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) — **January 2, 2018**

ENVESTNET, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-34835**	**20-1409613**
(State or other jurisdiction of incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

35 East Wacker Drive, Suite 2400 **Chicago, Illinois**	**60601**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(312) 827-2800**

Not applicable

(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 (*see* General Instruction A.2. below):

☐ 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 or Rule 12b-2 of the Securities Exchange Act of 1934

Emerging growth company ☐

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

Explanatory Note

This Amendment No. 1 to Current Report on Form 8-K/A is being filed by Envestnet, Inc. ("Envestnet") solely for the purpose of amending and supplementing Item 9.01 of the Current Report on Form 8-K originally filed by Envestnet with the Securities and Exchange Commission ("SEC") on January 2, 2018 (the "Original Form 8-K") in connection with the completion of the acquisition by Envestnet of Folio Dynamics Holdings, Inc. ("FolioDynamix"). As indicated in the Original Form 8-K, this Current Report on Form 8-K/A is being filed to provide the information required by Item 9.01(a) and (b) of Form 8-K, which was not previously filed with the Original Form 8-K as permitted by the rules of the SEC.

Item 9.01 Financial Statements and Exhibits.

(a) *Financial statements of business acquired.*

The following financial statements of FolioDynamix are being filed as exhibits to this amendment and are included herein:

Exhibit 99.1 — Folio Dynamics Holdings, Inc. and Subsidiaries audited consolidated financial statements, including the independent auditors' report, as of and for the year ended December 31, 2016.

Exhibit 99.2 — Folio Dynamics Holdings, Inc. and Subsidiaries consolidated financial statements as of September 30, 2017 (unaudited) and December 31, 2016 and for the nine months ended September 30, 2017 and 2016 (unaudited).

(b) *Unaudited pro forma financial information.*

The following pro forma financial information is being filed as an exhibit to this amendment and is included herein:

Exhibit 99.3 — Unaudited pro forma condensed combined financial statements and explanatory notes for Envestnet, Inc. as of September 30, 2017, for the nine months ended September 30, 2017 and for the year ended December 31, 2016.

(c) *Exhibits.*

The following exhibits are filed as part of this Current Report on Form 8-K/A.

Exhibit No.	Description
23.1	Consent of KPMG LLP, Independent Auditors.
99.1	Audited consolidated financial statements of Folio Dynamics Holdings, Inc. and Subsidiaries as of and for the year ended December 31, 2016, and Independent Auditors' Report thereon.
99.2	Consolidated financial statements of Folio Dynamics Holdings, Inc. and Subsidiaries as of September 30, 2017 (unaudited) and December 31, 2016 and for the nine months ended September 30, 2017 and 2016 (unaudited).
99.3	Unaudited pro forma condensed combined financial statements and explanatory notes for Envestnet, Inc. as of September 30, 2017, for the nine months ended September 30, 2017 and for the year ended December 31, 2016.

EXHIBIT INDEX

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SIGNATURES

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

ENVESTNET, INC.

By: /s/ Peter H. D'Arrigo
Name: Peter H. D'Arrigo
Title: Chief Financial Officer

Date: February 2, 2018

Exhibit 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in the registration statements on Form S-8 (Nos. 333-169050, 333-181071, 333-204858, and 333-208107) of Envestnet, Inc. of our report dated September 5, 2017, with respect to the consolidated balance sheet of Folio Dynamics Holdings, Inc. and its subsidiaries as of December 31, 2016, and the related consolidated statements of operations, changes in equity, and cash flows for the year then ended, which report appears in the Form 8-K/A of Envestnet, Inc. filed on February 2, 2018.

/s/ KPMG LLP

Philadelphia, Pennsylvania
February 2, 2018

Exhibit 99.1

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2016

(With Independent Auditors' Report Thereon)

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016

Table of C ontents

Independent Auditors' Report

The Board of Directors and Stockholders
Actua Corporation:

We have audited the accompanying consolidated financial statements of Folio Dynamics Holdings, Inc. and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of operations, changes in equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Folio Dynamics Holdings, Inc. and its subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Philadelphia, Pennsylvania
September 5, 2017

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(in thousands, except per share data)

		December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$	8,576
Accounts receivables, net of allowance of $636		6,693
Prepaid expenses and other current assets		875
Total current assets		16,144
Fixed assets, net of accumulated depreciation		1,698
Goodwill		136,614
Intangible assets, net of accumulated amortization		36,719
Other assets		295
Total assets	$	191,470
LIABILITIES		
Current liabilities		
Accounts payable	$	8,903
Accrued expenses		4,127
Accrued compensation and benefits		2,733
Deferred revenue		3,557
Total current liabilities		19,320
Deferred revenue		549
Contingent consideration		7,444
Long-term debt with Parent		10,000
Other liabilities		604
Total liabilities		37,917
EQUITY		
Common stock, $0.001 par value; 25,000 shares authorized, 22,000 shares issued		22
Treasury stock, at cost 51 shares		(479)
Additional paid-in capital		210,223
Accumulated deficit		(56,213)
Total equity		153,553
Total liabilities and equity	$	191,470

See accompanying notes to consolidated financial statements.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands)

	Year ended December 31, 2016
Revenue	$ 32,622
Operating expenses	
Cost of revenue	10,604
Sales and marketing	4,467
General and administrative	8,481
Research and development	10,497
Amortization of intangibles assets	5,921
Impairment related and other	643
Total operating expenses	40,613
Operating income (loss)	(7,991)
Interest expense, net	(283)
Income (loss) before income taxes	(8,274)
Income tax benefit (expense)	242
Net income (loss)	$ (8,032)

See accompanying notes to consolidated financial statements.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in thousands)

	Common stock		Treasury stock		Additional paid-in capital	Accumulated deficit	Total
	Shares	Amount	Shares	Amount			
Balance as of December 31, 2015	21,958	$ 22	—	$ —	$ 208,530	$ (48,181)	$ 160,371
Equity-based compensation expense related to stock options	—	—	—	—	1,499	—	1,499
Equity-based compensation related to restricted stock (RS)	—	—	—	—	194	—	194
Issuance of common stock	42	—	—	—	—	—	—
Repurchase of common stock	—	—	(51)	(479)	—	—	(479)
Net income (loss)	—	—	—	—	—	(8,032)	(8,032)
Balance as of December 31, 2016	22,000	$ 22	(51)	$ (479)	$ 210,223	$ (56,213)	$ 153,553

See accompanying notes to consolidated financial statements.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Year ended December 31, 2016
OPERATING ACTIVITIES	
Net income (loss)	$ (8,032)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:	
Depreciation and amortization	6,911
Equity-based compensation	1,693
Impairment related and other	291
Deferred income taxes	(242)
Contingent consideration	352
Changes in operating assets and liabilities - net of acquisitions:	
Accounts receivable, net	(3,048)
Prepaid expenses and other assets	(170)
Accounts payable	3,865
Accrued expenses	1,717
Accrued compensation and benefits	(50)
Deferred revenue	578
Other liabilities	(1,630)
Cash flows provided by (used in) operating activities	2,235
INVESTING ACTIVITIES	
Capital expenditures, net	(526)
Change in restricted cash	60
Ownership acquisition, net of cash acquired	(2,924)
Cash flows provided by (used in) investing activities	(3,390)
FINANCING ACTIVITIES	
Borrowings of debt with Parent	4,000
Purchase of treasury stock	(479)
Cash flows provided by (used in) financing activities	3,521
Net increase (decrease) in cash and cash equivalents	2,366
Cash and cash equivalents at beginning of year	6,210
Cash and cash equivalents at end of year	$ 8,576

See accompanying notes to consolidated financial statements.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The Company

Description of the Company

Folio Dynamics Holdings, Inc. (together with its subsidiaries, "FolioDynamix," the "Company," "we," "our," or "us") was formed on November 3, 2014 in conjunction with Actua Corporation's ("Actua" or "Parent") majority-owner acquisition of the Company's subsidiary, Folio Dynamics, Inc. Since 2007, the operating subsidiaries of FolioDynamix have offered wealth service providers and investment advisors a comprehensive, unified web-based wealth management platform. FolioDynamix also provides institutional-quality research and advisory services.

Basis of Presentation

The consolidated financial statements contained herein (the "Consolidated Financial Statements") include the accounts of Folio Dynamics Holdings, Inc. and its subsidiaries.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates. The estimates, which include evaluation of FolioDynamix's asset impairment, revenue recognition, income taxes, and commitments and contingencies, are based on management's best judgments. Management evaluates its estimates and underlying assumptions on an ongoing basis using historical experience and other factors, such as the current economic and regulatory environment, that management believes to be reasonable under the circumstances and adjusts its estimates and assumptions when facts and circumstances dictate that it is necessary or appropriate to do so. As of December 31, 2016, management believes the recorded amounts of goodwill and intangible assets were not impaired.

Cash and Cash Equivalents

FolioDynamix considers all highly liquid instruments with an original maturity of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents at December 31, 2016 were invested principally in money market accounts.

Restricted Cash

FolioDynamix considers cash that is legally restricted, and cash that is held as a compensative balance for operating leases, as restricted cash. FolioDynamix had long-term restricted cash of $0.3 million as of December 31, 2016, that is included in "Other assets" in FolioDynamix's Consolidated Balance Sheet.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets of businesses acquired. FolioDynamix's acquisitions have resulted in the recognition and accumulation of significant goodwill. FolioDynamix tests goodwill for impairment annually during the fourth quarter of each year, or more frequently as conditions warrant.

The first step of the test used to identify potential impairment compares the estimated fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the impairment test must be performed to measure the amount of the impairment loss, if any.

The second step of the goodwill impairment test compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as goodwill recognized in a business combination. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess.

FolioDynamix estimates its fair value using "Level 2" and "Level 3" inputs, as described in Note 6, "Fair Value Measurements." Significant judgments and estimates are made to estimate the fair value of FolioDynamix, such as projected future earnings, applicable discount rates, the selection of peer earnings multiples and the relative weighting of different fair value indicators. FolioDynamix determines market multiples from comparable publicly-traded companies and applies those multiples to estimate the fair value.

Refer to Note 3, "Goodwill and Intangible Assets," for further details related to FolioDynamix's annual impairment evaluation for the year ended December 31, 2016.

Intangible Assets

Intangible assets with determinable lives primarily consist of customer relationships, trademarks and trade names, technology, and non-compete agreements. The cost of intangible assets with determinable lives is amortized on a straight-line basis over the estimated period of economic benefit. In addition, intangible assets are tested more frequently if a change in circumstances or the occurrence of events indicates that potential impairment exists.

Financial Instruments

Cash and cash equivalents, accounts receivable and accounts payable are carried at cost, which approximates fair value due to the short-term maturity of these instruments.

Deferred Revenue

Deferred revenue consists primarily of payments received in advance of revenue being earned under the relevant customer agreements.

Contract Acquisition Costs

Commission expenses associated with the negotiation of a contract are charged to expense as incurred.

Revenue Recognition

FolioDynamix generates revenues primarily in the form of (1) recurring software license and subscription fees, (2) maintenance and support services, (3) professional services fees from customization and integration services related to its software, (4) professional services fees for customized investment program management and consulting, and (5) investment advisory services. The initial subscription arrangement term is typically between three and five years.

