UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

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

Date of Report (Date of earliest event reported): August 31, 2018

AppFolio, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

001-37468	**26-0359894**
(Commission File Number)	(IRS Employer Identification Number)

50 Castilian Drive
Santa Barbara, CA 93117
(Address of principal executive offices)

Registrant's telephone number, including area code: **(805) 364-6093**

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company x

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

Explanatory Note

This Current Report on Form 8-K/A ("Amendment No. 1") is being filed to amend and supplement Item 9.01 of the Current Report on Form 8-K filed by AppFolio, Inc. on September 4, 2018. As previously disclosed on August 31, 2018, AppFolio Utility Management, Inc., a wholly-owned subsidiary of AppFolio, Inc. (collectively, the "Company"), entered into an Asset Purchase Agreement with WegoWise, Inc. ("Seller"), pursuant to which the Company completed the purchase of substantially all of the assets of the Seller. This Amendment No. 1 is being filed to include historical audited and unaudited financial statements and unaudited pro forma financial information required by Item 9.01 of Form 8-K. The required audited and unaudited financial statements and unaudited pro forma financial information are filed as exhibits to this report under Item 9.01.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of the Business Acquired.

The following financial statements are filed as Exhibits to this report and incorporated by reference:

- The audited financial statements of WegoWise, Inc. as of December 31, 2017 and 2016 and for the years ended December 31, 2017 and 2016, and the notes related thereto, and the related independent auditors' report of Alexander, Aronson, Finning & Co., P.C., are attached hereto as Exhibit 99.1 and are incorporated by reference herein.

- The unaudited interim financial statements of WegoWise, Inc. as of June 30, 2018 and 2017 and for the six months ended June 30, 2018 and 2017, and the notes related thereto are attached hereto as Exhibit 99.2 and are incorporated by reference herein.

(b) Pro Forma Financial Information.

The following information is filed as an Exhibit to this report and incorporated by reference:

- The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2017 and for the nine months ended September 30, 2018 are attached hereto as Exhibit 99.3 and are incorporated by reference herein.

(d) Exhibits:

Exhibit Number	Description
23.1	Consent of Alexander, Aronson, Finning & Co., P.C.
99.1	The audited financial statements of WegoWise, Inc. as of December 31, 2017 and 2016 and for the years ended December 31, 2017 and 2016, and the notes related thereto, and the related independent auditors' report of Alexander, Aronson, Finning & Co., P.C.
99.2	The unaudited interim financial statements of WegoWise, Inc. as of June 30, 2018 and 2017 and for the six months ended June 30, 2018 and 2017, and the notes related thereto.
99.3	The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2017 and nine months ended September 30, 2018.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AppFolio, Inc.

By: /s/ Ida Kane

Name: Ida Kane

Title: Chief Financial Officer

EXHIBIT INDEX

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99.3	The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2017 and nine months ended September 30, 2018.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements; No. 333-216274, No. 333-206179, and No. 333-209792, of our report dated March 27, 2018, with respect to the financial statements of WegoWise, Inc., incorporated by reference in this Current Report on Form 8-K/A of AppFolio, Inc.

Alexander Aronson Finning Co, P.C.

Boston, Massachusetts

October 29, 2018

Exhibit 99.1

FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

WEGOWISE, INC.

Contents
December 31, 2017 and 2016

Independent Auditor's Report

To the Stockholders of
WegoWise, Inc.:

Report on Financial Statements

We have audited the accompanying financial statements of WegoWise, Inc. (a Delaware corporation) (WegoWise), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, changes in stockholders' deficit and cash flows for years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WegoWise, Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 3 of the financial statements, WegoWise is part of an affiliated group of companies and has entered into transactions with certain members of this group. These financial statements may not be reflective of the financial condition or the results of operations had WegoWise been an independent entity.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental statements of operating expenses for the years ended December 31, 2017 and 2016, shown on page 18, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Alexander, Aronson, Finning & Co., P.C.

Boston, Massachusetts
March 27, 2018

WEGOWISE, INC.

Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash	$ 186,953	$ 860,320
Accounts receivable, net	858,855	410,112
Prepaid expenses and other current assets	—	16,041
Total current assets	1,045,808	1,286,473
Restricted Cash	7,740	174,283
Security Deposit	58,010	58,010
Office Furniture and Computers, net	31,029	51,964
Total assets	$ 1,142,587	$ 1,570,730
Liabilities and Stockholders' Deficit		
Current liabilities		
Current portion of note payable to a bank	$ 471,401	—
Accounts payable and accrued expenses	288,779	402,162
Due to affiliate	451,568	—
Total current liabilities	1,211,748	402,162
Deferred Revenue	1,891,614	1,143,489
Note Payable to a Bank, net	6,420,116	4,870,520
Total liabilities	9,523,478	6,416,171
Stockholders' Deficit:		
Series A redeemable convertible preferred stock; $0.0001 par value; 92,983 shares authorized; 92,983 shares issued and outstanding (liquidation preference of $2,823,433)	2,823,433	2,638,723
Series B redeemable convertible preferred stock; $0.0001 par value; 700,000 shares authorized; 660,049 shares issued and outstanding (liquidation preference of $8,283,134)	8,254,954	7,703,647
Common stock; $0.0001 par value; 1,260,000 shares authorized; 108,100 shares issued and outstanding at December 31, 2017 and 2016, respectively	11	11
Additional paid-in capital	292,346	162,484
Accumulated deficit	(19,751,635)	(15,350,306)
Total stockholders' deficit	(8,380,891)	(4,845,441)
Total liabilities and stockholders' deficit	$ 1,142,587	$ 1,570,730

The accompanying notes are an integral part of these statements.

	2017	2016
Revenue	$ 3,055,619	$ 2,068,266
Cost of Revenue	614,728	887,397
Gross profit	2,440,891	1,180,869
Operating Expenses:		
Research and development	1,456,648	1,714,179
General and administrative	2,459,344	1,959,483
Selling and marketing	1,898,075	2,036,809
Total operating expenses	5,814,067	5,710,471
Loss from operations	(3,373,176)	(4,529,602)
Other Income (Expense):		
Interest income	2,785	5,564
Interest expense	(294,921)	(178,385)
Total other expenses	(292,136)	(172,821)
Net loss	$ (3,665,312)	$ (4,702,423)

The accompanying notes are an integral part of these statements.

WEGOWISE, INC.

Statements of Changes in Stockholders' Deficit
For the Years Ended December 31, 2017 and 2016

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Deficit
Balance at December 31, 2015	92,983	$2,466,097	—	$ —	107,000	$ 11	$ 15,484	$(10,000,080)	$(7,518,488)
Stock options exercised	—	—	—	—	1,100	—	2,211	—	2,211
Stock-based compensation	—	—	—	—	—	—	144,789	—	144,789
Conversion of notes payable and accrued interest to Series B Preferred Stock, net of issuance cost of $45,831	—	—	660,049	7,228,470	—	—	—	—	7,228,470
Accretion of cumulative dividends and issuance costs	—	172,626	—	475,177	—	—	—	(647,803)	—
Net loss	—	—	—	—	—	—	—	(4,702,423)	(4,702,423)
Balance, December 31, 2016	92,983	2,638,723	660,049	7,703,647	108,100	11	162,484	(15,350,306)	(4,845,441)
Stock-based compensation	—	—	—	—	—	—	129,862	—	129,862
Accretion of cumulative dividends and issuance costs	—	184,710	—	551,307	—	—	—	(736,017)	—
Net loss	—	—	—	—	—	—	—	(3,665,312)	(3,665,312)
Balance, December 31, 2017	92,983	$2,823,433	660,049	$8,254,954	108,100	$ 11	$ 292,346	$(19,751,635)	$(8,380,891)

The accompanying notes are an integral part of these statements.

WEGOWISE, INC.

Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Net loss	$ (3,665,312)	$ (4,702,423)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	31,084	30,810
Interest - amortization	20,997	17,497
Stock-based compensation	129,862	144,789
Changes in operating assets and liabilities:		
Accounts receivable	(448,743)	(98,158)
Prepaid expenses and other	16,041	(5,648)
Security deposit	—	(58,010)
Accounts payable and accrued expenses	(113,383)	251,644
Due to affiliate	451,568	(8,887)
Deferred revenue	748,125	317,658
Accrued interest on notes payable to affiliate	—	29,545
Net cash used in operating activities	(2,829,761)	(4,081,183)
Cash Flows from Investing Activities:		
Decrease (increase) in restricted cash	166,543	(174,283)
Acquisition of office furniture and computers	(10,149)	(57,972)
Net cash provided by (used in) investing activities	156,394	(232,255)
Cash Flows from Financing Activities:		
Proceeds from note payable to a bank	2,000,000	5,000,000
Stock options exercised	—	2,211
Payment of stock issuance costs	—	(45,831)
Cash paid for debt issuance costs	—	(146,977)
Net cash provided by financing activities	2,000,000	4,809,403
Net Change in Cash	(673,367)	495,965
Cash:		
Beginning of year	860,320	364,355
End of year	$ 186,953	$ 860,320
Supplemental Disclosure of Non-Cash Transactions:		
Cash paid for interest	$ 273,924	$ 131,343
Notes and accrued interest converted to preferred stock	$ —	$ 7,274,301

The accompanying notes are an integral part of these statements.

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of Operations

WegoWise, Inc. (WegoWise), a Delaware corporation, was formed in March 2010 for the purpose of creating and offering a web-based energy tracking tool by automatically integrating a broad range of energy and water usage data to deliver a complete picture of the utility usage for multifamily, commercial or residential buildings. The software, delivered as a service (software-as-a-service, SaaS) allows building owners and managers to make smarter operating and capital decisions and to comply with energy efficiency regulations.

