Statement, the General Disclosure Package or the Prospectus or in any other documents or arrangements. As used herein, the term "Underwriter" includes any person substituted for an Underwriter under this Section 10.

**SECTION 11. Default by one or more of the Selling Stockholders or the Company.** (a) If a Selling Stockholders shall fail at the Closing Time or a Date of Delivery, as the case may be, to sell and deliver the number of Securities which such Selling Stockholder is obligated to sell hereunder, and the remaining Selling Stockholders do not exercise the right hereby granted to increase, pro rata or otherwise, the number of Securities to be sold by them hereunder to the total number to be sold by all Selling Stockholders as set forth in Schedule B hereto, then the Underwriters may, at option of the Representatives, by notice from the Representatives to the Company and the non-defaulting Selling Stockholders, either (i) terminate this Agreement without any liability on the fault of any non-defaulting party except that the provisions of Sections 1, 4, 6, 7, 8, 15, 16 and 17 shall remain in full force and effect or (ii) elect to purchase the Securities which the non-defaulting Selling Stockholders and the Company have agreed to sell hereunder. No action taken pursuant to this Section 11 shall relieve any Selling Stockholder so defaulting from liability, if any, in respect of such default.

In the event of a default by any Selling Stockholder as referred to in this Section 11, each of the Representatives, the Company and the non-defaulting Selling Stockholders shall have the right to postpone the Closing Time or any Date of Delivery, as the case may be, for a period not exceeding seven days in order to effect any required change in the Registration Statement, the General Disclosure Package or the Prospectus or in any other documents or arrangements.

(b) If the Company shall fail at the Closing Time or a Date of Delivery, as the case may be, to sell the number of Securities that it is obligated to sell hereunder, then this Agreement shall terminate without any liability on the part of any nondefaulting party; provided, however, that the provisions of Sections 1, 4, 6, 7, 8, 15, 16 and 17 shall remain in full force and effect. No action taken pursuant to this Section shall relieve the Company from liability, if any, in respect of such default.

**SECTION 12. Notices.** All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to the Representatives in care of Merrill Lynch at One Bryant Park, New York, New York 10036, attention of Syndicate Department, with a copy to ECM Legal, and also in care of Morgan Stanley, 1585 Broadway, New York, New York 10036, Attention: Equity Syndicate Desk, with a copy to the Legal Department; notices to the Company shall be directed to it at 380 Madison Avenue, 21<sup>st</sup> Floor, New York, New York 10017, attention of Peter Ziembra, with a copy to Jocelyn Arel, Goodwin Procter LLP, Exchange Place, Boston, MA 02109; and notices to the Selling Stockholders shall be directed to Peter Ziembra and Amit Muni at 380 Madison Avenue, 21<sup>st</sup> Floor, New York, New York 10017, with a copy to Jocelyn Arel, Goodwin Procter LLP, Exchange Place, Boston, MA 02109.

**SECTION 13. No Advisory or Fiduciary Relationship.** Each of the Company and each Selling Stockholder acknowledges and agrees that (a) the purchase and sale of the Securities pursuant to this Agreement, including the determination of the initial public offering price of the Securities and any related discounts and commissions, is an arm's-length commercial transaction between the Company and the Selling Stockholder, on the one hand, and the several Underwriters, on the other hand, (b) in connection with the offering of the Securities and the process leading thereto, each Underwriter is and has been acting solely as a principal and is not the agent or fiduciary of the Company, any of its subsidiaries or any Selling Stockholder, or its respective stockholders, creditors, employees or any other party, (c) no Underwriter has assumed or will assume an advisory or fiduciary responsibility in favor of the Company or any Selling Stockholder with respect to the offering of the Securities or the process leading thereto

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(irrespective of whether such Underwriter has advised or is currently advising the Company, any of its subsidiaries or any Selling Stockholder on other matters) and no Underwriter has any obligation to the Company or any Selling Stockholder with respect to the offering of the Securities except the obligations expressly set forth in this Agreement, (d) the Underwriters and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of each of the Company and each Selling Stockholder, and (e) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the offering of the Securities and the Company and each of the Selling Stockholders has consulted its own respective legal, accounting, regulatory and tax advisors to the extent it deemed appropriate.