FolioDynamix recognizes revenue when persuasive evidence of an arrangement exists, delivery of the service has occurred, no significant obligations with regard to implementation remain, the fee is fixed or determinable and collectability is probable. At the time that a contract with a new customer is consummated, there is no history with such customer, and it cannot be determined whether the relationship with such customer will extend beyond the term of the initial contract.

If a multiple deliverable arrangement is entered into, FolioDynamix evaluates each deliverable to determine whether that deliverable has standalone value. A delivered element has standalone value if the element has value to a customer on a standalone basis. This is typically determined by reference to whether an element is routinely sold independent of other offerings or a third-party vendor could provide a similar service to the customer. Additionally, it is considered whether there is a customer-negotiated refund or return right for the delivered element. If these criteria are not met, the deliverable is combined with the undelivered elements and the allocation of the arrangement consideration and revenue recognition are determined for the combined elements and recognized over the applicable contract term.

FolioDynamix's platform revenue from term software license arrangements is recognized on a subscription basis over the customer contract license term of use. Revenue from annual maintenance is deferred and recognized on a straight-line basis over the period that the service is provided. FolioDynamix enters into multiple element arrangements with new customers that include both the software subscription and professional implementation services. The professional services in these arrangements do not have standalone value as they are essential for the functionality of the software. Therefore, revenue related to platform implementation professional services is combined with the revenue from the software subscription services and is deferred and recognized on a straight-line basis over the contract term.

Certain revenues earned by FolioDynamix for advisory services require judgment to determine whether the revenue should be recorded on a gross basis (that is, with FolioDynamix as a principal) or net of related costs (that is, with FolioDynamix as an agent). In general, these revenues are recognized on a net basis if FolioDynamix is not the primary obligor, and when FolioDynamix is acting as an agent of the supplier.

FolioDynamix's contracts are billed in annual, quarterly or monthly installments and are primarily non-cancellable.

Equity-Based Compensation

FolioDynamix recognizes equity-based compensation expenses in the Consolidated Financial Statements for all restricted stock awards and stock options that are expected to vest. Equity-based compensation expense is measured at the date of grant, based on the fair value of the award, and is recognized using the straight-line method over the employee's requisite service period. Equity-based awards with vesting conditions other than service are recognized based on the probability that those conditions will be achieved.

Research and Development

Research and development costs for software to be sold and marketed are charged to expense as those costs are incurred.

Income Taxes

Income taxes are accounted for under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and net operating loss and capital loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the temporary differences and net operating loss and capital loss carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

FolioDynamix records a valuation allowance to reduce its net deferred tax assets to the amount that is more likely than not to be realized. FolioDynamix considers future taxable income and prudent and feasible tax planning strategies in determining the need for a valuation allowance. In the event that FolioDynamix determines that it would not be able to realize all or part of its net deferred tax assets, an adjustment to the deferred tax assets would be charged to earnings in the period such determination is made. Likewise, if FolioDynamix later determines that it is more likely than not that the net deferred tax assets would be realized, the previously provided valuation allowance would be reversed.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Supplemental Cash Flow Disclosures

FolioDynamix made interest payments of $0.3 million during the year ended December 31, 2016. FolioDynamix's income tax payments during the year ended December 31, 2016 were de minimis.

Concentration of Customer Base and Credit Risk

Five customers accounted for approximately 55% of revenue for the year ended December 31, 2016. Major customers are considered to be those who accounted for more than 10% of total revenues, and there were three major customers for the year ended December 31, 2016.

Commitments and Contingencies

From time to time, FolioDynamix and its businesses are involved in various claims and legal actions arising in the ordinary course of business. FolioDynamix does not expect any liability with respect to any legal claims or actions, either individually or in the aggregate, to materially affect its consolidated financial position or cash flows.

Subsequent Events

Management has evaluated subsequent events through September 5, 2017, which is the date the Consolidated Financial Statements were available to be issued. There were no subsequent events that required adjustment to or disclosure in the consolidated financial statements.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers,* which provides a single, comprehensive revenue recognition model for all contracts with customers. Under the new guidance, an entity will recognize revenue based on amounts the entity expects to be entitled to in exchange for the transfer of goods or services. The new standard also includes enhanced disclosure requirements. This standard, which will be applied either retrospectively or as a cumulative-effect adjustment as of the date of adoption, will be effective for FolioDynamix beginning on January 1, 2018. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, to clarify the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*, which clarifies the identification of performance obligations and the licensing implementation guidance. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients,* which addresses collectability, sales and other taxes, noncash consideration, contract modifications at transition, completed contracts at transition and technical corrections. In December 2016, ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers,* was issued by the FASB to clarify and correct unintended application of the new revenue recognition standard. The effective dates for these ASUs are the same as the effective date for ASU 2014-09. FolioDynamix has conducted a high level assessment to evaluate the impact of the new guidance by performing an initial analysis of our material contracts. During 2017, FolioDynamix will continue its impact assessment by performing detailed reviews of all of its contracts to determine the overall impact of the new accounting guidance on its results of operations and if there are any adjustments that FolioDynamix will need to make to its accounting policies, systems and controls. The assessment is ongoing; however, FolioDynamix currently believes that one of the key components in the guidance that will impact FolioDynamix is the requirement to capitalize the costs incurred to acquire new contracts. Currently, FolioDynamix expenses all sales commissions as incurred. FolioDynamix does not plan on adopting the new standard early and has not yet selected a transition methodology.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments--Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends the guidance on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The new standard is effective for FolioDynamix for the annual period beginning January 1, 2018. This standard is not expected to have a significant impact on the Consolidated Financial Statements on the adoption date.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new standard, most leases will be recognized on FolioDynamix's Consolidated Balance Sheet as liabilities with corresponding right-of-use assets. The new standard is effective for FolioDynamix for the annual period beginning January 1, 2019, including interim periods within those annual periods, with early adoption permitted. The standard must be adopted using a modified retrospective approach. FolioDynamix is in the process of evaluating the impact of this new pronouncement.

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which provides guidance involving several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. Under the new standard, all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) should be recognized as income tax expense or benefit in the statement of operations, whereas under current GAAP, excess tax benefits are recognized in additional paid-in capital and tax deficiencies are recognized either as an offset to accumulated excess tax benefits, if any, or in the statement of operations. Under the new standard, excess tax benefits should be classified along with other income tax cash flows as an operating activity, as opposed to a financing activity under current GAAP. Additionally, an entity can make an accounting policy election to either estimate the number of awards that are expected to vest (current GAAP) or account for forfeitures when they occur. The amendments in this update are effective for FolioDynamix for annual periods beginning January 1, 2017 and interim periods within those annual periods. FolioDynamix has evaluated the impact of this pronouncement, and no significant impact is expected.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* The new standard requires that the statement of cash flows explain the change during the period of both cash and cash equivalents as well as restricted cash balances. Therefore, restricted cash should be included within the cash and cash equivalents balance when reconciling the beginning and ending period amounts shown on the statement of cash flows. This ASU is effective for fiscal years beginning after December 31, 2017 and early adoption is permitted. The adoption of this standard will only impact the presentation of FolioDynamix's Statement of Cash Flows and will not have an impact on its results of operations. FolioDynamix does not intend to adopt this new standard early.

Recently Adopted Accounting Guidance

In September 2015, the FASB issued ASU 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*. The new standard eliminates the requirement for an acquirer to retrospectively adjust the financial statements for measurement period adjustments that occur in periods after a business combination is consummated. This standard was effective for FolioDynamix beginning on January 1, 2016. The adoption of this standard had no impact on FolioDynamix's Consolidated Financial Statements during the current period.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes,* to simplify the presentation of deferred income taxes. The new standard requires that deferred tax liabilities and assets be classified as non-current on the balance sheet and eliminates the requirement that an entity separate deferred income tax liabilities and assets into current and non-current amounts. This standard is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, with earlier application permitted for all entities as of the beginning of an interim or annual reporting period. FolioDynamix adopted the new standard early, and, accordingly, it was effective for FolioDynamix for the December 31, 2016 annual reporting period. The adoption of this standard impacted the presentation of deferred income taxes on FolioDynamix's Consolidated Balance Sheet to a non-current classification.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The new standard addresses multiple scenarios concerning how certain cash receipts and payments are presented and classified in the statement of cash flows under Accounting Standards Codification ("ASC") Topic 230, *Statement of Cash Flows*, and other ASC topics. Under the new standard, classification of contingent consideration payments made after a business combination will depend on the timing of the payment, as well as the total amount paid, in comparison to the total liability recognized at the acquisition date. Although not effective until annual periods beginning after December 15, 2017, FolioDynamix decided to adopt this standard early; the adoption of this standard had no impact on FolioDynamix's Consolidated Financial Statements.

3. Goodwill and Intangible Assets

Goodwill

The following table summarizes the activity related to FolioDynamix's goodwill:

(in thousands)	Gross carrying amount	Accumulated impairment losses	Net carrying amount
Goodwill as of December 31, 2015	**$ 166,171**	**$ (39,656)**	**$ 126,515**
Acquisitions [1]	10,099	—	10,099
Goodwill as of December 31, 2016	**$ 176,270**	**$ (39,656)**	**$ 136,614**

(1) Refer to Note 4, "Acquisitions", for details of acquisitions.

Impairment

FolioDynamix completed its annual impairment testing in the fourth quarter of 2016, which resulted in no impairment because the fair value of FolioDynamix exceeded the carrying value.

Intangible assets

The following table summarizes FolioDynamix's intangible assets:

(in thousands)		As of December 31, 2016		
Intangible assets	Useful life	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationships	7-10 years	$ 25,571	$ (5,106)	$ 20,465
Trademarks/trade names	5 years	8,100	(3,510)	4,590
Technology	8-9 years	15,556	(4,124)	11,432
Non-compete agreements	5 years	240	(8)	232
		$ 49,467	**$ (12,748)**	**$ 36,719**

Amortization expense for intangible assets during the year ended December 31, 2016 was $5.9 million.

Remaining estimated amortization expense for the respective years is set forth as follows:

(in thousands)	
2017	$ 6,264
2018	6,264
2019	5,994
2020	4,644
2021	4,636
Thereafter	8,917
Remaining amortization expense	$ 36,719

4. Acquisitions

On October 31, 2016, FolioDynamix acquired certain assets of SAS Capital Management, LLC ("SAS") for initial consideration, net of working capital, of approximately $2.9 million, and aggregate payments of approximately $1.0 million payable over the 15-month period following the closing. The SAS acquisition is also subject to an earnout based on the achievement of specified revenue targets, which was valued at $8.4 million at the date of acquisition. The maximum consideration payable related to the SAS acquisition, including the $3.9 million of fixed consideration, was $25.0 million. The acquisition was accounted for under the acquisition method. FolioDynamix has preliminarily allocated the purchase price to identifiable tangible and intangible assets, goodwill and deferred revenue.