WegoWise is an early stage technology company that has spent the first years of operations creating its product offering and the last two years building out the sales and marketing organization to broadly deliver that offering to the market.

Basis of Presentation

WegoWise prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

2. SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

WegoWise generates revenue primarily from subscription to utility tracking software and from compliance reporting services and setup fees. Customers do not take possession of a copy of the software and are typically billed in advance on a monthly or annual basis based on the services and features they receive.

WegoWise recognizes revenue when the following conditions are met: 1) services are provided; 2) evidence of an arrangement exists; 3) fees are fixed or determinable; and 4) collection is reasonably assured. Billings to customers for which services are not rendered are considered deferred revenue.

In accounting for its SaaS fees, WegoWise follows ASC Topic, *Multiple Element Arrangements*. SaaS fees are primarily recognized monthly as the services are rendered, provided that no significant remaining obligations exist and collection of any related account receivable is reasonably assured. Revenue from development contracts is recorded based on the proportional performance model, under which the revenue is recognized as the service is performed.

Accounts Receivable

Accounts receivable are recorded at invoiced amounts. WegoWise records an allowance for doubtful accounts based on management's estimate of expected bad debts. As of December 31, 2017 and 2016, WegoWise has determined that an allowance for doubtful accounts is not necessary.

Office Furniture, Computers and Depreciation

Office furniture and computers (see Note 4) are recorded at cost. Depreciation is computed using the straight-line method over an estimated useful life of three years. Major additions are capitalized, while maintenance and repairs are expensed as incurred.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related debt obligation (see Note 5) is outstanding using the straight-line method, which approximates the effective interest method. Unamortized debt issuance costs are reported as a reduction of the carrying value of the related debt obligation.

Stock-Based Compensation

WegoWise accounts for its stock-based compensation in accordance with ASC Topic, *Compensation: Stock Compensation*. The provisions of this topic generally require WegoWise to record compensation costs equal to the fair value of the option grants over the vesting period, net of estimated forfeitures.

WegoWise uses the Black-Scholes option pricing model to estimate the fair value of the options and requires that WegoWise make certain assumptions and estimates for required inputs to the model, including (i) the fair value of the underlying equity unit at each issuance date, (ii) the expected volatility of the underlying equity unit, (iii) the expected term of the award, (iv) the risk-free interest rate, and (v) the dividend yield. As there is no public market for its common shares, WegoWise determined the volatility based on an analysis of reported data for a peer group of companies that issue options with substantially similar terms. The expected term assumption was based on the simplified method for estimating expected term for awards that qualify as “plain vanilla” options under authoritative guidance. The risk-free interest rate is based on a U.S. Treasury instrument with a term consistent with the expected term of the stock options. WegoWise does not anticipate paying cash dividends in the future on its common stock, therefore, the expected dividend yield is assumed to be zero. WegoWise recognizes compensation expense for only the portion of options that are expected to vest. WegoWise applied an estimated forfeiture rate based on future expectation of 10% for the years ended December 31, 2017 and 2016.

Research and Development

Costs incurred in the research and development of WegoWise’s products are expensed as incurred. Software related research and development costs incurred by WegoWise are charged to expense and do not meet criteria for capitalization.

Advertising

Advertising costs are expensed as incurred.

Fair Value Measurements

WegoWise defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities which are required to be recorded at fair value, WegoWise considers the principal or most advantageous market in which WegoWise would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

WegoWise has not elected fair value accounting for any financial instruments for which fair value accounting is optional.

Income Taxes and Tax Status

WegoWise is a C-corporation for income tax purposes. Income tax expense is based on pre-tax financial accounting income. WegoWise accounts for income taxes according to the asset and liability method. The differences between the financial statement amounts and the tax bases of assets and liabilities are determined annually. Deferred tax assets and liabilities are computed for those differences that will result in taxable or deductible amounts in future periods using currently enacted tax laws and rates that apply to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount that will more likely than not be realized (see Note 8). Income tax expense is the tax payable or refundable for the current period plus or minus the change during the period in deferred income tax assets and liabilities.

WegoWise accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. Management of WegoWise has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2017 and 2016. WegoWise's income tax returns are subject to examination by the appropriate taxing jurisdictions.

Subsequent Events

Subsequent events have been evaluated through March 27, 2018, which is the date the financial statements were available to be issued. Events that met the criteria for disclosure in the financial statements are disclosed in Notes 5 and 6.

3. RELATED PARTY TRANSACTIONS

WegoWise is related to the following entities which it conducts business transactions with:

Boston Community Capital, Inc. (a Massachusetts nonprofit corporation) (BCC) was formed to create and preserve healthy communities where low-income people live and work. BCC participated significantly in the formation of the Company and as of December 31, 2017, BCC held 33,333 shares of common stock, 92,983 shares of Series A convertible preferred stock, and 172,632 shares of Series B convertible preferred stock in WegoWise (see Note 6).

WegoWise, because of its relationship with BCC, is also related to three other Massachusetts nonprofit corporations and other for-profit companies through common Board of Director membership with BCC. The affiliated companies report their collective financial results and financial position, along with certain other controlled entities, including WegoWise, in separately issued consolidated financial statements.

BCLF Ventures, Inc. d/b/a Boston Community Venture Fund (a Massachusetts nonprofit corporation) (the Venture Fund), an affiliate of BCC, was formed to assist small community-based businesses and entrepreneurs to start, grow and expand businesses which strengthen the low-income business community. As of December 31, 2017, the Venture Fund held 487,417 shares of Series B convertible preferred stock in WegoWise (see Note 6).

New Ecology, Inc. (a Massachusetts nonprofit corporation) (New Ecology) was formed to assist, implement and promote local and regional eco-development and eco-planning initiatives in New England aimed at protecting the environment. New Ecology holds 30,000 shares of common stock in WegoWise. In addition, the President of New Ecology holds 3,333 shares of common stock in WegoWise. During 2017 and 2016, WegoWise had sales of approximately $20,000 and $10,000, respectively, to New Ecology, of which approximately $7,400 was included in accounts receivable as of December 31, 2016. There were no amounts included in accounts receivable as of December 31, 2017.

WegoWise has entered into the following transactions and agreements with related parties:

Notes Payable to Affiliates and Conversion to Preferred Stock

During 2015 and 2014, WegoWise entered into various convertible secured note agreements with BCC and the Venture Fund that were scheduled to mature on March 31, 2016. In February 2016, all of the notes totaling $6,957,465 and related accrued interest of $316,836 were converted to Series B preferred stock at $11.02 per share (see Note 6). BCC and the Venture Fund received 172,632 and 487,417 shares, respectively.

Due to Affiliate

Due to affiliate as of December 31, 2017, represented the unpaid portion of operating advances made to WegoWise by BCC. These advances do not bear interest and are considered due on demand. There were no such operating advances owed to BCC as of December 31, 2016.

4. OFFICE FURNITURE AND COMPUTERS

Office furniture and computers consist of the following at December 31:

		2017		2016
Office furniture and computers	$	175,949	$	165,800
Less - accumulated depreciation		144,920		113,836
	$	31,029	$	51,964

Depreciation expense for the years ended December 31, 2017 and 2016, was $31,084 and $30,810, respectively.

5. NOTE PAYABLE TO A BANK

In February 2016, WegoWise entered into a loan agreement with a bank for borrowing up to $7,000,000 through February 2018 (the draw period), with a maturity date of February 22, 2023, and a fixed interest rate of 4.5%. WegoWise was also required to establish a restricted cash reserve account in the amount of $325,000 funded from the initial advance to pay required interest payments during the draw period. The balance of this account was $7,740 and $174,283 as of December 31, 2017 and 2016, respectively, which is reported as restricted cash in the accompanying balance sheets. Interest expense of $273,924 and $131,343 is included in interest expense in the accompanying statements of operations as of December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, the outstanding balance on the note payable was $7,000,000 and $5,000,000, respectively. Beginning in March 2016, WegoWise began to make monthly payments of accrued and unpaid interest on the outstanding principal owed on this loan. Subsequent to December 31, 2017, the loan agreement was amended to require monthly payments of principal and interest beginning in September 2018 to fully repay the outstanding principal amount of this loan over a fifty-four month amortization period ending in February, 2023. This loan is unconditionally guaranteed by BCC (see Note 3). The loan agreement contains various covenants with which WegoWise must comply. WegoWise was in compliance with these covenants at December 31, 2017 and 2016.

Principal maturities of this loan, as based on the amended repayment terms, for the next five years are as follows:

2018	$	471,401
2019		1,457,299
2020		1,524,247
2021		1,594,270
2022		1,667,511
Thereafter		285,272
Total note payable to a bank	$	7,000,000

6. CAPITAL STOCK

As of December 31, 2017, WegoWise's Board of Directors has authorized the issuance of 1,260,000 shares of common stock, $0.0001 par value per share.

In November 2011, WegoWise issued to BCC (see Note 3) 92,983 shares of Series A convertible preferred stock (Series A preferred stock) at a per share price of $20.11, for gross proceeds of $900,000, and for the conversion of $969,894 of outstanding notes payable and accrued interest.

In February 2016, WegoWise entered into a Series B preferred stock purchase agreement with BCC and the Venture Fund, whereby WegoWise sold 660,049 shares of Series B preferred stock for $11.02 per share in connection with the conversion of the notes and related accrued interest (see Note 3). WegoWise incurred $45,831 of financing costs, including legal fees, which were recorded as a reduction of the Series B preferred stock issuance. The accretion of issuance cost was $9,322 and $7,768 for the years ended December 31, 2017 and 2016, respectively.