SECTION 14. Parties. This Agreement shall each inure to the benefit of and be binding upon the Underwriters, the Company and the Selling Stockholders and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters, the Company and the Selling Stockholders and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters, the Company and the Selling Stockholders and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from any Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 15. Trial by Jury. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates), each of the Selling Stockholders and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

SECTION 16. GOVERNING LAW. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF, THE STATE OF NEW YORK WITHOUT REGARD TO ITS CHOICE OF LAW PROVISIONS.

SECTION 17. Consent to Jurisdiction; Waiver of Immunity. Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("Related Proceedings") shall be instituted in (i) the federal courts of the United States of America located in the City and County of New York, Borough of Manhattan or (ii) the courts of the State of New York located in the City and County of New York, Borough of Manhattan (collectively, the "Specified Courts"), and each party irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a "Related Judgment")), as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or other proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such suit, action or other proceeding brought in any such court has been brought in an inconvenient forum.



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SECTION 18. TIME. TIME SHALL BE OF THE ESSENCE OF THIS AGREEMENT. EXCEPT AS OTHERWISE SET FORTH HEREIN, SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 19. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

SECTION 20. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company and the Attorney-in-Fact for the Selling Stockholders a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Underwriters, the Company and the Selling Stockholders in accordance with its terms.

Very truly yours,

WISDOMTREE INVESTMENTS, INC.

By \_\_\_\_\_  
Title:

PETER M. ZIEMBA

By \_\_\_\_\_  
As Attorney-in-Fact acting on behalf of  
the Selling Stockholders named in  
Schedule B hereto

AMIT MUNI

By \_\_\_\_\_  
As Attorney-in-Fact acting on behalf of  
the Selling Stockholders named in  
Schedule B hereto

CONFIRMED AND ACCEPTED, as of the date first above written:

MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED  
MORGAN STANLEY & CO. LLC

By: MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED

By \_\_\_\_\_  
Authorized Signatory

By: MORGAN STANLEY & CO. LLC

By \_\_\_\_\_  
Authorized Signatory

For themselves and as Representatives of the other Underwriters named in Schedule A hereto.

SCHEDULE A

The public offering price per share for the Securities shall be \$[-].

The purchase price per share for the Securities to be paid by the several Underwriters shall be \$[-], being an amount equal to the public offering price set forth above less \$[-] per share, subject to adjustment in accordance with Section 2(b) for dividends or distributions declared by the Company and payable on the Initial Securities but not payable on the Option Securities.

<u>Name of Underwriter</u>	<u>Number of Initial Securities</u>
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Morgan Stanley & Co. LLC	
Barclays Capital Inc.	
Citigroup Global Markets Inc.	
UBS Securities LLC	
Piper Jaffray & Co.	
Sandler O'Neill & Partners, L.P.	
Sterne, Agee & Leach, Inc.	
Total	<u>14,362,251</u>

Sch A-1

SCHEDULE B

	Number of Initial Securities to be Sold	Maximum Number of Option Securities to be Sold
WisdomTree Investments, Inc.	1,000,000	0
Bendigo Ventures	269,045	43,377
Flexpoint Fund, L.P.	1,722,318	277,682
Hillcrest Financial, LLC	129,174	20,826
RRE Ventures III-A, L.P.	1,524,734	245,826
RRE Ventures Fund III, L.P.	127,417	20,543
RRE Ventures III, L.P.	70,167	11,313
S Family Partners, L.P.	2,296,425	370,242
Bruce Lavine	674,465	108,741
Luciano Siracusano	258,348	41,652
Jonathan Steinberg	3,103,869	500,423
Michael Steinhardt	1,864,057	485,943
The Judy and Michael Steinhardt Foundation	1,150,000	0
Peter Ziemba	172,232	27,768
Total	<u>14,362,251</u>	<u>2,154,336</u>

Sch B

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SCHEDULE C-1

Pricing Terms

1. The Company and the Selling Stockholders are selling 14,362,251 shares of Common Stock.
2. Certain Selling Stockholders have granted an option to the Underwriters, severally and not jointly, to purchase up to an additional 2,154,336 shares of Common Stock.
3. The public offering price per share for the Securities shall be \$[-].