The allocation of the SAS purchase price to identified intangible assets and tangible assets and liabilities was as follows:

(in thousands)	
Goodwill	$ 10,099
Customer lists (7 year life)	2,271
Technology (9 year life)	356
Non-compete agreement (5 year life)	240
Deferred revenue	(320)
Other net assets (liabilities)	(397)
Total net assets acquired	**$ 12,249**

5. Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation. The following table summarizes FolioDynamix's fixed assets:

(in thousands)	Useful life	As of December 31, 2016
Computer equipment and software, office equipment and furniture	3-5 years	$ 3,530
Leasehold improvements	5 years	163
Total cost		**3,693**
Less: accumulated depreciation		(1,995)
Fixed assets, net of accumulated depreciation		**$ 1,698**

Depreciation expense for the year ended December 31, 2016 was $1.0 million. FolioDynamix uses the straight-line method of depreciation.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

6. Fair Value Measurements

Fair value is 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. There are three levels of inputs that may be used to measure fair value, which are as follows:

- Level 1 – Observable inputs, such as quoted market prices for identical assets and liabilities in active public markets.
- Level 2 – Observable inputs other than Level 1 prices based on quoted prices in markets with insufficient volume or infrequent transactions, or valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3 – Unobservable inputs to the valuation techniques that are significant to the fair value of the asset or liability.

Assets and liabilities are measured at fair value based on one or more of the following three valuation techniques:

- Market Approach – Fair value is determined based on prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities.
- Income Approach – Fair value is determined by converting relevant future amounts to a single present amount based on market expectations (including present value techniques and option pricing models).
- Cost Approach – Fair value represents the amount that currently would be required to replace the service capacity of the relevant asset (often referred to as replacement cost).

The fair value hierarchy of FolioDynamix's financial assets and liabilities measured at fair value on a recurring basis were as follows:

(in thousands) December 31, 2016	Asset (liability)	Valuation technique (approach)	Level 1	Level 2	Level 3
Cash equivalents (money market accounts)	$ 5,207	Market	$ 5,207	$ —	$ —
Acquisition contingent consideration obligations	(8,752)	Income	—	—	(8,752)
	$ (3,545)		**$ 5,207**	**$ —**	**$ (8,752)**

The carrying value of certain of FolioDynamix's other financial instruments, including accounts receivable and accounts payable, approximates fair value due to the short-term nature of those instruments.

As of December 31, 2016, FolioDynamix accounted for a contingent earn-out payment related to the acquisition of SAS, which was a component of the purchase price for SAS (the "SAS Earnout"). A fair value of the SAS Earnout was determined on the date of acquisition using Monte Carlo simulation models that yielded a value of $8.4 million. A remeasurement charge of $0.4 million (reflected in the "Impairment related and other" line item on FolioDynamix's Consolidated Statement of Operations) occurred due to a change in the risk-free rate to yield a value of $8.8 million as of December 31, 2016. The ultimate obligation could range in value up to $20.4 million.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

7. Debt

On November 3, 2014, FolioDynamix entered into a loan agreement with its Parent. This agreement provided for a term loan in the original principal amount of $6.3 million, with an interest rate of 4.25% with a maturity date of March 31, 2016. During the year ended December 31, 2016, the maturity date of the loan was extended to March 31, 2018. Therefore, as of December 31, 2016, $6.0 million is outstanding under this term loan and is included in the line item "Long-term debt with Parent" in FolioDynamix's Consolidated Balance Sheet.

On October 26, 2016, FolioDynamix entered into a loan agreement with Actua that provided for a term loan in the original principal amount of $4.0 million, with an interest rate of 5.0% and a maturity date of March 31, 2018. As of December 31, 2016, $4.0 million is outstanding under this term loan and is included in the line item "Long-term debt with Parent" in FolioDynamix's Consolidated Balance Sheet.

8. Stockholders' Equity

Holders of FolioDynamix's Common Stock are entitled to one vote per share and are entitled to dividends as declared. No cash dividends have been declared to date, and FolioDynamix does not intend to pay cash dividends in the foreseeable future. Any future dividend will be subject to approval by FolioDynamix's Board of Directors (the "Board"), and the Board reserves the right to change the dividend policy at any time.

Certain holders of FolioDynamix's Common Stock have the right to put some of their shares to the Company for cash at an agreed upon fair value as of certain redemption dates; the shares that are subject to this put right represent approximately 2% of FolioDynamix's shares on a primary basis. The amount of $2.9 million is being accreted to the current fair value of those Common Shares as of the respective redemption dates and are included in the line item "Additional paid-in capital" in the Company's Consolidated Balance Sheet as of December 31, 2016.

FolioDynamix may periodically repurchase shares of its Common Stock. During the year ended December 31, 2016, FolioDynamix repurchased 51,355 shares of Common Stock for $479 thousand. All repurchases are reflected in the line item, "Treasury stock, at cost" as a reduction of Stockholders' Equity in the Consolidated Balance Sheet.

9. Equity-Based Compensation

Equity-based compensation awards, mainly in the form of stock options, may be granted to FolioDynamix employees, directors and consultants under the Folio Dynamics Holdings, Inc. Amended and Restated 2014 Equity Compensation Plan (as amended from time to time, the "Plan"). Generally, the Plan awards vest over a period of four years and expire ten years after the grant date. As of December 31, 2016, FolioDynamix had 113,750 shares of Common Stock reserved under the Plan for possible future issuance. FolioDynamix's grants of equity-based compensation are approved by the Board. Equity-based compensation is included in operating expenses, primarily in the line item "General and administrative" in FolioDynamix's Consolidated Statement of Operations.

Certain of FolioDynamix's officers have also been granted restricted stock awards under Actua's 2005 Omnibus Equity Compensation Plan (as amended from time to time, the "Actua Plan"). The Actua Plan awards vest in part over a period of four years and in part based on the achievement of market-based conditions of Actua Common Stock.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Equity-based compensation by equity award type:

(in thousands)		Year ended December 31, 2016
Restricted stock (Actua Common Stock)	$	194
Stock options		1,499
Total equity-based compensation	**$**	**1,693**

Unrecognized equity-based compensation by equity award type:

(in thousands, except weighted average years)		Year ended December 31, 2016	Weighted average years remaining of equity-based compensation as of December 31, 2016
Restricted stock (Actua Common Stock)	$	346	2.59
Stock options		3,685	2.57
Total equity-based compensation	**$**	**4,031**	

Actua Restricted Stock

Certain of FolioDynamix's officers have received restricted stock grants from Actua. Recipients of restricted stock do not pay any cash consideration for the shares and have the right to vote all shares subject to the grant. Any cash dividends paid by Actua in respect of unvested restricted stock would be paid to the holders of outstanding restricted stock at the same time as cash dividends are paid to common stockholders. Any dividends paid by Actua in stock or other property in respect of unvested restricted stock would be paid to the holders of outstanding unvested restricted stock subject to the same terms and conditions related to vesting, forfeiture and non-transferability as the underlying stock.

Share activity with respect Actua restricted stock awards granted to FolioDynamix employees for the year ended December 31, 2016 was as follows:

	Number of shares		Weighted average grant date fair value
Issued and unvested as of December 31, 2015	**40,000**	$	16.76
Granted	40,000	$	9.90
Vested	(5,000)	$	16.76
Issued and unvested as of December 31, 2016	**75,000**	$	13.10

As of December 31, 2016, issued and unvested shares of Actua restricted stock granted to FolioDynamix's employees vest as follows:

Number of shares unvested	Vesting conditions
40,000	Subject to certain market conditions, as discussed below
35,000	Subject to certain service conditions, as discussed below
75,000	

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Restricted Stock – Actua Common Stock Awards with Market Conditions

Certain of FolioDynamix's officers have received restricted stock grants from Actua with market-based vesting conditions, the vesting of which is contingent upon achievement of specified price targets of Actua's Common Stock. The equity-based compensation expense for awards with market-based vesting conditions is recorded based on the fair value of the awards, which is determined using a Monte Carlo simulation model at the time the award is granted. For the majority of the market-based awards that are outstanding as of December 31, 2016, the derived service period over which the expense is to be recognized is also determined by the Monte Carlo simulation model. In the event that the market-based conditions are not achieved and the related restricted stock awards are forfeited, equity-based compensation expense is not reversed; if an employee terminates service with FolioDynamix prior to vesting of a market-based-vesting, any compensation expense associated with the unvested award is reversed.

In February 2015, 20,000 shares of Actua restricted stock with market-based conditions were granted to certain executives of FolioDynamix. The vesting of those shares is contingent upon the 45-trading day volume-weighted average price per share ("VWAP") of Actua's Common Stock meeting or exceeding specified 45-trading day VWAP targets ($28.07, $30.16, $32.38, and $34.71) (the "2014 VWAP Targets") on or before February 28, 2018, with 25% of the shares vesting upon achievement of each of the targets. In the event that any of the 2014 VWAP Targets are not achieved, the relevant shares of restricted stock will lapse unvested.

In April 2016, 20,000 shares of Actua restricted stock were granted to certain executives of FolioDynamix, the vesting of which are contingent upon the 45-trading day VWAP of Actua's Common Stock meeting or exceeding the 2014 VWAP Targets on or before February 28, 2018, and such awards remain unvested as of December 31, 2016.

In aggregate, compensation expense related to Actua restricted stock awards with market conditions was less than $0.1 million for the year ended December 31, 2016. Unamortized compensation expense is de minimus and will be fully amortized in 2017.

Restricted Stock – Actua Common Stock Awards with Service Conditions

Certain of FolioDynamix's officers have received restricted stock grants from Actua with service-based vesting conditions that vest over annual periods of time of employee service. The equity-based compensation expense for those time-based awards is recorded based on the fair value of the awards, determined by the ending price of Actua's Common Stock on the date of grant. In the event that a FolioDynamix employee terminates service with Actua (or its consolidated businesses) prior to the vesting of a time-based award, the related restricted stock awards are forfeited and equity-based compensation expense related to any forfeited award is reversed.

During February 2015, 20,000 shares of Actua's Common Stock were awarded to a certain executive of FolioDynamix; those shares vest in equal increments each year for four years on the anniversary of the grant date. Accordingly, 5,000 shares of Actua restricted stock vested during February 2016.

During April 2016, 20,000 shares of Actua's Common Stock were awarded to a certain executive of FolioDynamix; those shares vest in equal increments each year for four years on the anniversary of the grant date.

In aggregate, compensation expense related to Actua restricted stock awards with service conditions was $0.1 million for the year ended December 31, 2016. Unamortized compensation expense of $0.3 million will be amortized ratably from 2017 through 2020.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Stock Options

The fair value of each stock option is estimated on the grant date using the Black-Scholes option-pricing model.

	Options		Weighted average exercise price per share	Weighted average remaining contractual term (years)		Aggregate intrinsic value
Outstanding as of December 31, 2015	**2,231,183**	**$**	**11.12**			
Granted	1,323,750	$	9.33			
Exercised	(41,077)	$	9.33			
Forfeited and Canceled	(127,606)	$	9.33			
Outstanding as of December 31, 2016	**3,386,250**	**$**	**10.51**	**8.64**	**$**	**—**
Exercisable as of December 31, 2016	912,109	$	10.81	8.35	$	—

The weighted average grant date fair value per share of options granted during the year ended December 31, 2016 was $1.63. The total intrinsic value of stock option exercised during the year ended December 31, 2016 was $0.4 million.