The following summarizes certain features of WegoWise's preferred stock:

Voting Rights

The holders of Series A and Series B preferred stock are entitled to vote together with the holders of common stock on all matters submitted to stockholders for a vote. The preferred stockholders are entitled to cast the number of votes equal to the number of whole shares of common stock into which the shares of preferred stock are convertible as of the record date.

Dividends

Cumulative dividends accrue on Series A preferred stock and Series B preferred stock at the rate of 7% of the original issuance price and compound annually. Stockholders of Series A and Series B preferred stock are entitled to first receive, or simultaneously receive a dividend on each outstanding share of Series A and Series B preferred stock in an amount at least equal to the greater of (i) the aggregate accruing dividends then accrued on such share of Series A preferred stock or Series B preferred stock and not previously paid and (ii) (A) in the case of a dividend on common stock or any class or series of stock that is convertible into common stock, that dividend per share of Series A preferred stock or Series B preferred stock as would equal the product of (1) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted to common stock and (2) the number of shares of common stock issuable upon conversion of a share of Series A preferred stock or Series B preferred stock, in each case calculated on the record date for determination of holders entitled to receive such dividend, or (B) in the case of a dividend on any class or series that is not convertible into common stock, at a rate per share of Series A preferred stock or Series B preferred stock determined by (1) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock and (2) multiplying such fraction by an amount equal to the Series A original issue price or Series B original issue price. The cumulative accrued dividends as of December 31, 2017 and 2016, were $1,962,928 and $1,236,233, respectively as follows and are included in the liquidation preference amounts disclosed on accompanying balance sheet:

	2017	2016
Series A	$ 953,534	$ 768,824
Series B	1,009,394	467,409
	$ 1,962,928	$ 1,236,233

Liquidation

In the event of any voluntary or involuntary liquidation, dissolution or winding up of WegoWise, the preferred stockholders shall be entitled to be paid out of the assets of WegoWise before any payment shall be made to the holders of common stock. The remaining net assets of WegoWise shall be distributed among the stockholders of common stock pro rata based on the number of shares held by each holder.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of WegoWise, the holders of shares of Series A preferred stock and Series B preferred stock then outstanding shall be entitled to be paid out of the assets of WegoWise available for distribution to its stockholders (pro rata based on the number of shares outstanding and the Series A original issue price or the Series B original issue price, as applicable) before any payment shall be made to the holders of common stock or any other class or series of capital stock of WegoWise by reason of their ownership thereof, an amount per share equal to the greater of (i) the Series A original issue price or Series B original issue price, as applicable, plus any accruing dividends accrued but unpaid thereon, whether or not declared, together with any other dividends declared but unpaid thereon, and (ii) such amount per share as would have been payable had all shares of Series A preferred stock or Series B preferred stock, as applicable, been converted into common stock immediately prior to such liquidation, dissolution or winding up. If upon any such liquidation, dissolution or winding up of WegoWise, the assets of WegoWise available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series A preferred stock and Series B preferred stock, the full amount to which they shall be entitled, the holders of shares of Series A preferred stock and Series B preferred stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution, if all amounts payable on or with respect to such shares were paid in full. At December 31, 2017, the liquidation amount for Series A preferred stock and Series B preferred stock was $2,823,433 and $8,283,134, respectively. At December 31, 2016, the liquidation amount for Series A preferred stock and Series B preferred stock was $2,638,723 and $7,741,710, respectively.

Optional Conversion

Each share of preferred stock shall be convertible, at the option of the holder, at any time and from time to time, and without the payment of additional consideration by the holder, into such number of fully paid and non-assessable shares of common stock as is determined by dividing the Series A original issue price by the Series A conversion price in effect at the time of conversion or by dividing the Series B original issue price by the Series B conversion price in effect at the time of conversion. In addition, at the time of conversion of any shares of Series A preferred stock or Series B preferred stock, all accrued but unpaid accruing dividends on such shares of Series A preferred stock or Series B preferred stock, shall be either, at the option of WegoWise, (i) converted into such number of fully paid and non-assessable shares of common stock as determined by dividing such accruing dividends by the fair market value per share of the Series A preferred stock or Series B preferred stock, at the time of conversion, as determined by the Board of Directors of WegoWise, or (ii) paid by WegoWise in cash. The Series A conversion price shall be equal to $20.11 and the Series B conversion price shall be equal to $11.02.

Mandatory Conversion

Shares of preferred stock shall automatically be converted into shares of common stock in the event of a public offering of WegoWise's common stock pursuant to a registration statement under the Securities Act which results in cash proceeds to WegoWise of at least $10,000,000, net of underwriting discounts and commissions.

Redemption

If no liquidation event, as defined in WegoWise's amended and restated certificate of incorporation (certificate), has occurred on or prior to December 31, 2019, (as amended subsequent to December 31, 2017), as to the Series A preferred stock, or on or prior to December 31, 2020, as to the Series B preferred stock, shares of Series A preferred stock or Series B preferred stock, as applicable, shall be redeemed by WegoWise upon the redemption request of the preferred shareholder, out of funds lawfully available at a price per share equal to the greater of (i) the applicable original issue price, plus all accruing dividends accrued but unpaid and (ii) the fair market value of a share of Series A preferred stock or Series B preferred stock, respectively, on the date of the redemption request. Subsequent to the date of the redemption request, the unredeemed shares shall remain outstanding and shall continue to have all rights and preferences, as defined in the certificate, except that the rate per annum of the accruing dividends shall increase from the 7% to 12%.

7. COST OF REVENUE

Cost of revenue consisted of the following for the years ended December 31:

	2017	2016
Support salaries	$ 521,611	$ 796,052
Infrastructure	86,937	87,812
Consultants	6,180	3,533
	$ 614,728	$ 887,397

8. INCOME TAXES

At December 31, 2017 and 2016, WegoWise had, for Federal and state income tax purposes, net operating loss (NOL) carryforwards of approximately $17.0 million and $17.1 million, respectively, available to offset future taxable income. These Federal and state NOLs may be carried forward for twenty years following the year of loss. These carryforwards expire at various times through 2037. Due to the uncertainty of recognizing these carryforwards in future periods, the deferred tax assets associated with the NOLs have been fully reserved as of December 31, 2017 and 2016.

As of December 31, 2017 and 2016, the components of WegoWise’s net deferred tax asset are as follows:

	2017	2016
Federal net operating loss carryforwards	$ 3,566,000	$ 4,511,000
State net operating loss carryforwards	1,077,000	699,000
Accrued expenses and other	47,000	9,000
	4,690,000	5,219,000
Less - valuation allowance	4,690,000	5,219,000
	$ 0	$ 0

WegoWise has reported only losses since inception. These losses have not resulted in a reported tax benefit because management cannot yet determine if the benefits related to the deferred tax assets will be realized. Management has determined that it is more-likely-than-not that the company will not recognize the benefits of Federal and state deferred tax assets and, as a result, a full valuation allowance of $4,690,000 and $5,219,000 has been established at December 31, 2017 and 2016, respectively. This represents a decrease in the valuation allowance from 2016 of $529,000, and is net of a $2,052,000 decrease attributable to a reduction of the expected Federal corporate income tax rate under the Tax Cuts and Jobs Act of 2017.

Utilization of NOL carryforwards may be subject to a substantial annual limitation due to ownership change limitations that could occur in the future as provided by Section 382 of the Internal Revenue Code of 1986 and similar state provisions. In general, an ownership change, as defined in Section 382, results from transactions which increase the ownership of certain 5% or greater shareholders or public groups in the stock of a corporation by more than 50 percentage points over a three-year period. If WegoWise has experienced a change of control at any time since formation, or experiences a change of control in the future, utilization of the NOL carryforwards would be subject to an annual limitation under Section 382. Any limitation may result in expiration of all or a portion of the NOL carryforwards before utilization.

9. LEASE AGREEMENTS

In January 2015, WegoWise entered into a lease agreement for space in Boston, Massachusetts for a thirty-eight month term which expired February 28, 2018. During 2016, the monthly base rent increased to $4,970 through February 2016. The monthly base rent then increased by $146 each year on March 1 through the end of the lease term. WegoWise was responsible for its proportionate share of real estate taxes and certain operating expenses. Total expense under this lease was $65,359 and $61,839 for the years ended December 31, 2017 and 2016, respectively, and is included in general and administrative expense in the accompanying statements of operations. In December 2016, WegoWise vacated and subleased this office space to an unrelated organization. Monthly installments of approximately $5,000 are due from the sublessor through February 28, 2018. Rental income in 2018 will be approximately $11,000.

In October 2016, WegoWise entered into an additional lease agreement to rent office space in Boston, Massachusetts through October 2021. Monthly base rent under this lease is $13,070 and increases as defined in the agreement. WegoWise is also responsible for its proportionate share of property taxes and certain operating expenses, as defined in the agreement. The expense under this lease was $167,409 and $45,534 for the years ended December 31, 2017 and 2016, and is included in general and administrative in the accompanying statements of operations.

Future minimum lease payments under these agreements, excluding the effects of any sublessor payments, are as follows:

2018	$	172,736
2019	$	166,509
2020	$	170,806
2021	$	130,521

10. STOCK OPTION PLAN

In March 2010, WegoWise's Board of Directors approved the 2010 Stock and Option Plan (the Plan) under which it may grant incentive stock options, non-qualified stock options, and restricted stock awards to purchase up to 40,000 shares of Common Stock to employees, officers, directors and consultants of WegoWise.