SCHEDULE C-2

Free Writing Prospectuses

*[To come]*

Sch C - 1

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SCHEDULE D

List of Persons and Entities Subject to Lock-up

Flexpoint Fund L.P.  
RRE Venture Funds  
S Family Partners, L.P.  
Hillcrest Financial, LLC  
Bendigo Ventures  
Steven L. Begleiter  
Anthony Bossone  
Bruce I. Lavine  
R. Jarrett Lilien  
Amit Muni  
James D. Robinson, IV  
Frank Salerno  
Luciano Siracusano, III  
Jonathan L. Steinberg  
Michael Steinhardt  
Peter M. Ziemba

Sch D-1

GOODWIN | PROCTER

Goodwin Procter LLP  
Counselors at Law  
Exchange Place  
Boston, Massachusetts  
02109

T: 617.570.1000  
F: 617.523.1231  
goodwinprocter.com

January 30, 2012

WisdomTree Investments, Inc.  
380 Madison Avenue, 21<sup>st</sup> Floor  
New York, NY 10017

Re: Securities Registered under Registration Statement on Form S-1

Ladies and Gentlemen:

We have acted as counsel to you in connection with your filing of a Registration Statement on Form S-1 (File No. 333-177346) (as amended or supplemented, the "Registration Statement") pursuant to the Securities Act of 1933, as amended (the "Securities Act"), relating to the registration of the offering by WisdomTree Investments, Inc., a Delaware corporation (the "Company") of up to 16,516,587 shares (the "Shares") of the Company's Common Stock, \$0.01 par value per share, which include 1,000,000 shares of Common Stock (the "Company Shares") to be newly issued and sold by the Company and up to 15,516,587 shares of Common Stock (the "Selling Stockholder Shares") to be sold by the selling stockholders listed in the Registration Statement under "Principal and Selling Stockholders" (the "Selling Stockholders"), including Shares purchasable by the underwriters upon their exercise of an option granted to the underwriters by the Selling Stockholders. The Shares are being sold to the several underwriters named in, and pursuant to, an underwriting agreement among the Company, the Selling Stockholders and such underwriters (the "Underwriting Agreement").

We have reviewed such documents and made such examination of law as we have deemed appropriate to give the opinions set forth below. We have relied, without independent verification, on certificates of public officials and, as to matters of fact material to the opinions set forth below, on certificates of officers of the Company.

The opinion set forth below is limited to the Delaware General Corporation Law (which includes reported judicial decisions interpreting the Delaware General Corporation Law).

Based on the foregoing, we are of the opinion that the Company Shares have been duly authorized and, upon issuance and delivery against payment therefor in accordance with the terms of the Underwriting Agreement, will be validly issued, fully paid and non-assessable and that the Selling Stockholder Shares have been duly authorized and validly issued, and are fully paid and non-assessable.

We hereby consent to the inclusion of this opinion as Exhibit 5.1 to the Registration Statement and to the references to our firm under the caption "Legal Matters" in the Registration Statement. In giving our consent, we do not admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations thereunder.

Very truly yours,

/s/ Goodwin Procter LLP

GOODWIN PROCTER LLP



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated March 31, 2011, in the Amendment No. 1 to the Registration Statement No. 333-177346 on Form S-1 and related Prospectus of WisdomTree Investments, Inc. for the registration of 16,516,587 shares of its common stock.

/s/ Ernst & Young LLP

New York, New York  
January 30, 2012