During April 2015, stock options for 2,325,000 shares of Common Stock were awarded to certain of FolioDynamix's executives and employees; a portion of these options vest based on certain market and performance conditions while the remaining options vest 25% six months after the grant date, and the remaining 75% vest ratably on the first day each month over the subsequent 36 months. Certain 2015 stock option grants have market-based as well as performance-based vesting accelerators which were deemed improbable of achievement from issuance through December 31, 2016 when the performance-based accelerator lapsed. As such, those awards with vesting accelerators have been expensed based on a market value determination that was derived using a Monte Carlo simulation model. As of December 31, 2016, options for 1,424,480 shares of Common Stock remain unvested with an unamortized expense of $2.1 million that will be recognized as follows: $1.1 million in 2017, $0.9 million in 2018 and $0.1 million in 2019.

During February 2016, stock options for 1,209,375 shares of Common Stock were awarded to certain of FolioDynamix's executives and employees. These options vest 25% on the first anniversary of the grant date, and the remaining 75% vest ratably on the first day each month over the subsequent 36 months. As of December 31, 2016, unamortized expense related to these awards of $1.4 million remains, which will be recognized as follows: $0.4 million in 2017, $0.5 million in 2018, $0.4 million in 2019, and $0.1 million in 2020.

During November 2016, stock options for 114,375 shares of Common Stock were awarded to certain of FolioDynamix's executives and employees. These options vest 25% on the first anniversary of the grant date, and the remaining 75% vest ratably on the first day each month over the subsequent 36 months. As of December 31, 2016, unamortized expense related to these awards of $0.2 million remains, of which less than $0.1 million will be recognized in the years 2017 through 2020.

Stock Options Fair Value Assumptions

FolioDynamix estimates the grant date fair value of stock options using the Black-Scholes option-pricing model, which requires the input of highly subjective assumptions. Those assumptions include estimating the expected life of the award and estimating the volatility of FolioDynamix's selected public company peers. Expected volatility approximates the historical volatility of FolioDynamix's selected public company peers' respective common stock over the period, commensurate with the expected term of the award. The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant for an instrument with a maturity that is commensurate with the expected term of the award. Changes in the above assumptions, the estimated forfeitures and/or the requisite service period can materially affect the amount of equity-based compensation recognized in FolioDynamix's Consolidated Statement of Operations.

The following assumptions were used to determine the fair value of stock options granted to employees by FolioDynamix during the year ended December 31, 2016:

	Year ended December 31, 2016
Expected volatility	45 %
Average expected life of stock options (in years)	5.93 - 6.08
Risk-free interest rate	1.42 %
Dividend yield	—

10. Income Taxes

FolioDynamix is included in Actua's consolidated federal tax return beginning on November 3, 2014, the date when Actua acquired FolioDynamix. No tax sharing agreement was executed by the parties to provide a methodology for the calculation and payment of income taxes in connection with the consolidation of FolioDynamix with the majority stockholder for income tax purposes. The default tax sharing methodology under Internal Revenue Code Section 1552 is to apportion the consolidated tax liability of the group among the members of the group in accordance with the ratio which that portion of the consolidated taxable income attributable to each member of the group having taxable income bears to the consolidated taxable income. The consolidated federal tax liability for the Actua consolidated group in 2016 was zero. FolioDynamix recorded a state income tax benefit for the year ended December 31, 2016 of $242 thousand.

FolioDynamix had a net operating loss ("NOL") carryforward totaling approximately $36.5 million when it was acquired. These NOLs expire in varying amounts between 2027 and 2033. Approximately $8.9 million of these NOLs are subject to Internal Revenue Code Section 382 limitations from ownership changes FolioDynamix experienced prior to its acquisition by Actua. The acquisition of FolioDynamix constituted a change in ownership under Internal Revenue Code Section 382. The annual limitation on the utilization of FolioDynamix's NOLs equals approximately $6.4 million plus recognized built-in gains. Substantially all of these NOLs are currently available.

The purchase price allocation for the acquisition of FolioDynamix identified approximately $46.6 million of non-goodwill intangible assets. The associated deferred tax liability exceeded FolioDynamix's other net deferred tax assets by approximately $1.6 million, which resulted in an increase to goodwill. Actua released the valuation allowance on a portion of Actua's consolidated federal NOLs that will be available to offset the federal portion of the future taxable income associated with this deferred tax liability. The $1.3 million deferred federal tax benefit was recorded in continuing operations in Actua's Consolidated Statement of Operations for the year ended December 31, 2014. During 2016, the remaining balance was reduced to zero as a result of the amortization of the intangible assets and an increase in other deferred tax assets.

For the rest of FolioDynamix's net deferred tax assets, after evaluating all the positive and negative evidence, both historical and prospective, and determining that it is not more likely than not that they will be realized, a full valuation allowance against them was established.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FolioDynamix's net deferred tax assets (liabilities) consists of the following:

(in thousands)	As of December 31, 2016
Deferred tax assets:	
Net operating loss and capital loss carryforward - Section 382 limited	$ 1,143
Net operating loss carryforward - not Section 382 limited	11,403
State net operating loss carryforward, net	718
Reserves and accruals	1,652
Equity-based compensation expense	1,421
AMT and other credits	81
Other, net	593
Total deferred tax assets	**17,011**
Valuation allowance	(4,798)
Total deferred tax assets, net of valuation allowance	**12,213**
Deferred tax liabilities:	
Intangible assets	(12,213)
Total deferred tax liabilities	**(12,213)**
Total net deferred tax assets (liabilities)	**$ —**

The effective tax rate differs from the federal statutory rate as follows:

	Year ended December 31, 2016
Tax expense (benefit) at statutory rate	(35.0)%
Foreign and state taxes	(2.9)%
Non-deductible expenses and other	(4.8)%
Valuation allowance	39.8 %
Effective tax rate	**(2.9)%**

FolioDynamix's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. FolioDynamix had no accrual for interest or penalties on FolioDynamix's Consolidated Balance Sheet at December 31, 2016. There were no uncertain tax positions for the year ended December 31, 2016.

11. Contingencies

FolioDynamix and its consolidated subsidiaries are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the amount of the ultimate liability with respect to legal claims and actions will not materially affect the financial position, results of operations or cash flows of FolioDynamix or its consolidated businesses.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FolioDynamix and its consolidated businesses lease their facilities under operating lease agreements expiring in 2017 through 2020. Future minimum lease payments as of December 31, 2016 under the leases are as follows:

(in thousands)	Minimum lease payments
2017	$ 766
2018	635
2019	382
2020	84

Rent expense under the non-cancellable operating leases was $0.6 million for the year ended December 31, 2016.

FolioDynamix has recorded contingent consideration of $8.8 million as of December 31, 2016 related to the SAS Earnout resulting from the acquisition of SAS on October 31, 2016. See Note 4 "Acquisitions."

Exhibit 99.2

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2017 and 2016

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS

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FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	September 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 6,609	$ 8,576
Accounts receivables, net of allowance ($463-2017; $636-2016)	5,064	6,693
Prepaid expenses and other current assets	1,094	875
Total current assets	12,767	16,144
Fixed assets, net of accumulated depreciation	1,155	1,698
Goodwill	136,251	136,614
Intangible assets, net of accumulated amortization	31,904	36,719
Other assets	264	295
Total assets	$ 182,341	$ 191,470
LIABILITIES		
Current liabilities		
Accounts payable	$ 7,265	$ 8,903
Accrued expenses	4,438	4,127
Accrued compensation and benefits	2,102	2,733
Short-term debt with Parent	10,000	—
Deferred revenue	2,033	3,557
Total current liabilities	25,838	19,320
Deferred revenue	320	549
Contingent consideration	—	7,444
Long-term debt with Parent	—	10,000
Other liabilities	79	604
Total liabilities	26,237	37,917
EQUITY		
Common stock, $0.001 par value; 25,000 shares authorized, 22,000 shares (2017) and 22,000 shares (2016) issued	22	22
Treasury stock, at cost 63 shares (2017) and 51 shares (2016)	(591)	(479)
Additional paid-in capital	211,448	210,223
Accumulated deficit	(54,775)	(56,213)
Total equity	156,104	153,553
Total liabilities and equity	$ 182,341	$ 191,470

See accompanying notes to consolidated financial statements.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)
(unaudited)

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Revenue	$ 29,414	$ 23,638
Operating expenses		
Cost of revenue	8,937	7,537
Sales and marketing	3,424	3,162
General and administrative	6,095	6,114
Research and development	11,436	7,766
Amortization of intangibles assets	4,679	4,389
Change in fair value of contingent consideration	(6,931)	—
Impairment related and other	—	291
Total operating expenses	27,640	29,259
Operating income (loss)	1,774	(5,621)
Interest expense, net	(336)	(185)
Income (loss) before income taxes	1,438	(5,806)
Income tax benefit (expense)	—	166
Net income (loss)	$ 1,438	$ (5,640)

See accompanying notes to consolidated financial statements.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands)
(unaudited)

	Common stock		Treasury stock		Additional paid-in	Accumulated	
	Shares	**Amount**	**Shares**	**Amount**	**Capital**	**Deficit**	**Total**
Balance as of December 31, 2015	21,958	$ 22	—	$ —	$ 208,530	$ (48,181)	$ 160,371
Equity-based compensation expense related to stock options	—	—	—	—	1,110	—	1,110
Equity-based compensation related to restricted stock (RS)	—	—	—	—	152	—	152
Issuance of common stock	42	—	—	—	—	—	
Repurchase of common stock	—	—	(51)	(479)	—	—	(479)
Net income (loss)	—	—	—	—	—	(5,640)	(5,640)
Balance as of September 30, 2016	22,000	$ 22	(51)	$ (479)	$ 209,792	$ (53,821)	$ 155,514

See accompanying notes to consolidated financial statements.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands)
(unaudited)

	Common stock		Treasury stock		Additional paid-in capital	Accumulated deficit	Total
	Shares	Amount	Shares	Amount			
Balance as of December 31, 2016	22,000	$ 22	(51)	$ (479)	$ 210,223	$ (56,213)	$ 153,553
Equity-based compensation expense related to stock options	—	—	—	—	1,117	—	1,117
Equity-based compensation related to restricted stock (RS)	—	—	—	—	108	—	108
Repurchase of common stock	—	—	(12)	(112)	—	—	(112)
Net income (loss)	—	—	—	—	—	1,438	1,438
Balance as of September 30, 2017	22,000	22	(63)	(591)	211,448	(54,775)	$ 156,104

See accompanying notes to consolidated financial statements.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
OPERATING ACTIVITIES		
Net income (loss)	$ 1,438	$ (5,640)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization	5,447	5,126
Equity-based compensation	1,225	1,262
Impairment related and other	—	291
Contingent consideration	(6,931)	—
Changes in operating assets and liabilities - net of acquisitions:		
Accounts receivable, net	1,629	(1,328)
Prepaid expenses and other assets	(250)	(64)
Accounts payable	(1,654)	1,919
Accrued expenses	320	345
Accrued compensation and benefits	(655)	(785)
Deferred revenue	(1,753)	(521)
Other liabilities	(62)	135
Cash flows provided by (used in) operating activities	(1,246)	740
INVESTING ACTIVITIES		
Capital expenditures, net	(213)	(432)
Change in restricted cash	65	60
Ownership acquisition, net of cash acquired	(461)	—
Cash flows provided by (used in) investing activities	(609)	(372)
FINANCING ACTIVITIES		
Purchase of treasury stock	(112)	(479)
Cash flows provided by (used in) financing activities	(112)	(479)
Net increase (decrease) in cash and cash equivalents	(1,967)	(111)
Cash and cash equivalents at beginning of period	8,576	6,210
Cash and cash equivalents at end of period	$ 6,609	$ 6,099

See accompanying notes to consolidated financial statements.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. The Company

Description of the Company

Folio Dynamics Holdings, Inc. (together with its subsidiaries, “FolioDynamix,” the “Company,” “we,” “our,” or “us”) was formed on November 3, 2014 in conjunction with Actua Corporation’s (“Actua” or “Parent”) majority-owner acquisition of the Company’s subsidiary, Folio Dynamics, Inc. Since 2007, the operating subsidiaries of FolioDynamix have offered wealth service providers and investment advisors a comprehensive, unified web-based wealth management platform. FolioDynamix also provides institutional-quality research and advisory services.