In September 2016, the Board of Directors amended the Plan to allow for the issuance of up to 322,231 shares of Common Stock under the Plan. In July 2017, the Board of Directors again amended the Plan to allow for the issuance of up to 358,215 shares of Common Stock under the Plan. In 2017 and 2016, the Company granted options to purchase 57,722 and 272,131 shares of Common Stock to certain of its employees and directors, respectively. The options vest over time and are exercisable at a per share price equal to the fair value of the Common Stock on the grant date. As of December 31, 2017 and 2016, there were 23,362 and 44,100 shares available for future issuance under the Plan.

The following tables summarize the activity of WegoWise's stock option plan for 2017 and 2016:

2017	**Number of Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Life**
Outstanding as of December 31, 2016	278,131	$ 2.00	9.58
Granted	57,722		
Cancelled	(1,000)		
Outstanding at December 31, 2017	334,853	$ 2.45	8.80
Options vested and expected to vest, December 31, 2017	316,420	$ 2.45	8.80
Exercisable at December 31, 2017	150,522	$ 2.08	8.41
2016			
Outstanding as of December 31, 2015	18,000	$ 2.21	7.59
Granted	272,131		
Exercised	(1,100)		
Cancelled	(10,900)		
Outstanding at December 31, 2016	278,131	$ 2.00	9.58
Options vested and expected to vest, December 31, 2016	257,586	$ 2.00	9.58
Exercisable at December 31, 2016	72,683	$ 1.83	9.05

All options granted during the years ended December 31, 2017 and 2016, were granted with exercise prices equal to at least the fair market value of WegoWise’s common stock on the grant date and had a weighted average fair value of $2.08 and $1.83, respectively.

The weighted average contractual term of stock options outstanding and currently exercisable at December 31, 2017 and 2016, was 8.8 years and 9.6 years, respectively.

During 2017, there were 57,722 stock options granted. The fair value of stock options granted in 2017 was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

Expected option term	6 years
Expected volatility factor	85%
Risk-free interest rate	2.1% - 2.4%
Expected annual dividend yield	0%

During 2016, there were 272,131 stock options granted. The fair value of stock options granted in 2016 was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

Expected option term	6 years
Expected volatility factor	135%
Risk-free interest rate	2.36%
Expected annual dividend yield	0%

As of December 31, 2017, there was approximately $59,000 of total unrecognized compensation cost related to non-vested stock-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 1.84 years. As of December 31, 2016, there was approximately $287,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements. That cost was expected to be recognized over a weighted-average period of 2.65 years.

The compensation expense for the granted options during 2017 and 2016 was $129,862 and $144,789, respectively.

11. CONCENTRATIONS

WegoWise maintains its operating cash balances in Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. WegoWise has not experienced any losses in such accounts. Management believes WegoWise is not exposed to any significant credit risk on its operating cash balance.

One customer made up 10% of WegoWise’s total accounts receivable as of December 31, 2017 and a different customer made up 18% of WegoWise’s total accounts receivable as of December 31, 2016.

12. RETIREMENT PLAN

WegoWise has a salary reduction plan (an Internal Revenue Code (IRC) Section 401(k) plan) whereby employees may make elective tax deferred contributions to the plan. All employees are eligible to participate in the plan. Under the plan, employees can defer a portion of their salary up to limits established under the IRC. WegoWise may make a discretionary matching contribution equal to a percentage of an employee’s salary. WegoWise made no contributions to the plan during 2017 and 2016.

13. CONTINUING OPERATIONS

WegoWise incurred net losses from operations of approximately $3.4 million and $4.5 million for 2017 and 2016, respectively, and has a total stockholders’ deficit of approximately $8.4 million as of December 31, 2017. These deficits were funded primarily by debt converted to equity by BCC and the Venture Fund (see Notes 3 and 6) and debt guaranteed by BCC (see Note 5) which begins to mature in 2018.

In 2017, BCC provided operating advances to WegoWise (see Note 3) and will continue to do so until 2019, when WegoWise projects to achieve cash flow breakeven. BCC’s board has authorized up to $2,000,000 of advances to WegoWise. If ongoing revenues are below expectations, management intends to take the necessary actions to reduce operating expenses. WegoWise's long-term viability is dependent upon its ability to expand its market share and continue to manage its expenditures. Management believes that WegoWise's existing operating cash balance coupled with its access to operating advances from BCC will be sufficient to meet WegoWise's working capital and anticipated capital expenditures needs until cash flow breakeven is achieved. If WegoWise is unable to generate sufficient new customers and manage its expenditures to meet its obligations as they become due, WegoWise may require additional debt or equity financing in order to fund operations and achieve its intended business objectives. Management believes that there is adequate funding available to meet its current obligations, which alleviates doubt regarding its ability to continue as a going concern.

WEGOWISE, INC.
Supplemental Statements of Operating Expenses
For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Research and Development	**General and Administrative**	**Selling and Marketing**	**Total**	**Research and Development**	**General and Administrative**	**Selling and Marketing**	**Total**
Operating Expenses:								
Personnel and related costs	$ 935,441	$ 1,500,163	$ 1,553,386	$ 3,988,990	$ 1,038,971	$ 1,168,602	$ 1,547,731	$ 3,755,304
Consultants	499,798	321,423	4,380	825,601	659,509	285,888	90,699	1,036,096
Marketing and recruiting	—	135,357	201,515	336,872	—	86,830	228,974	315,804
Miscellaneous	—	254,272	10,598	264,870	—	148,905	58,584	207,489
Occupancy	—	157,414	200	157,614	—	179,576	—	179,576
Travel	21,409	59,631	127,996	209,036	15,699	58,872	110,821	185,392
Depreciation	—	31,084	—	31,084	—	30,810	—	30,810
Total operating Expenses	$ 1,456,648	$ 2,459,344	$ 1,898,075	$ 5,814,067	$ 1,714,179	$ 1,959,483	$ 2,036,809	$ 5,710,471

Exhibit 99.2

wegowise

FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

WEGOWISE, INC.

Contents
June 30, 2018 and 2017

WEGOWISE, INC.

Balance Sheets (Unaudited)
June 30, 2018 and 2017

	Unaudited June 30, 2018	Unaudited June 30, 2017
Assets		
Current assets		
Cash	$ 35,406	$ 713,949
Accounts receivable, net	591,306	601,210
Prepaid expenses and other current assets	2,524	10,058
Total current assets	629,236	1,325,217
Restricted Cash	4,357	78,750
Security Deposit	58,010	58,010
Office Furniture and Computers, net	19,363	36,603
Total assets	$ 710,966	$ 1,498,580
Liabilities and Stockholders' Deficit		
Current liabilities		
Current portion of note payable to a bank	$ 1,191,868	—
Accounts payable and accrued expenses	218,749	331,703
Due to affiliate	1,624,114	22,178
Total current liabilities	3,034,731	353,881
Deferred Revenue	1,799,498	1,808,098
Note Payable to a Bank, net	5,710,147	5,881,018
Total liabilities	10,544,376	8,042,997
Stockholders' Deficit:		
Series A redeemable convertible preferred stock; $0.0001 par value; 92,983 shares authorized, issued and outstanding (liquidation preference of $2,922,253)	2,922,253	2,731,078
Series B redeemable convertible preferred stock; $0.0001 par value; 700,000 shares authorized; 660,049 shares issued and outstanding (liquidation preference of $8,574,590)	8,549,577	7,979,301
Common stock; $0.0001 par value; 1,260,000 shares authorized; 108,100 shares issued and outstanding at June 30, 2018 and 2017, respectively	11	11
Additional paid-in capital	370,129	216,111
Accumulated deficit	(21,675,380)	(17,470,918)
Total stockholders' deficit	(9,833,410)	(6,544,417)
Total liabilities and stockholders' deficit	$ 710,966	$ 1,498,580

WEGOWISE, INC.

Statements of Operations (Unaudited)
For the Six Months Ended June 30, 2018 and 2017

	Unaudited Six Months Ended June 30, 2018	Unaudited Six Months Ended June 30, 2017
Revenue	$ 1,728,295	$ 1,516,667
Cost of Revenue	399,736	263,590
Gross profit	1,328,559	1,253,077
Operating Expenses:		
Research and development	851,077	733,794
General and administrative	1,084,680	1,293,067
Selling and marketing	761,531	859,679
Total costs and operating expenses	2,697,288	2,886,540
Loss from operations	(1,368,729)	(1,633,463)
Interest Expense, net	(161,573)	(119,140)
Net loss	$ (1,530,302)	$ (1,752,603)

WEGOWISE, INC.

Statements of Changes in Stockholders' Deficit (Unaudited)
For the Six Months Ended June 30, 2018 and 2017

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, December 31, 2016	92,983	$ 2,638,723	660,049	$ 7,703,647	108,100	$ 11	$ 162,484	$(15,350,306)	$(4,845,441)
Stock-based compensation	—	—	—	—	—	—	53,627	—	53,627
Accretion of cumulative dividends and issuance costs	—	92,355	—	275,654	—	—	—	(368,009)	—
Net loss	—	—	—	—	—	—	—	(1,752,603)	(1,752,603)
Balance, June 30, 2017 (Unaudited)	92,983	$ 2,731,078	660,049	$ 7,979,301	108,100	$ 11	$ 216,111	$(17,470,918)	$(6,544,417)

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, December 31, 2017	92,983	$ 2,823,433	660,049	$ 8,254,954	108,100	$ 11	$ 292,346	$(19,751,635)	$(8,380,891)
Stock-based compensation	—	—	—	—	—	—	77,783	—	77,783
Accretion of cumulative dividends and issuance costs	—	98,820	—	294,623	—	—	—	(393,443)	—
Net loss	—	—	—	—	—	—	—	(1,530,302)	(1,530,302)
Balance, June 30, 2018 (Unaudited)	92,983	$ 2,922,253	660,049	$ 8,549,577	108,100	$ 11	$ 370,129	$(21,675,380)	$(9,833,410)

The accompanying notes are an integral part of these statements.