FolioDynamix has entered into an Agreement and Plan of Merger, dated as of September 25, 2017, by and among FolioDynamix, Envestnet, Inc. (“Envestnet”), FCD Merger Sub, Inc. and Actua USA Corporation, as the representative of FolioDynamix’s stockholders (such agreement, the “Folio Sale Agreement”). Under the Folio Sale Agreement, Envestnet has agreed to acquire FolioDynamix through the merger of FolioDynamix into a wholly-owned subsidiary of Envestnet for $195 million of cash, subject to adjustments for working capital, cash, debt and other items (including a potential downward adjustment of up to $130 million relating to the receipt of certain third-party consents) (such transaction, the “Folio Sale”).

Basis of Presentation

The consolidated financial statements contained herein (the “Consolidated Financial Statements”) include the accounts of Folio Dynamics Holdings, Inc. and its subsidiaries.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates. The estimates, which include evaluation of FolioDynamix’s asset impairment, revenue recognition, income taxes, and commitments and contingencies, are based on management’s best judgments. Management evaluates its estimates and underlying assumptions on an ongoing basis using historical experience and other factors, such as the current economic and regulatory environment, that management believes to be reasonable under the circumstances and adjusts its estimates and assumptions when facts and circumstances dictate that it is necessary or appropriate to do so. As of September 30, 2017 and December 31, 2016, management believes the recorded amounts of goodwill and intangible assets were not impaired.

Cash and Cash Equivalents

FolioDynamix considers all highly liquid instruments with an original maturity of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents at September 30, 2017 and December 31, 2016 were invested principally in money market accounts.

Restricted Cash

FolioDynamix considers cash that is legally restricted, and cash that is held as a compensative balance for operating leases, as restricted cash. FolioDynamix had long-term restricted cash of $0.2 million and $0.3 million as of September 30, 2017 and December 31, 2016, respectively, that is included in “Other assets” in FolioDynamix’s Consolidated Balance Sheets.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
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Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets of businesses acquired. FolioDynamix's acquisitions have resulted in the recognition and accumulation of significant goodwill. FolioDynamix tests goodwill for impairment annually during the fourth quarter of each year, or more frequently as conditions warrant.

The first step of the test used to identify potential impairment compares the estimated fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the impairment test must be performed to measure the amount of the impairment loss, if any.

The second step of the goodwill impairment test compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as goodwill recognized in a business combination. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess.

FolioDynamix estimates its fair value using "Level 2" and "Level 3" inputs, as described in Note 6, "Fair Value Measurements." Significant judgments and estimates are made to estimate the fair value of FolioDynamix, such as projected future earnings, applicable discount rates, the selection of peer earnings multiples and the relative weighting of different fair value indicators. FolioDynamix determines market multiples from comparable publicly-traded companies and applies those multiples to estimate the fair value.

Refer to Note 3, "Goodwill and Intangible Assets," for further details related to FolioDynamix's annual impairment evaluation for the year ended December 31, 2016.

Intangible Assets

Intangible assets with determinable lives primarily consist of customer relationships, trademarks and trade names, technology, and non-compete agreements. The cost of intangible assets with determinable lives is amortized on a straight-line basis over the estimated period of economic benefit. In addition, intangible assets are tested more frequently if a change in circumstances or the occurrence of events indicates that potential impairment exists.

Financial Instruments

Cash and cash equivalents, accounts receivable and accounts payable are carried at cost, which approximates fair value due to the short-term maturity of these instruments.

Deferred Revenue

Deferred revenue consists primarily of payments received in advance of revenue being earned under the relevant customer agreements.

Contract Acquisition Costs

Commission expenses associated with the negotiation of a contract are charged to expense as incurred.

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Revenue Recognition

FolioDynamix generates revenues primarily in the form of (1) recurring software license and subscription fees, (2) maintenance and support services, (3) professional services fees from customization and integration services related to its software, (4) professional services fees for customized investment program management and consulting, and (5) investment advisory services. The initial subscription arrangement term is typically between three and five years.

FolioDynamix recognizes revenue when persuasive evidence of an arrangement exists, delivery of the service has occurred, no significant obligations with regard to implementation remain, the fee is fixed or determinable and collectability is probable. At the time that a contract with a new customer is consummated, there is no history with such customer, and it cannot be determined whether the relationship with such customer will extend beyond the term of the initial contract.

If a multiple deliverable arrangement is entered into, FolioDynamix evaluates each deliverable to determine whether that deliverable has standalone value. A delivered element has standalone value if the element has value to a customer on a standalone basis. This is typically determined by reference to whether an element is routinely sold independent of other offerings or a third-party vendor could provide a similar service to the customer. Additionally, it is considered whether there is a customer-negotiated refund or return right for the delivered element. If these criteria are not met, the deliverable is combined with the undelivered elements and the allocation of the arrangement consideration and revenue recognition are determined for the combined elements and recognized over the applicable contract term.

FolioDynamix's platform revenue from term software license arrangements is recognized on a subscription basis over the customer contract license term of use. Revenue from annual maintenance is deferred and recognized on a straight-line basis over the period that the service is provided. FolioDynamix enters into multiple element arrangements with new customers that include both the software subscription and professional implementation services. The professional services in these arrangements do not have standalone value as they are essential for the functionality of the software. Therefore, revenue related to platform implementation professional services is combined with the revenue from the software subscription services and is deferred and recognized on a straight-line basis over the contract term.

Certain revenues earned by FolioDynamix for advisory services require judgment to determine whether the revenue should be recorded on a gross basis (that is, with FolioDynamix as a principal) or net of related costs (that is, with FolioDynamix as an agent). In general, these revenues are recognized on a net basis if FolioDynamix is not the primary obligor, and when FolioDynamix is acting as an agent of the supplier.

FolioDynamix's contracts are billed in annual, quarterly or monthly installments and are primarily non-cancellable.

Equity-Based Compensation

FolioDynamix recognizes equity-based compensation expenses in the Consolidated Financial Statements for all restricted stock awards and stock options that are expected to vest. Equity-based compensation expense is measured at the date of grant, based on the fair value of the award, and is recognized using the straight-line method over the employee's requisite service period. Equity-based awards with vesting conditions other than service are recognized based on the probability that those conditions will be achieved.

Research and Development

Research and development costs for software to be sold and marketed are charged to expense as those costs are incurred.

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Income Taxes

Income taxes are accounted for under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and net operating loss and capital loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the temporary differences and net operating loss and capital loss carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

FolioDynamix records a valuation allowance to reduce its net deferred tax assets to the amount that is more likely than not to be realized. FolioDynamix considers future taxable income and prudent and feasible tax planning strategies in determining the need for a valuation allowance. In the event that FolioDynamix determines that it would not be able to realize all or part of its net deferred tax assets, an adjustment to the deferred tax assets would be charged to earnings in the period such determination is made. Likewise, if FolioDynamix later determines that it is more likely than not that the net deferred tax assets would be realized, the previously provided valuation allowance would be reversed.

Supplemental Cash Flow Disclosures

FolioDynamix made interest payments of $0.3 million and $0.2 million during the nine months ended September 30, 2017 and 2016, respectively. FolioDynamix's income tax payments during the nine months ended September 30, 2017 and 2016 were de minimis.

Concentration of Customer Base and Credit Risk

Five customers accounted for approximately 51% and 55% of revenue for the nine months ended September 30, 2017 and 2016, respectively. Major customers are considered to be those who accounted for more than 10% of total revenues, and there were two major customers for the nine months ended September 30, 2017 and three major customers for the nine months ended September 30, 2016.

Commitments and Contingencies

From time to time, FolioDynamix and its businesses are involved in various claims and legal actions arising in the ordinary course of business. FolioDynamix does not expect any liability with respect to any legal claims or actions, either individually or in the aggregate, to materially affect its consolidated financial position or cash flows.

Subsequent Events

Management has evaluated subsequent events through December 22, 2017, which is the date the Consolidated Financial Statements were available to be issued. There were no subsequent events that required adjustment to or disclosure in the consolidated financial statements.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers,* which provides a single, comprehensive revenue recognition model for all contracts with customers. Under the new guidance, an entity will recognize revenue based on amounts the entity expects to be entitled to in exchange for the transfer of goods or services. The new standard also includes enhanced disclosure requirements. This standard, which will be applied either retrospectively or as a cumulative-effect adjustment as of the date of adoption, will be effective for FolioDynamix beginning on January 1, 2018. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* to clarify the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*, which clarifies the identification of performance obligations and the licensing implementation guidance. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients,* which addresses collectability, sales and other taxes, noncash consideration, contract modifications at transition, completed contracts at transition and technical corrections. In December 2016, ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers,* was issued by the FASB to clarify and correct unintended application of the new revenue recognition standard. The effective dates for these ASUs are the same as the effective date for ASU 2014-09. FolioDynamix has conducted a high level assessment to evaluate the impact of the new guidance by performing an initial analysis of our material contracts. During 2017, FolioDynamix will continue its impact assessment by performing detailed reviews of all of its contracts to determine the overall impact of the new accounting guidance on its results of operations and if there are any adjustments that FolioDynamix will need to make to its accounting policies, systems and controls. The assessment is ongoing; however, FolioDynamix currently believes that one of the key components in the guidance that will impact FolioDynamix is the requirement to capitalize the costs incurred to acquire new contracts. Currently, FolioDynamix expenses all sales commissions as incurred. FolioDynamix does not plan on adopting the new standard early and has not yet selected a transition methodology.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments--Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends the guidance on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The new standard is effective for FolioDynamix for the annual period beginning January 1, 2018. This standard is not expected to have a significant impact on the Consolidated Financial Statements on the adoption date.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new standard, most leases will be recognized on FolioDynamix's Consolidated Balance Sheets as liabilities with corresponding right-of-use assets. The new standard is effective for FolioDynamix for the annual period beginning January 1, 2019, including interim periods within those annual periods, with early adoption permitted. The standard must be adopted using a modified retrospective approach. FolioDynamix is in the process of evaluating the impact of this new pronouncement.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* The new standard requires that the statement of cash flows explain the change during the period of both cash and cash equivalents as well as restricted cash balances. Therefore, restricted cash should be included within the cash and cash equivalents balance when reconciling the beginning and ending period amounts shown on the statement of cash flows. This ASU is effective for fiscal years beginning after December 31, 2017 and early adoption is permitted. The adoption of this standard will only impact the presentation of FolioDynamix's Statement of Cash Flows and will not have an impact on its results of operations. FolioDynamix does not intend to adopt this new standard early.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business.* The new standard clarifies the definition of a business and whether an acquisition should be accounted for as an asset acquisition or a business acquisition. The new standard is effective for FolioDynamix for the annual period beginning January 1, 2018, including interim periods ending on or after March 31, 2018. The new standard is to be applied prospectively only, and no further disclosure is required once the new methodology is adopted and applied.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* The new standard simplifies the subsequent measurement of goodwill by eliminating Step 2 for the goodwill impairment test. In doing so, FolioDynamix will no longer determine goodwill impairment by calculating the implied fair value of the goodwill by assigning the fair value of a reporting unit to its assets and liabilities. Instead, the company will compare the fair value of a reporting unit against FolioDynamix's carrying value of that reporting unit and record impairment for the amount that the carrying value exceeds the fair value, limited by the amount of goodwill assigned to that reporting unit. FolioDynamix plans to adopt this standard as of December 31, 2017.