WEGOWISE, INC.

Statements of Cash Flows (Unaudited)
For the Six Months Ended June 30, 2018 and 2017

	Unaudited	
	Six Months Ended June 30,	
	2018	2017
Cash Flows from Operating Activities:		
Net loss	$ (1,530,302)	$ (1,752,603)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	12,320	15,361
Interest - amortization	10,498	10,498
Stock-based compensation	77,783	53,627
Loss from disposal of office furniture and computers	1,942	—
Changes in operating assets and liabilities:		
Accounts receivable	267,549	(191,098)
Prepaid expenses and other	(2,524)	5,983
Accounts payable and accrued expenses	(70,030)	(70,459)
Deferred revenue	(92,116)	664,609
Net cash used in operating activities	(1,324,880)	(1,264,082)
Cash Flows from Investing Activities:		
Decrease in restricted cash	3,383	95,533
Acquisition of office furniture and computers	(2,596)	—
Net cash provided by investing activities	787	95,533
Cash Flows from Financing Activities:		
Net advances from affiliate	1,172,546	22,178
Proceeds from note payable to a bank	—	1,000,000
Net cash provided by financing activities	1,172,546	1,022,178
Net Change in Cash	(151,547)	(146,371)
Cash:		
Beginning of year	186,953	860,320
End of year	$ 35,406	$ 713,949
Supplemental Disclosure of Non-Cash Transactions:		
Cash paid for interest	$ 159,250	$ 120,924

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of Operations

WegoWise, Inc. (WegoWise), a Delaware corporation, was formed in March 2010 for the purpose of creating and offering a web-based energy tracking tool by automatically integrating a broad range of energy and water usage data to deliver a complete picture of the utility usage for multifamily, commercial or residential buildings. The software, delivered as a service (software-as-a-service, SaaS) allows building owners and managers to make smarter operating and capital decisions and to comply with energy efficiency regulations.

As further described in Note 13, subsequent to June 30, 2018, WegoWise entered into an Asset Purchase Agreement to sell substantially all of its assets and ceased formal business operations. The asset sale closed August 31, 2018.

Basis of Presentation

WegoWise prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

2. SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

WegoWise generates revenue primarily from subscription to utility tracking software and from compliance reporting services. Customers do not take possession of a copy of the software and are typically billed in advance on a monthly or annual basis based on the services and features they receive.

WegoWise recognizes revenue when the following conditions are met: 1) services are provided; 2) evidence of an arrangement exists; 3) fees are fixed or determinable; and 4) collection is reasonably assured. Billings to customers for which services have not yet been rendered are considered deferred revenue.

In accounting for its SaaS fees, WegoWise follows ASC Topic, *Multiple Element Arrangements*. SaaS fees are primarily recognized monthly as the services are rendered, provided that no significant remaining obligations exist and collection of any related account receivable is reasonably assured. Revenues are not recognized until applicable implementation activities are complete. During the six months ended June 30, 2018, the Company revised its estimate of completion of customer implementation of the SaaS product. This change in estimate resulted in a one-time increase of revenue of approximately $100,000 for the six months ended June 30, 2018. Revenue from development contracts is recorded based on the proportional performance model, under which the revenue is recognized as the service is performed.

Accounts Receivable

Accounts receivable are recorded at invoiced amounts. WegoWise records an allowance for doubtful accounts based on management's estimate of expected bad debts and subsequent collections received.

As of June 30, 2018 and 2017, WegoWise has determined that an allowance for doubtful accounts is not necessary.

Office Furniture, Computers and Depreciation

Office furniture and computers (see Note 4) are recorded at cost. Depreciation is computed using the straight-line method over an estimated useful life of three years. Major additions are capitalized, while maintenance and repairs are expensed as incurred.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related debt obligation (see Note 5) is outstanding using the straight-line method, which approximates the effective interest method. Unamortized debt issuance costs are reported as a reduction of the carrying value of the related debt obligation.

Stock-Based Compensation

WegoWise accounts for its stock-based compensation in accordance with ASC Topic, *Compensation: Stock Compensation*. The provisions of this topic generally require WegoWise to record compensation costs equal to the fair value of the option grants over the vesting period, net of estimated forfeitures.

WegoWise uses the Black-Scholes option pricing model to estimate the fair value of the options and requires that WegoWise make certain assumptions and estimates for required inputs to the model, including (i) the fair value of the underlying equity unit at each issuance date, (ii) the expected volatility of the underlying equity unit, (iii) the expected term of the award, (iv) the risk-free interest rate, and (v) the dividend yield. As there is no public market for its common shares, WegoWise determined the volatility based on an analysis of reported data for a peer group of companies that issue options with substantially similar terms. The expected term assumption was based on the simplified method for estimating expected term for awards that qualify as “plain vanilla” options under authoritative guidance. The risk-free interest rate is based on a U.S. Treasury instrument with a term consistent with the expected term of the stock options. WegoWise does not anticipate paying cash dividends in the future on its common stock. Therefore, the expected dividend yield is assumed to be zero. WegoWise recognizes compensation expense for only the portion of options that are expected to vest. WegoWise applied an estimated forfeiture rate based on future expectation of 10% for the six month periods ended June 30, 2018 and 2017.

Research and Development

Costs incurred in the research and development of WegoWise’s products are expensed as incurred. Software related research and development costs incurred by WegoWise do not meet criteria for capitalization and are charged to expense.

Advertising

Advertising costs are expensed as incurred.

Fair Value Measurements

WegoWise defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities which are required to be recorded at fair value, WegoWise considers the principal or most advantageous market in which WegoWise would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

WegoWise has not elected fair value accounting for any financial instruments for which fair value accounting is optional.

Income Taxes and Tax Status

WegoWise is a C-corporation for income tax purposes. Income tax expense is based on pre-tax financial accounting income. WegoWise accounts for income taxes according to the asset and liability method. The differences between the financial statement amounts and the tax bases of assets and liabilities are determined annually. Deferred tax assets and liabilities are computed for those differences that will result in taxable or deductible amounts in future periods using currently enacted tax laws and rates that apply to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount that will more likely than not be realized (see Note 8). Income tax expense is the tax payable or refundable for the current period plus or minus the change during the period in deferred income tax assets and liabilities.

WegoWise accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. Management of WegoWise has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2018 and 2017. WegoWise's income tax returns are subject to examination by the appropriate taxing jurisdictions.

3. RELATED PARTY TRANSACTIONS

WegoWise is related to the following entities which it conducts business transactions with:

Boston Community Capital, Inc. (a Massachusetts nonprofit corporation) (BCC) was formed to create and preserve healthy communities where low-income people live and work. BCC participated significantly in the formation of the Company and as of June 30, 2018, BCC held 33,333 shares of common stock, 92,983 shares of Series A convertible preferred stock, and 172,632 shares of Series B convertible preferred stock in WegoWise (see Note 6).

WegoWise, because of its relationship with BCC, is also related to three other Massachusetts nonprofit corporations and other for-profit companies through common Board of Director membership with BCC. The affiliated companies report their collective financial results and financial position, along with certain other controlled entities, including WegoWise, in separately issued consolidated financial statements.

BCLF Ventures, Inc. d/b/a Boston Community Venture Fund (a Massachusetts nonprofit corporation) (the Venture Fund), an affiliate of BCC, was formed to assist small community-based businesses and entrepreneurs to start, grow and expand businesses which strengthen the low-income business community. As of June 30, 2018, the Venture Fund held 487,417 shares of Series B convertible preferred stock in WegoWise (see Note 6).

New Ecology, Inc. (a Massachusetts nonprofit corporation) (New Ecology) was formed to assist, implement and promote local and regional eco-development and eco-planning initiatives in New England aimed at protecting the environment. New Ecology holds 30,000 shares of common stock in WegoWise. In addition, the President of New Ecology holds 3,333 shares of common stock in WegoWise.

WegoWise has entered into the following transactions and agreements with related parties:

Due to Affiliate

Due to affiliate as of June 30, 2018 and 2017, represented the unpaid portion of operating advances made to WegoWise by BCC. These advances do not bear interest and are considered due on demand. Subsequent to June 30, 2018, these advances were repaid in full in connection with the sale of WegoWise's assets (see Note 13).

Guarantee

BCC has unconditionally guaranteed payment of WegoWise's note payable to bank (see Note 5).

Sales

For the six month periods ended June 30, 2018 and 2017, WegoWise had sales of approximately $11,000 and $20,000, respectively, to New Ecology, of which $120, was included in accounts receivable as of June 30, 2017. There were no amounts included in accounts receivable as of June 30, 2018.

4. OFFICE FURNITURE AND COMPUTERS

Office furniture and computers consist of the following at June 30:

	2018	2017
Office furniture and computers	$ 139,295	$ 165,800
Less - accumulated depreciation	119,932	129,197
	$ 19,363	$ 36,603

Depreciation expense for the six-month periods ended June 30, 2018 and 2017, was $12,320 and $15,361, respectively.

5. NOTE PAYABLE TO A BANK

In February 2016, WegoWise entered into a loan agreement with a bank for borrowing up to $7,000,000 through February 2018 (the draw period), with a maturity date of February 22, 2023, and a fixed interest rate of 4.5%. WegoWise was also required to establish a restricted cash reserve account in the original amount of $325,000 funded from the initial note advance to pay required interest payments during the draw period. The balance of this account was $4,357 and $78,750 as of June 30, 2018 and 2017, respectively, which is reported as restricted cash in the accompanying balance sheets. Interest expense of $161,577 and $120,924 is included in interest expense, net in the accompanying statements of operations for the six months ended June 30, 2018 and 2017, respectively.

As of June 30, 2018 and 2017, the outstanding balance on the note payable was $7,000,000 and $6,000,000, respectively. Beginning in March 2016, WegoWise began to make monthly payments of accrued and unpaid interest on the outstanding principal owed on this loan. In 2018, the loan agreement was amended to require monthly payments of principal and interest beginning in September 2018 to fully repay the outstanding principal amount of this loan over a fifty-four month amortization period ending in February 2023. This loan is secured by all business assets of WegoWise and unconditionally guaranteed by BCC (see Note 3). The loan agreement contains various covenants with which WegoWise must comply. WegoWise was in compliance with these covenants at June 30, 2018 and 2017.

Note payable consists of the following at June 30:

	2018	2017
Principal outstanding	$ 7,000,000	$ 6,000,000
Less - current portion	(1,191,868)	-
Long-term portion	5,808,132	6,000,000
Less - unamortized debt issuance costs	(97,985)	(118,982)
Long-term portion, net	$ 5,710,147	$ 5,881,018

Principal maturities of this loan, as based on the amended repayment terms, for the next five years are as follows:

Years Ending December 31,	
2018 (July to December)	$ 471,401
2019	1,457,299
2020	1,524,247
2021	1,594,270
2022	1,667,511
Thereafter	285,272
Total note payable to a bank	$ 7,000,000

In connection with the issuance of the note payable, WegoWise incurred $146,977 of debt issuance costs which are being amortized over the term of the note. Amortization of debt issuance costs was $10,498 for the six months ended June 30, 2018 and 2017, which is included in general and administrative in the accompanying financial statements.

Amortization of debt issuance costs over the next six years is as follows:

Years ending December 31,		
2018 (July to December)	$	10,498
2019	$	20,997
2020	$	20,997
2021	$	20,997
2022	$	20,997
2023	$	3,499

6. CAPITAL STOCK

As of June 30, 2018, WegoWise's Board of Directors has authorized the issuance of 1,260,000 shares of common stock, $0.0001 par value per share.

In November 2011, WegoWise issued to BCC (see Note 3) 92,983 shares of Series A convertible preferred stock (Series A preferred stock) at a per share price of $20.11, for gross proceeds of $900,000, and for the conversion of $969,894 of outstanding notes payable and accrued interest.

In February 2016, WegoWise entered into a Series B preferred stock purchase agreement with BCC and the Venture Fund, whereby WegoWise sold 660,049 shares of Series B preferred stock for $11.02 per share in connection with the conversion of $7,274,301 of pre-existing notes and related accrued interest owed to BCC and the Venture Fund. WegoWise incurred $45,831 of financing costs, including legal fees, which were recorded as a reduction of the Series B preferred stock issuance. The accretion of issuance cost was $4,661 for the six month periods ended June 30, 2018 and 2017, respectively. Unamortized financing costs were $24,080 and $33,402 as of June 30, 2018 and 2017, respectively.

The following summarizes certain features of WegoWise's preferred stock:

Voting Rights

The holders of Series A and Series B preferred stock are entitled to vote together with the holders of common stock on all matters submitted to stockholders for a vote. The preferred stockholders are entitled to cast the number of votes equal to the number of whole shares of common stock into which the shares of preferred stock are convertible as of the record date.

Dividends

Cumulative dividends accrue on Series A preferred stock and Series B preferred stock at the rate of 7% of the original issuance price and compound annually. Stockholders of Series A and Series B preferred stock are entitled to first receive, or simultaneously receive a dividend on each outstanding share of Series A and Series B preferred stock in an amount at least equal to the greater of (i) the aggregate accruing dividends then accrued on such share of Series A preferred stock or Series B preferred stock and not previously paid and (ii) (A) in the case of a dividend on common stock or any class or series of stock that is convertible into common stock, that dividend per share of Series A preferred stock or Series B preferred stock as would equal the product of (1) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted to common stock and (2) the number of shares of common stock issuable upon conversion of a share of Series A preferred stock or Series B preferred stock, in each case calculated on the record date for determination of holders entitled to receive such dividend, or (B) in the case of a dividend on any class or series that is not convertible into common stock, at a rate per share of Series A preferred stock or Series B preferred stock determined by (1) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock and (2) multiplying such fraction by an amount equal to the Series A original issue price or Series B original issue price. The cumulative accrued dividends as of June 30, 2018 and 2017, were $2,351,710 and $1,559,581, respectively as follows and are included in the liquidation preference amounts disclosed in the accompanying balance sheets:

	2018	2017
Series A	$ 1,052,359	$ 861,179
Series B	1,299,356	738,402
	$ 2,351,715	$ 1,599,581

Liquidation

In the event of any voluntary or involuntary liquidation, dissolution or winding up of WegoWise, the preferred stockholders shall be entitled to be paid out of the assets of WegoWise before any payment shall be made to the holders of common stock. The remaining net assets of WegoWise shall be distributed among the stockholders of common stock pro rata based on the number of shares held by each holder.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of WegoWise, the holders of shares of Series A preferred stock and Series B preferred stock then outstanding shall be entitled to be paid out of the assets of WegoWise available for distribution to its stockholders (pro rata based on the number of shares outstanding and the Series A original issue price or the Series B original issue price, as applicable) before any payment shall be made to the holders of common stock or any other class or series of capital stock of WegoWise by reason of their ownership thereof, an amount per share equal to the greater of (i) the Series A original issue price or Series B original issue price, as applicable, plus any accruing dividends accrued but unpaid thereon, whether or not declared, together with any other dividends declared but unpaid thereon, and (ii) such amount per share as would have been payable had all shares of Series A preferred stock or Series B preferred stock, as applicable, been converted into common stock immediately prior to such liquidation, dissolution or winding up.

If upon any such liquidation, dissolution or winding up of WegoWise, the assets of WegoWise available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series A preferred stock and Series B preferred stock, the full amount to which they shall be entitled, the holders of shares of Series A preferred stock and Series B preferred stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution, if all amounts payable on or with respect to such shares were paid in full. At June 30, 2018, the liquidation amount for Series A preferred stock and Series B preferred stock was $2,922,253 and $8,573,657, respectively. At June 30, 2017, the liquidation amount for Series A preferred stock and Series B preferred stock was $2,731,073 and $8,012,703, respectively.

Optional Conversion

Each share of preferred stock shall be convertible, at the option of the holder, at any time and from time to time, and without the payment of additional consideration by the holder, into such number of fully paid and non-assessable shares of common stock as is determined by dividing the Series A original issue price by the Series A conversion price in effect at the time of conversion or by dividing the Series B original issue price by the Series B conversion price in effect at the time of conversion. In addition, at the time of conversion of any shares of Series A preferred stock or Series B preferred stock, all accrued but unpaid accruing dividends on such shares of Series A preferred stock or Series B preferred stock, shall be either, at the option of WegoWise, (i) converted into such number of fully paid and non-assessable shares of common stock as determined by dividing such accruing dividends by the fair market value per share of the Series A preferred stock or Series B preferred stock, at the time of conversion, as determined by the Board of Directors of WegoWise, or (ii) paid by WegoWise in cash. The Series A conversion price shall be equal to $20.11 and the Series B conversion price shall be equal to $11.02.

Mandatory Conversion

Shares of preferred stock shall automatically be converted into shares of common stock in the event of a public offering of WegoWise's common stock pursuant to a registration statement under the Securities Act which results in cash proceeds to WegoWise of at least $10,000,000, net of underwriting discounts and commissions.

Redemption

If no liquidation event, as defined in WegoWise's amended and restated certificate of incorporation (certificate), has occurred on or prior to December 31, 2019, (as amended subsequent to December 31, 2017), as to the Series A preferred stock, or on or prior to December 31, 2020, as to the Series B preferred stock, shares of Series A preferred stock or Series B preferred stock, as applicable, shall be redeemed by WegoWise upon the redemption request of the preferred shareholder, out of funds lawfully available at a price per share equal to the greater of (i) the applicable original issue price, plus all accruing dividends accrued but unpaid and (ii) the fair market value of a share of Series A preferred stock or Series B preferred stock, respectively, on the date of the redemption request. Subsequent to the date of the redemption request, the unredeemed shares shall remain outstanding and shall continue to have all rights and preferences, as defined in the certificate, except that the rate per annum of the accruing dividends shall increase from the 7% to 12%.

7. COST OF REVENUE

Cost of revenue consisted of the following for the six month periods ended June 30,

	2018	2017
Support salaries	$ 352,383	$ 222,451
Infrastructure	45,710	41,139
Consultants	1,643	-
	$ 399,736	$ 263,590

8. INCOME TAXES

At June 30, 2018 and 2017, WegoWise had, for Federal and state income tax purposes, net operating loss (NOL) carryforwards of approximately $18.4 million and $15.2 million, respectively, available to offset future taxable income. Federal and state NOLs incurred prior to 2018 may be carried forward for twenty years following the year of loss. Federal NOLs incurred after 2017 may be carried forward indefinitely. Expiring carryforwards expire at various times through 2037. Due to the uncertainty of recognizing these carryforwards in future periods, the deferred tax assets associated with the NOLs have been fully reserved as of June 30, 2018 and 2017.