Recently Adopted Accounting Guidance

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The new standard addresses multiple scenarios concerning how certain cash receipts and payments are presented and classified in the statement of cash flows under Accounting Standards Codification ("ASC") Topic 230, *Statement of Cash Flows*, and other ASC topics. Under the new standard, classification of contingent consideration payments made after a business combination will depend on the timing of the payment, as well as the total amount paid, in comparison to the total liability recognized at the acquisition date. Although not effective until annual periods beginning after December 15, 2017, FolioDynamix decided to adopt this standard early; the adoption of this standard had no impact on FolioDynamix's Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which provides guidance involving several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. Under ASU 2016-09, all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) should be recognized as income tax expense or benefit in the statement of operations, whereas under prior GAAP, excess tax benefits were recognized in additional paid-in capital and tax deficiencies were recognized either as an offset to accumulated excess tax benefits, if any, or in the statement of operations. Under ASU 2016-09, excess tax benefits should be classified along with other income tax cash flows as an operating activity, as opposed to a financing activity under prior GAAP. Additionally, an entity can make an accounting policy election to either estimate the number of awards that are expected to vest (prior GAAP) or account for forfeitures when they occur. The amendments in this update were effective for FolioDynamix for annual periods beginning January 1, 2017. The adoption of ASU 2016-09 did not have a significant impact on FolioDynamix's Consolidated Financial Statements.

3. Goodwill and Intangible Assets

Goodwill

The following table summarizes the activity related to FolioDynamix's goodwill:

(in thousands)	Gross carrying amount	Accumulated impairment losses	Net carrying amount
Goodwill as of December 31, 2016	**$ 176,270**	**$ (39,656)**	**$ 136,614**
Acquisitions [(1)]	(363)	—	—
Goodwill as of September 30, 2017	**$ 175,907**	**$ (39,656)**	**$ 136,251**

(1) Refer to Note 4, "Acquisitions," for details of acquisitions.

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Impairment

FolioDynamix completed its annual impairment testing in the fourth quarter of 2016, which resulted in no impairments because the fair value of FolioDynamix exceeded the carrying value.

Intangible assets

The following table summarizes FolioDynamix's intangible assets:

		As of September 30, 2017		
(in thousands) **Intangible assets**	**Useful life**	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Customer relationships	7-10 years	$ 25,454	$ (7,082)	$ 18,372
Trademarks/trade names	5 years	8,100	(4,725)	3,375
Technology	8-9 years	15,544	(5,577)	9,967
Non-compete agreements	5 years	233	(43)	190
		$ 49,331	**$ (17,427)**	**$ 31,904**

		As of December 31, 2016		
(in thousands) **Intangible assets**	**Useful life**	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Customer relationships	7-10 years	$ 25,571	$ (5,106)	$ 20,465
Trademarks/trade names	5 years	8,100	(3,510)	4,590
Technology	8-9 years	15,556	(4,124)	11,432
Non-compete agreements	5 years	240	(8)	232
		$ 49,467	**$ (12,748)**	**$ 36,719**

Amortization expense for intangible assets during the nine months ended September 30, 2017 and 2016 was $4.7 million and $4.4 million, respectively.

Remaining estimated amortization expense for the respective years is set forth as follows:

(in thousands)	
2017 (remaining three months)	$ 1,561
2018	6,244
2019	5,974
2020	4,624
2021	4,617
Thereafter	8,884
Remaining amortization expense	$ 31,904

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4. Acquisitions

On October 31, 2016, FolioDynamix acquired certain assets of SAS Capital Management, LLC ("SAS") for a maximum consideration of $25.0 million. The initial consideration paid, net of working capital, was approximately $2.9 million. Aggregate payments of approximately $1.0 million are payable over the 15-month period following the closing for a total fixed consideration of $3.9 million. The SAS acquisition is subject to an earnout based on the achievement of specified revenue targets that was originally valued at $8.4 million at the date of acquisition, and subsequently adjusted to $7.9 million in the first quarter of 2017. The acquisition was accounted for under the acquisition method. FolioDynamix has allocated the purchase price to identifiable tangible and intangible assets, goodwill and deferred revenue. The purchase accounting for the SAS acquisition was finalized during the nine months ended September 30, 2017.

The allocation of the SAS purchase price to identified intangible assets and tangible assets and liabilities was as follows:

(in thousands)	
Goodwill	$ 9,736
Customer lists (7 year life)	2,153
Technology (9 year life)	344
Non-compete agreement (5 year life)	233
Deferred revenue	(320)
Other net assets (liabilities)	(397)
Total net assets acquired	**$ 11,749**

5. Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation. The following table summarizes FolioDynamix's fixed assets:

(in thousands)	Useful life	September 30, 2017	December 31, 2016
Computer equipment and software, office equipment and furniture	3-5 years	$ 3,673	$ 3,530
Leasehold improvements	5 years	209	163
Total cost		**3,882**	**3,693**
Less: accumulated depreciation		(2,727)	(1,995)
Fixed assets, net of accumulated depreciation		**$ 1,155**	**$ 1,698**

Depreciation expense for the nine months ended September 30, 2017 and 2016 was $0.8 million and $0.7 million, respectively. FolioDynamix uses the straight-line method of depreciation.

6. Fair Value Measurements

Fair value is 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. There are three levels of inputs that may be used to measure fair value, which are as follows:

- Level 1 – Observable inputs, such as quoted market prices for identical assets and liabilities in active public markets.

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- Level 2 – Observable inputs other than Level 1 prices based on quoted prices in markets with insufficient volume or infrequent transactions, or valuations in which all significant inputs are observable for substantially the full term of the asset or liability.

- Level 3 – Unobservable inputs to the valuation techniques that are significant to the fair value of the asset or liability.

Assets and liabilities are measured at fair value based on one or more of the following three valuation techniques:

- Market Approach – Fair value is determined based on prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities.

- Income Approach – Fair value is determined by converting relevant future amounts to a single present amount based on market expectations (including present value techniques and option pricing models).

- Cost Approach – Fair value represents the amount that currently would be required to replace the service capacity of the relevant asset (often referred to as replacement cost).

The fair value hierarchy of FolioDynamix's financial assets and liabilities measured at fair value on a recurring basis were as follows:

(in thousands)	Asset (liability)	Valuation technique (approach)	Level 1	Level 2	Level 3
September 30, 2017					
Cash equivalents (money market accounts)	$ 4,238	Market	$ 4,238	$ —	$ —
Acquisition contingent consideration obligations	(1,297)	Income	—	—	(1,297)
	$ 2,941		**$ 4,238**	**$ —**	**$ (1,297)**
December 31, 2016					
Cash equivalents (money market accounts)	$ 5,207	Market	$ 5,207	$ —	$ —
Acquisition contingent consideration obligations	(8,752)	Income	—	—	(8,752)
	$ (3,545)		**$ 5,207**	**$ —**	**$ (8,752)**

The carrying value of certain of FolioDynamix's other financial instruments, including accounts receivable and accounts payable, approximates fair value due to the short-term nature of those instruments.

As of September 30, 2017 and December 31, 2016, FolioDynamix accounted for a contingent earn-out payment related to the acquisition of SAS (the "SAS Earnout"). A fair value of the SAS Earnout was determined on the date of acquisition using Monte Carlo simulation models that yielded a value of $8.4 million, which was subsequently adjusted to $7.9 million in the first quarter of 2017. Under the terms of the underlying asset purchase agreement, upon a change of control of FolioDynamix, the amount of the SAS Earnout would become fixed and payable. In connection with the pending Folio Sale (note 1), the fair value of the SAS Earnout has been estimated to be approximately $1.3 million. Due to the reduction of the SAS Earnout liability to $1.3 million, a net gain of $6.9 million has been recognized in the nine months ended September 30, 2017. The SAS Earnout liability is reflected in the "Accrued expenses" line item on FolioDynamix's Consolidated Balance Sheets; changes in the fair value of the SAS Earnout were reflected in the "Change in fair value of contingent consideration" line item on FolioDynamix's Consolidated Statements of Operations.

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7. Debt

On November 3, 2014, FolioDynamix entered into a loan agreement with its Parent. This agreement provided for a term loan in the original principal amount of $6.3 million, with an interest rate of 4.25% with a maturity date of March 31, 2016. During the year ended December 31, 2016, the maturity date of the loan was extended to March 31, 2018. As of September 30, 2017 and December 31, 2016, $6.0 million is outstanding under this term loan and is included in the line items "Short-term debt with Parent" and "Long-term debt with Parent," respectively, in FolioDynamix's Consolidated Balance Sheets.

On October 26, 2016, FolioDynamix entered into a loan agreement with Actua that provided for a term loan in the original principal amount of $4.0 million, with an interest rate of 5.0% and a maturity date of March 31, 2018. As of September 30, 2017 and December 31, 2016, $4.0 million is outstanding under this term loan and is included in the line items "Short-term debt with Parent" and "Long-term debt with Parent," respectively, in FolioDynamix's Consolidated Balance Sheets.

8. Stockholders' Equity

Holders of FolioDynamix's Common Stock are entitled to one vote per share and are entitled to dividends as declared. No cash dividends have been declared to date, and FolioDynamix does not intend to pay cash dividends in the foreseeable future. Any future dividend will be subject to approval by FolioDynamix's Board of Directors (the "Board"), and the Board reserves the right to change the dividend policy at any time.

Certain holders of FolioDynamix's Common Stock have the right to put some of their shares to the Company for cash at an agreed upon fair value as of certain redemption dates; the shares that are subject to this put right represent approximately 2% of FolioDynamix's shares on a primary basis. These amounts, $3.0 million and $2.9 million, are being accreted to the current fair value of those Common Shares as of the respective redemption dates and are included in the line item "Additional paid-in capital" in the Company's Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016, respectively.