As of June 30, 2018 and 2017, the components of WegoWise's net deferred tax asset are as follows:

	2018	2017
Federal net operating loss carryforwards	$ 3,873,000	$ 5,152,000
State net operating loss carryforwards	1,176,000	804,000
Accrued expenses and other	46,000	65,000
	5,095,000	6,021,000
Less - valuation allowance	5,095,000	6,021,000
	$ -	$ -

WegoWise has reported only losses since inception. These losses have not resulted in a reported tax benefit because management cannot yet determine if the benefits related to the deferred tax assets will be realized. The subsequent sale of WegoWise's assets (see Note 13) has not been considered when making this determination. Accordingly, a full valuation allowance of $5,095,000 and $6,021,000 has been established at June 30, 2018 and 2017, respectively. This represents a decrease in the valuation allowance as of June 30, 2017, of $926,000, and is net of a $2,224,000 decrease attributable to a reduction of the expected Federal corporate income tax rate under the Tax Cuts and Jobs Act of 2017.

Utilization of NOL carryforwards may be subject to a substantial annual limitation due to ownership change limitations that could occur in the future as provided by Section 382 of the Internal Revenue Code of 1986 and similar state provisions. In general, an ownership change, as defined in Section 382, results from transactions which increase the ownership of certain 5% or greater shareholders or public groups in the stock of a corporation by more than 50 percentage points over a three-year period. If WegoWise has experienced a change of control at any time since formation, or experiences a change of control in the future, utilization of the NOL carryforwards would be subject to an annual limitation under Section 382. Any limitation may result in expiration of all or a portion of the NOL carryforwards before utilization.

9. LEASE AGREEMENTS

In January 2015, WegoWise entered into a lease agreement for space in Boston, Massachusetts for a thirty-eight month term which expired on February 28, 2018. WegoWise was responsible for its proportionate share of real estate taxes and certain operating expenses. Total expense under this lease was approximately $11,000 and $31,000 for the six month periods ended June 30, 2018 and

2017, respectively, and is included in general and administrative expense in the accompanying statements of operations.

In October 2016, WegoWise entered into an additional lease agreement to rent office space in Boston, Massachusetts through October 2021. Monthly base rent under this lease is $13,070 and increases as defined in the agreement. WegoWise is also responsible for its proportionate share of property taxes and certain operating expenses, as defined in the agreement. The expense under this lease was approximately $90,000 and $82,000 for the six month periods ended June 30, 2018 and 2017, and is included in general and administrative in the accompanying statements of operations. The deferred rent liability was $15,653 and $11,463 at June 30, 2018 and 2017, respectively, and is included in accounts payable and accrued expenses in the accompanying balance sheets.

As of June 30, 2018, estimated future minimum lease payments under these agreements, excluding the effects of any sublessor payments, are approximately as follows:

Years ending December 31,		
2018	$	82,000
2019	$	167,000
2020	$	171,000
2021	$	131,000

10. STOCK OPTION PLAN

In March 2010, WegoWise's Board of Directors approved the 2010 Stock and Option Plan (the Plan) under which it may grant incentive stock options, non-qualified stock options, and restricted stock awards to purchase up to 40,000 shares of Common Stock to employees, officers, directors and consultants of WegoWise.

In September 2016, the Board of Directors amended the Plan to allow for the issuance of up to 322,231 shares of Common Stock. In July 2017, the Board of Directors again amended the Plan to allow for the issuance of up to 358,215 shares of Common Stock. As of June 30, 2018 and 2017, there were 60,357 and 15,498 shares available for future issuance under the Plan.

A summary of WegoWise's stock option activity for the six month periods ended June 30, 2018 and 2017, is as follows:

2018	**Number of Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Life**
Outstanding as of December 31, 2017	334,853	$ 2.45	8.80
Cancelled	(36,995)		
Outstanding at June 30, 2018	297,858	$ 2.46	8.24
Options vested and expected to vest, June 30, 2018	287,812	$ 2.46	8.24
Exercisable at June 30, 2018	197,400	$ 2.14	8.10

2017				
Outstanding as of December 31, 2016	278,131	$	2.00	9.58
Granted	28,852			
Cancelled	(250)			
Outstanding at June 30, 2017	306,733	$	2.10	9.15
Options vested and expected to vest, June 30, 2017	287,062	$	2.10	9.15
Exercisable at June 30, 2017	110,023	$	2.02	8.78

The fair value of stock options granted is estimated on the date of the grant using the Black-Scholes option-pricing model. No stock options were granted during the six months ended June 30, 2018.
Subsequent to June 30, 2018, in connection with the Purchase Agreement (see Note 13), on August 31, 2018, all options were cancelled and terminated without payment of consideration. The following table summarizes information relating to stock option granted during the six months ended June 30, 2017:

Black-Scholes model assumptions:	
Expected option term	6 years
Expected volatility factor	85%
Risk-free interest rate	2.1% - 2.24%
Expected annual dividend yield	0%

As of June 30, 2018, there was approximately $217,000 of total unrecognized compensation cost related to non-vested stock-based compensation arrangements. That cost would have been recognized over a weighted-average period of 1.34 years.

The stock-based compensation expense for the granted options for the six months ended June 30, 2018 and 2017, was $77,783 and $53,627, respectively.

11. CONCENTRATIONS

WegoWise maintains its operating cash balances in Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. WegoWise has not experienced any losses in such accounts. Management believes WegoWise is not exposed to any significant credit risk on its operating cash balance.

At June 30, 2017, WegoWise had one customer with a receivable balance greater than 10% of total receivables. There was no customer with a receivable balance greater than 10% at June 30, 2018.

12. RETIREMENT PLAN

WegoWise has a salary reduction plan (an Internal Revenue Code (IRC) Section 401(k) plan) whereby employees may make elective tax deferred contributions to the plan. All employees are eligible to participate in the plan. Under the plan, employees can defer a portion of their salary up to limits established under the IRC. WegoWise may make a discretionary matching contribution equal to a percentage of an employee’s salary. WegoWise made no contributions to the plan during the six month periods ended June 30, 2018 and 2017.

13. SUBSEQUENT EVENT - SALE OF ASSETS

Subsequent events have been evaluated through October 29, 2018, which is the date the financial statements were available to be issued.

Subsequent to June 30, 2018, WegoWise entered into an Asset Purchase Agreement (the Purchase Agreement) with AppFolio Utility Management, Inc., a wholly-owned subsidiary of AppFolio, Inc. (the Buyer). The sale closed on August 31, 2018. Pursuant to the Purchase Agreement, the Buyer completed the purchase of substantially all of the assets of WegoWise. The consideration paid for the assets was the assumption of certain liabilities plus $15,000,000 in cash. An escrow of $2,000,000 will be maintained for twelve months to satisfy WegoWise's indemnity obligations. In addition, if, during the period beginning immediately after the closing of the transaction and ending on the six month anniversary of the closing, the Buyer enters into contracts with certain third parties (each, a Milestone Contract), the Buyer will be obligated to pay to WegoWise the aggregate amount of the recurring revenues billed and collected from the Milestone Contract that results in the highest amount of recurring revenues billed during the twelve month period (Determination Period) following the date recurring revenue is first billed for such Milestone Contract, but in no event will the Determination Period extend beyond the date which is the fifteen month anniversary of the execution of the Milestone Contract. Pursuant to the Purchase Agreement, WegoWise may, without the written consent of the Buyer, assign its rights and duties hereunder to Boston Community Capital, Inc. or one or more of its affiliates.

Exhibit 99.3

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Introduction to Unaudited Pro Forma Condensed Combined Financial Information

On August 31, 2018, AppFolio Utility Management, Inc., a wholly-owned subsidiary of AppFolio, Inc. (collectively, "AppFolio" or the "Company"), entered into an Asset Purchase Agreement with WegoWise, Inc. ("WegoWise" or "Seller"), pursuant to which the Company completed the purchase of substantially all of the assets of the Seller. The Seller is in the business of providing software solutions to building owners and third-party property managers to help understand, track and improve building utility efficiency. The following unaudited pro forma condensed combined financial information is based on the historical financial statements of the Company and WegoWise after giving effect to the Company's acquisition of WegoWise as if it had occurred on January 1, 2017 and after applying the assumptions, reclassifications and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial information. A pro forma balance sheet as of September 30, 2018 is not required as the Company's balance sheet as of September 30, 2018 included in the Form 10-Q for the quarter ending September 30, 2018 reflects the impact of the acquisition.

The historical consolidated financial data has been adjusted in the unaudited pro forma condensed combined financial data to give effect to events that are (1) directly attributable to the acquisition, (2) factually supportable, and (3) expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined statements of operations should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined statements of operations. In addition, the unaudited pro forma condensed combined financial information was based on and should be read in conjunction with the:

- separate audited historical financial statements of AppFolio as of and for the year ended December 31, 2017, and the related notes, included in AppFolio's Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission on February 26, 2018.

- separate unaudited historical financial statements of AppFolio as of and for the three and nine months ended September 30, 2018, and the related notes, included in AppFolio's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, filed with the Securities and Exchange Commission on October 29, 2018.

- separate audited historical financial statements of WegoWise as of and for the year ended December 31, 2017, and the related notes, included in Exhibit 99.1.

- separate unaudited historical financial statements of WegoWise as of and for the six months ended June 30, 2018 and the related notes included in Exhibit 99.2.

The unaudited pro forma condensed combined statements of operations have been presented for informational purposes only. The pro forma information is not necessarily indicative of what the combined company's results of operations actually would have been had the acquisition been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of the combined company.

Pursuant to the acquisition method of accounting, the purchase price, calculated as described in Note 2 to the unaudited pro forma condensed combined statements of operations, has been allocated to assets acquired and liabilities assumed based on their respective fair values. The pro forma adjustments have been made solely for the purpose of providing unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined financial data does not reflect any revenue enhancements or operating synergies that the combined company may achieve as a result of the acquisition or the costs to integrate the operations of AppFolio and WegoWise or the costs necessary to achieve these revenue enhancements and operating synergies. There were no significant intercompany transactions between AppFolio and WegoWise as of the dates and for the periods of these unaudited pro forma condensed combined statements of operations.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS

For the Year Ended December 31, 2017

(in thousands, except per share data)

	Historical AppFolio	Historical WegoWise	Pro Forma Adjustments (Note 3)	Notes	Pro Forma Combined
Revenue	$ 143,803	$ 3,056	$ —		$ 146,859
Costs and operating expenses:					
Cost of revenue (exclusive of depreciation and amortization)	55,283	615	—		55,898
Sales and marketing	28,709	1,898	—		30,607
Research and product development	16,578	1,457	—		18,035
General and administrative	21,199	2,459	(31)	(A)	23,627
Depreciation and amortization	12,699	—	816	(A) (B)	13,515
Total costs and operating expenses	134,468	6,429	785		141,682
Income (loss) from operations	9,335	(3,373)	(785)		5,177
Other expense, net	(96)	—	—		(96)
Interest income (expense), net	535	(292)	295	(C)	538
Income (loss) before provision for income taxes	9,774	(3,665)	(490)		5,619
Provision for income taxes	58	—	148	(D)	206
Net income (loss)	$ 9,716	$ (3,665)	$ (638)		$ 5,413
Net income per common share:					
Basic	$ 0.29	$ —			$ 0.16
Diluted	$ 0.28	$ —			$ 0.15
Weighted average common shares outstanding:					
Basic	33,849	—			33,849
Diluted	35,151	—			35,151

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS

For the Nine Months Ended September 30, 2018

(in thousands, except per share data)

	Historical AppFolio For the Nine Months Ended September 30, 2018	Historical WegoWise For the Eight Months Ended August 31, 2018	Pro Forma Adjustments (Note 3)	Notes	Pro Forma Combined
Revenue	$ 139,706	$ 2,452	$ —		$ 142,158
Costs and operating expenses:					
Cost of revenue (exclusive of depreciation and amortization)	53,624	541	—		54,165
Sales and marketing	23,711	957	—		24,668
Research and product development	17,523	1,101	—		18,624
General and administrative	17,105	1,455	(348)	(A) (E)	18,212
Depreciation and amortization	10,784	—	448	(A) (B)	11,232
Total costs and operating expenses	122,747	4,054	100		126,901
Income (loss) from operations	16,959	(1,602)	(100)		15,257
Other expense, net	(20)	—	—		(20)
Interest income (expense), net	631	(229)	229	(C)	631
Income (loss) before provision for income taxes	17,570	(1,831)	129		15,868
Provision for income taxes	252	—	79	(D)	331
Net income (loss)	$ 17,318	$ (1,831)	$ 50		$ 15,537
Net income per common share:					
Basic	$ 0.51	—			$ 0.45
Diluted	$ 0.49	—			$ 0.44
Weighted average common shares outstanding:					
Basic	34,154	—			34,154
Diluted	35,524	—			35,524

1. Basis of Presentation

The unaudited pro forma condensed combined statements of income are based on AppFolio's and WegoWise's historical statements of operations as adjusted to give effect to the acquisition of WegoWise. The unaudited pro forma combined statements of operations for the nine months ended September 30, 2018 and the year ended December 31, 2017 give effect to the WegoWise acquisition as if it had occurred on January 1, 2017.

The Company accounts for business combinations pursuant to Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 805, Business Combinations (“ASC 805”). In accordance with ASC 805, the Company uses its best estimates and assumptions to accurately assign fair value to the tangible assets acquired, identifiable intangible assets and liabilities assumed and the related income tax impacts as of the acquisition date. Goodwill as of the acquisition date is measured as the excess of purchase consideration over the fair value of tangible and identifiable intangible assets acquired and liabilities assumed.

The fair values assigned to WegoWise’s tangible and identifiable intangible assets acquired and liabilities assumed are based on management’s estimates and assumptions. The estimated fair values of these assets acquired and liabilities assumed are considered preliminary and are based on the information that was available as of the date of the acquisition. The preliminary estimated fair values of assets acquired and liabilities assumed and identifiable intangible assets may be subject to change as additional information is received. Thus the provisional measurements of fair value are subject to change. The Company expects to finalize the valuation as soon as practicable, but no later than one year from the acquisition date.

The unaudited pro forma financial statements do not necessarily reflect what the combined company’s financial condition or results of operations would have been had the acquisition occurred on January 1, 2017. They also may not be useful in predicting the future financial condition and results of operations of the combined company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors. The unaudited pro forma combined financial information does not reflect any operating efficiencies or cost savings that the Company may achieve.

2. Allocation of Purchase Price to Assets Acquired and Liabilities Assumed

On August 31, 2018, the Company completed the acquisition of substantially all of the assets of WegoWise ("WegoWise"), a provider of cloud-based utility analytics software solutions serving the real estate market. The WegoWise platform empowers building owners and third-party property managers to better manage operating and capital expenditures relating to utilities, and we expect that the acquisition will provide enhanced functionality to our real estate customers over time.

The consideration paid in cash for the assets was $14.4 million, of which $2.0 million will be held in escrow for twelve months to satisfy WegoWise’s indemnity obligations. In addition, if, during the period beginning immediately after the closing of the transaction (the "Closing") and ending on the six month anniversary of the Closing, we enter into contracts with certain third parties (each, a "Milestone Contract"), the Company will be obligated to pay to WegoWise the aggregate amount of the recurring revenues billed and collected from the Milestone Contract that results in the highest amount of recurring revenues billed during the twelve month period ("Determination Period") following the date recurring revenue is first billed for such Milestone Contract, but in no event will the Determination Period extend beyond the date which is the 15th month anniversary of the execution of the Milestone Contract (and we will not be obligated to pay WegoWise for any recurring revenues resulting from any other Milestone Contracts). The Company has determined that the fair value of the contingent consideration is *de minimis* based on facts and circumstances that existed on the Closing. The significant inputs used in the fair value measurement of contingent consideration were the probability of entering into the Milestone Contracts during the Determination Period and the potential payment amounts for each Milestone Contract. The contingent consideration may change over time as the Company continues to evaluate the likelihood of payment. Changes in the fair value of the contingent consideration would be recognized as an expense within the Condensed Consolidated Statements of Operations.

The transaction was accounted for using the acquisition method, and as a result, assets acquired and liabilities assumed were recorded at their estimated fair values as of the acquisition date. The preliminary fair values were based on management’s analysis as well as work performed by third-party valuation specialists. The Company is in the process of finalizing the valuation of the assets. The following table summarizes the purchase price allocation (in thousands) as well as the estimated useful lives of the acquired intangible assets over which they are amortized on a straight-line basis, as this approximates the pattern in which economic benefits are consumed:

	Amount		Estimated Useful Life (in years)
Net assets	$	270	
Identified intangible assets:			
Customer relationships		1,170	5.0
Technology and database		3,620	10.0
Trademark and trade name		370	10.0
Non-compete agreement		60	5.0
Backlog		140	1.0
Total intangible assets subject to amortization		5,360	8.6
Goodwill		8,811	Indefinite
Purchase consideration, paid in cash	$	14,441	

Goodwill is mainly attributable to synergies expected from the acquisition and assembled workforce and is deductible for U.S. federal income tax purposes.

The Company incurred a total of $210,000 in transaction costs related to the acquisition and expensed all transaction costs incurred during the period in which such service was received.

3. Pro Forma Adjustments

The pro forma adjustments are based on our preliminary estimates and assumptions that are subject to change. The following adjustments have been reflected in the unaudited pro forma condensed combined financial information.

A. Depreciation of $31,000 as of December 31, 2017 and $18,000 as of August 31, 2018 were reclassified from general and administrative to depreciation and amortization expense in accordance with the Company's financial statement presentation.

B. Reflects the amortization expense related to the intangible assets acquired, which are generally amortized on a straight-line basis, which approximates the pattern in which the economic benefits are consumed, over their estimated useful lives
(in thousands):

	Year Ended December 31, 2017 Amortization Expense		Eight months ended August 31, 2018 Amortization Expense	
Customer relationships	$	234	$	156
Technology and database		362		241
Trademark and trade name		37		25
Non-compete agreement		12		8
Backlog		140		—
Pro forma adjustments	$	785	$	430

C. Eliminates historical interest expense on WegoWise debt which was paid off as part of the transaction.

D. To record estimated tax expense related to tax deductible goodwill and state taxes in jurisdictions that impose minimum or franchise taxes for the period from January 1, 2017 through August 31, 2018. Due to the Company's history of net operating losses in the jurisdictions in which it operates, the pro forma tax expense adjustment is comprised primarily of deferred tax expense related to tax deductible goodwill. Aside from the deferred tax impact of tax deductible goodwill and state taxes, the Company's blended rate is zero.

E. To eliminate acquisition related transaction costs of $210,000 and $120,000 that were incurred by the Company and WegoWise, respectively, in the nine months ended September 30, 2018.

4. Pro Forma Earnings Per Share

The pro forma basic and diluted earnings per share amounts presented in the unaudited pro forma combined statements of operations are based upon the weighted average number of the Company's common shares outstanding. Our acquisition of WegoWise had no effect to our basic or diluted weighted average common shares outstanding calculations for the unaudited pro forma condensed combined statements of operations periods presented.