FolioDynamix may periodically repurchase shares of its Common Stock. During the nine months ended September 30, 2017, FolioDynamix repurchased 12,046 shares of Common Stock for $112 thousand. During the nine months ended September 30, 2016, FolioDynamix repurchased 51,355 shares of Common Stock for $479 thousand. All repurchases are reflected in the line item, "Treasury stock, at cost" as a reduction of Stockholders' Equity in the Consolidated Balance Sheets in the relevant periods.

9. Equity-Based Compensation

Equity-based compensation awards, mainly in the form of stock options, may be granted to FolioDynamix employees, directors and consultants under the Folio Dynamics Holdings, Inc. Amended and Restated 2014 Equity Compensation Plan (as amended from time to time, the "Plan"). Generally, the Plan awards vest over a period of four years and expire ten years after the grant date. As of September 30, 2017, FolioDynamix had 225,469 shares of Common Stock reserved under the Plan for possible future issuance. FolioDynamix's grants of equity-based compensation are approved by the Board. Equity-based compensation is included in operating expenses, primarily in the line item "General and administrative" in FolioDynamix's Consolidated Statements of Operations.

Certain of FolioDynamix's officers have also been granted restricted stock awards under Actua's 2005 Omnibus Equity Compensation Plan (as amended from time to time, the "Actua Plan"). The Actua Plan awards vest in part over a period of four years and in part based on the achievement of market-based conditions of Actua Common Stock.

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Equity-based compensation by equity award type:

	Nine months ended September 30,	
(in thousands)	**2017**	**2016**
Restricted stock (Actua Common Stock)	$ 108	$ 152
Stock options	1,117	1,110
Total equity-based compensation	**$ 1,225**	**$ 1,262**

Unrecognized equity-based compensation by equity award type:

	As of September 30,		Weighted average years remaining of equity-based compensation as of
(in thousands, except weighted average years)	**2017**	**2016**	**September 30, 2017**
Restricted stock (Actua Common Stock)	$ 238	$ 388	1.91
Stock options	2,424	3,888	1.92
Total equity-based compensation	**$ 2,662**	**$ 4,276**	

Actua Restricted Stock

Certain of FolioDynamix's officers have received restricted stock grants from Actua. Recipients of restricted stock do not pay any cash consideration for the shares and have the right to vote all shares subject to the grant. Any cash dividends paid by Actua in respect of unvested restricted stock would be paid to the holders of outstanding restricted stock at the same time as cash dividends are paid to common stockholders. Any dividends paid by Actua in stock or other property in respect of unvested restricted stock would be paid to the holders of outstanding unvested restricted stock subject to the same terms and conditions related to vesting, forfeiture and non-transferability as the underlying stock.

Share activity with respect Actua restricted stock awards granted to FolioDynamix employees for the nine months ended September 30, 2017 and 2016 was as follows:

	Number of shares	Weighted average grant date fair value
Issued and unvested as of December 31, 2015	**40,000**	$ 16.76
Vested	(5,000)	$ 16.76
Granted	40,000	$ 9.90
Issued and unvested as of September 30, 2016	**75,000**	$ 13.10

	Number of shares	Weighted average grant date fair value
Issued and unvested as of December 31, 2016	**75,000**	$ 13.10
Vested	(10,000)	$ 13.33
Issued and unvested as of September 30, 2017	**65,000**	$ 13.07

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As of September 30, 2017, issued and unvested shares of Actua restricted stock granted to FolioDynamix's employees vest as follows:

Number of shares unvested	Vesting conditions
40,000	Subject to certain market conditions, as discussed below
25,000	Subject to certain service conditions, as discussed below
65,000	

Restricted Stock – Actua Common Stock Awards with Market Conditions

Certain of FolioDynamix's officers have received restricted stock grants from Actua with market-based vesting conditions, the vesting of which is contingent upon achievement of specified price targets of Actua's Common Stock. The equity-based compensation expense for awards with market-based vesting conditions is recorded based on the fair value of the awards, which is determined using a Monte Carlo simulation model at the time the award is granted. For the majority of the market-based awards that are outstanding as of September 30, 2017, the derived service period over which the expense is to be recognized is also determined by the Monte Carlo simulation model. In the event that the market-based conditions are not achieved and the related restricted stock awards are forfeited, equity-based compensation expense is not reversed; if an employee terminates service with FolioDynamix prior to vesting of a market-based-vesting, any compensation expense associated with the unvested award is reversed.

In February 2015, 20,000 shares of Actua restricted stock with market-based conditions were granted to certain executives of FolioDynamix. The vesting of those shares is contingent upon the 45-trading day volume-weighted average price per share ("VWAP") of Actua's Common Stock meeting or exceeding specified 45-trading day VWAP targets ($28.07, $30.16, $32.38, and $34.71) (the "2014 VWAP Targets") on or before February 28, 2018, with 25% of the shares vesting upon achievement of each of the targets. In the event that any of the 2014 VWAP Targets are not achieved, the relevant shares of restricted stock will lapse unvested.

In April 2016, 20,000 shares of Actua restricted stock were granted to certain executives of FolioDynamix, the vesting of which are contingent upon the 45-trading day VWAP of Actua's Common Stock meeting or exceeding the 2014 VWAP Targets on or before February 28, 2018, and such awards remain unvested as of September 30, 2017.

In aggregate, compensation expense related to Actua restricted stock awards with market conditions was less than $0.1 million for each of the nine months ended September 30, 2017 and 2016. There is no remaining unamortized compensation expense related to awards with market conditions.

Actua has entered into a Membership Interest Purchase Agreement, dated as of September 23, 2017, by and among Actua, Actua Holdings, Inc., Arsenal Acquisition Holdings, LLC, and Velocity Holdco III Inc. (formerly Arsenal Buyer Inc.), an affiliate of CVC Growth Fund ("CVC") (such agreement, the "Velocity/Bolt Sale Agreement"). Under the Velocity/Bolt Sale Agreement, CVC has agreed to purchase all of Actua's interests in VelocityEHS and Bolt (such transaction, the "Velocity/Bolt Sale"). Actua's Board has determined that all outstanding unvested shares of restricted stock with market conditions as of the closing of the Velocity/Bolt Sale, which would constitute the sale of substantially all of Actua's assets (such closing, the "Change of Control"), will vest upon the Change of Control; the sale was consummated on December 12, 2017.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(unaudited)

Restricted Stock – Actua Common Stock Awards with Service Conditions

Certain of FolioDynamix's officers have received restricted stock grants from Actua with service-based vesting conditions that vest over annual periods of time of employee service. The equity-based compensation expense for those time-based awards is recorded based on the fair value of the awards, determined by the ending price of Actua's Common Stock on the date of grant. In the event that a FolioDynamix employee terminates service with Actua (or its consolidated businesses) prior to the vesting of a time-based award, the related restricted stock awards are forfeited and equity-based compensation expense related to any forfeited award is reversed.

During February 2015, 20,000 shares of Actua's Common Stock were awarded to a certain executive of FolioDynamix; those shares vest in equal increments each year for four years on the anniversary of the grant date. Accordingly, 5,000 shares of Actua restricted stock vested during both February 2017 and February 2016.

During April 2016, 20,000 shares of Actua's Common Stock were awarded to a certain executive of FolioDynamix; those shares vest in equal increments each year for four years on the anniversary of the grant date. Accordingly, 5,000 shares of Actua restricted stock vested during February 2017.

Actua's Board has determined that all outstanding unvested shares of restricted stock with service conditions as of the Change of Control will vest upon the Change of Control, which occurred on December 12, 2017.

In aggregate, compensation expense related to Actua restricted stock awards with service conditions was less than $0.1 million for each of the nine months ended September 30, 2017 and 2016. Unamortized compensation expense of $0.2 million will be recognized in the fourth quarter of 2017, due to the Change in Control.

Stock Options

The fair value of each stock option is estimated on the grant date using the Black-Scholes option-pricing model.

	Options	Weighted average exercise price per share	Weighted average remaining contractual term (years)	Aggregate intrinsic value
Outstanding as of December 31, 2015[1]	**2,231,183**	**$ 11.12**		
Granted	1,209,375	$ 9.33		
Forfeited and Canceled	(127,606)	$ 9.33		
Exercised	(41,077)	$ 9.33		
Outstanding as of September 30, 2016	**3,271,875**	**$ 10.55**	**8.84**	**$ —**

	Options	Weighted average exercise price per share	Weighted average remaining contractual term (years)	Aggregate intrinsic value
Outstanding as of December 31, 2016	**3,386,250**	**$ 10.51**		
Forfeited and Canceled	(111,719)	$ 9.33		
Outstanding as of September 30, 2017	**3,274,531**	**$ 10.55**	**7.88**	**$ —**

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(unaudited)

(1) Some of these options that were exercised in 2016 were net settled, resulting in a number of shares forfeited to cover the option's strike price. These forfeited shares are not available for future stock option issuances. None of these stock options remain outstanding or exercisable as of September 30, 2016 and September 30, 2017.

There were no stock options granted or exercised during the nine months ended September 30, 2017. The weighted average grant date fair value per share of options granted during the nine months ended September 30, 2016 was $1.63. The total intrinsic value of stock option exercised during the nine months ended September 30, 2016 was $0.4 million.

During April 2015, stock options for 2,325,000 shares of Common Stock were awarded to certain of FolioDynamix's executives and employees; a portion of these options vest based on certain market and performance conditions while the remaining options vest 25% six months after the grant date, and the remaining 75% vest ratably on the first day each month over the subsequent 36 months. Certain 2015 stock option grants have market-based as well as performance-based vesting accelerators which were deemed improbable of achievement from issuance through December 31, 2016 when the performance-based accelerator lapsed. As such, those awards with vesting accelerators have been expensed based on a market value determination that was derived using a Monte Carlo simulation model. As of September 30, 2017, options for 1,089,763 shares of Common Stock remain unvested with an unamortized expense of $1.3 million that will be recognized as follows: $0.3 million in the remaining three months of 2017, $0.9 million in 2018, and $0.1 million in 2019.

During February 2016, stock options for 1,209,375 shares of Common Stock were awarded to certain of FolioDynamix's executives and employees. These options vest 25% on the first anniversary of the grant date, and the remaining 75% vest ratably on the first day each month over the subsequent 36 months. As of September 30, 2017, unamortized expense related to these awards of $1.0 million remains, which will be recognized as follows: $0.1 million in the remaining three months of 2017, $0.4 million in 2018, $0.4 million in 2019, and $0.1 million in 2020.

During November 2016, stock options for 114,375 shares of Common Stock were awarded to certain of FolioDynamix's executives and employees. These options vest 25% on the first anniversary of the grant date, and the remaining 75% vest ratably on the first day each month over the subsequent 36 months. As of September 30, 2017, unamortized expense related to these awards of $0.2 million remains, of which less than $0.1 million will be recognized in the remaining three months of 2017 and the years of 2018 through 2020.

Stock Options Fair Value Assumptions

FolioDynamix estimates the grant date fair value of stock options using the Black-Scholes option-pricing model, which requires the input of highly subjective assumptions. Those assumptions include estimating the expected life of the award and estimating the volatility of FolioDynamix's selected public company peers. Expected volatility approximates the historical volatility of FolioDynamix's selected public company peers' respective common stock over the period, commensurate with the expected term of the award. The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant for an instrument with a maturity that is commensurate with the expected term of the award. Changes in the above assumptions, the estimated forfeitures and/or the requisite service period can materially affect the amount of equity-based compensation recognized in FolioDynamix's Consolidated Statements of Operations.

FOLIO DYNAMICS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(unaudited)

The following assumptions were used to determine the fair value of stock options granted to employees by FolioDynamix during the nine months ended September 30, 2016:

	Nine months ended September 30, 2016
Expected volatility	45 %
Average expected life of stock options (in years)	5.93 - 6.08
Risk-free interest rate	1.42 %
Dividend yield	—

10. Income Taxes

FolioDynamix is included in Actua's consolidated federal tax return beginning on November 3, 2014, the date when Actua acquired FolioDynamix. No tax sharing agreement was executed by the parties to provide a methodology for the calculation and payment of income taxes in connection with the consolidation of FolioDynamix with the majority stockholder for income tax purposes. The default tax sharing methodology under Internal Revenue Code Section 1552 is to apportion the consolidated tax liability of the group among the members of the group in accordance with the ratio which that portion of the consolidated taxable income attributable to each member of the group having taxable income bears to the consolidated taxable income. The consolidated federal tax liability for the Actua consolidated group for both the nine months ended September 30, 2017 and 2016 was zero. FolioDynamix recorded a state income tax benefit for the nine months ended September 30, 2017 and 2016 of zero and $166 thousand, respectively.

11. Contingencies

FolioDynamix and its consolidated subsidiaries are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the amount of the ultimate liability with respect to legal claims and actions will not materially affect the financial position, results of operations, or cash flows of FolioDynamix or its consolidated businesses.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

(unless otherwise indicated, all numbers are in thousands except share and per share information)

On January 2, 2018, pursuant to an agreement and plan of merger (the "Merger Agreement"), dated as of September 25, 2017, between Envestnet, Inc. ("Envestnet"), Folio Dynamics Holdings, Inc., a Delaware corporation ("FolioDynamix"), FCD Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Envestnet ("Merger Sub"), and Actua USA Corporation ("Actua"), a Delaware corporation, solely in its capacity as the representative of the stockholders of FolioDynamix, Envestnet completed the merger of Merger Sub with and into FolioDynamix, with FolioDynamix continuing as the surviving corporation (the "Acquisition") and a wholly-owned subsidiary of Envestnet. The completion of the Acquisition on January 2, 2018 followed the receipt of all necessary regulatory approvals and third-party consents.

In connection with the Acquisition, Envestnet paid $195,000 in cash for all the outstanding shares of FolioDynamix, subject to certain closing and post-closing adjustments. Envestnet funded the Acquisition price with borrowings under its revolving credit facility.

The foregoing summary of the Merger Agreement and the Acquisition does not purport to be a complete description and is subject to, and qualified in its entirety by, the full text of the Merger Agreement, a copy of which was filed as Exhibit 2.1 to Envestnet's Form 8-K filed on September 25, 2017.

The following unaudited pro forma condensed combined statements of operations for the year ended December 31, 2016 and for the nine months ended September 30, 2017 combine the historical consolidated statements of operations of Envestnet and FolioDynamix, as if the Acquisition had occurred on January 1, 2016, the first day of the fiscal year ended December 31, 2016.

The unaudited pro forma condensed combined balance sheet as of September 30, 2017 combines the historical consolidated balance sheets of Envestnet and FolioDynamix, giving effect to the Acquisition as if it had occurred on September 30, 2017.

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

- the audited consolidated financial statements and related notes of Envestnet contained in Envestnet's Annual Report on Form 10-K for the year ended December 31, 2016;
- the audited consolidated financial statements and related notes of FolioDynamix as of and for the year ended December 31, 2016, which are included as Exhibit 99.1 to this Current Report on Form 8-K/A;
- the unaudited condensed consolidated financial statements and related notes of Envestnet contained in Envestnet's Quarterly Report on Form 10-Q for the nine-month period ended September 30, 2017;
- the consolidated financial statements and related notes of FolioDynamix as of September 30, 2017 (unaudited) and December 31, 2016 and for the nine months ended September 30, 2017 and 2016 (unaudited), which are included as Exhibit 99.2 to this Current Report on Form 8-K/A.

The unaudited pro forma condensed combined financial information has been prepared by Envestnet using the acquisition method of accounting in accordance with generally accepted accounting principles. Envestnet has been treated as the acquirer in the Acquisition for accounting purposes. The acquisition accounting, including certain valuation and other studies, is in progress and is not yet at the point where there is sufficient information for a definitive measurement. The assets and liabilities of FolioDynamix have been measured based on various preliminary estimates using assumptions that Envestnet believes are reasonable based on information that is currently available to it. Differences between these preliminary estimates and the final acquisition accounting may occur, and those differences could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and the combined company's future results of operations and financial position. The pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial statements prepared in accordance with the rules and regulations of the Securities and Exchange Commission.

Envestnet has commenced the necessary valuation and other studies required to complete the acquisition accounting and will finalize the acquisition accounting as soon as practicable within the required measurement period prescribed by ASC 805, *Business Combinations*, but in no event later than one year following completion of the Acquisition.

The unaudited pro forma condensed combined financial information has been presented for informational purposes only. The unaudited pro forma condensed combined financial information does not purport to represent the actual results of operations that Envestnet and FolioDynamix would have achieved had the companies been combined during the periods presented in the unaudited pro forma condensed combined financial statements and is not intended to project the future results of operations that the combined company may achieve after the Acquisition. The unaudited pro forma condensed combined financial information does not reflect any potential cost savings that may be realized as a result of the Acquisition and also does not reflect any restructuring or integration-related costs, if any, to achieve those potential cost savings. No material intercompany transactions between Envestnet and FolioDynamix during the periods presented in the unaudited pro forma condensed combined financial statements have been identified at this time.

Envestnet, Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet of Envestnet and FolioDynamix
As of September 30, 2017
(in thousands)

	Historical		Pro Forma	
	Envestnet	FolioDynamix (1)	Adjustments	Combined
Assets				
Current assets:				
Cash and cash equivalents	$ 48,704	$ 6,609	$ (2,370) a	$ 52,943
Fees and other receivables, net	49,726	5,064	-	54,790
Prepaid expenses and other current assets	23,999	1,094	-	25,093
Total current assets	122,429	12,767	(2,370)	132,826
Property and equipment, net	35,274	1,155	-	36,429
Internally developed software, net	20,279	-	-	20,279
Intangible assets, net	233,525	31,904	85,796 b	351,225
Goodwill	432,746	136,251	(56,643) c	512,354
Other non-current assets	17,969	264	-	18,233
Total assets	$ 862,222	$ 182,341	$ 26,783	$ 1,071,346
Liabilities				
Current liabilities:				
Accrued expenses and other liabilities	$ 102,877	$ 5,243	$ 1,457 d	$ 109,577
Accounts payable	13,215	7,265	-	20,480
Note payable	-	10,000	(10,000) e	-
Contingent consideration	2,055	1,297	(1,297) f	2,055
Deferred revenue	18,388	2,033	(308) g	20,113
Total current liabilities	136,535	25,838	(10,148)	152,225
Convertible notes	157,353	-	-	157,353
Revolving credit facility	101,168	-	195,000 a	296,168
Contingent consideration	641	-	-	641
Deferred revenue	14,454	320	(45) g	14,729
Deferred rent and lease incentive	14,867	79	-	14,946
Deferred tax liabilities, net	12,216	-	- h	12,216
Other non-current liabilities	14,527	-	-	14,527
Total liabilities	451,761	26,237	184,807	662,805
Commitments and contingencies				
Redeemable units in ERS, LLC	900	-	-	900
Stockholders' equity:				
Common stock and additional paid in capital	545,179	211,470	(211,470) i	545,179
Accumulated deficit and accumulated other comprehensive income	(91,329)	(54,775)	52,855 j	(93,249)
Treasury stock	(44,687)	(591)	591 i	(44,687)
Total equity	409,163	156,104	(158,024)	407,243
Non-controlling interest	398	-	-	398
Total liabilities and equity	$ 862,222	$ 182,341	$ 26,783	$ 1,071,346

(1) Certain reclassifications were made to conform to Envestnet's financial statement presentation. These reclassifications primarily consist of accrued compensation and benefits to accrued expenses and other liabilities and current contingent consideration liability from accrued expenses and other liabilities.

See notes to the unaudited pro forma condensed combined financial statements.

Envestnet, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations of Envestnet and FolioDynamix
Year Ended December 31, 2016
(in thousands, except share and per share information)

	Historical		Pro Forma		
	Envestnet	FolioDynamix (1)	Adjustments		Combined
Revenue	$ 578,164	$ 32,622	$ -	k	$ 610,786
Operating expenses:					
Cost of revenues	180,590	4,983	-		185,573
Compensation and benefits	241,584	19,700	(893)	l	260,391
General and administration	115,435	8,729	(352)	m	123,812
Depreciation and amortization	63,999	6,911	12,758	b	83,668
Total operating expenses	601,608	40,323	11,513		653,444
Loss from operations	(23,444)	(7,701)	(11,513)		(42,658)
Other expense, net	(17,046)	(573)	(7,258)	n	(24,877)
Loss before income tax provision	(40,490)	(8,274)	(18,771)		(67,535)
Income tax provision (benefit)	15,077	(242)	-	h	14,835
Net loss	$ (55,567)	$ (8,032)	$ (18,771)		$ (82,370)
Net loss per share:					
Basic	$ (1.30)				$ (1.92)
Diluted	$ (1.30)				$ (1.92)
Weighted average common shares outstanding:					
Basic	42,814,222				42,814,222
Diluted	42,814,222				42,814,222

(1) Certain reclassifications were made to conform to Envestnet's financial statement presentation. These reclassifications primarily consist of reclassifying employee-related costs (salary, benefits, stock compensation, etc.) from cost of revenues, sales and marketing, research and development and general and administrative expenses, into compensation and benefits expenses. In addition, depreciation expense was reclassified from cost of revenues, sales and marketing, research and development and general and administrative expenses, into depreciation and amortization expense.

See notes to the unaudited pro forma condensed combined financial statements.

Envestnet, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations of Envestnet and FolioDynamix
Nine Months Ended September 30, 2017
(in thousands, except share and per share information)

	Historical		Pro Forma		
	Envestnet	**FolioDynamix (1)**	**Adjustments**		**Combined**
Revenue	$ 500,817	$ 29,414	$ -	k	$ 530,231
Operating expenses:					
Cost of revenues	161,031	4,278	-		165,309
Compensation and benefits	199,079	17,427	(625)	l	215,881
General and administration	90,178	488	4,540	o	95,206
Depreciation and amortization	46,792	5,447	9,330	b	61,569
Total operating expenses	497,080	27,640	13,245		537,965
Income (loss) from operations	3,737	1,774	(13,245)		(7,734)
Other expense, net	(13,838)	(336)	(5,323)	n	(19,497)
Income (loss) before income tax provision	(10,101)	1,438	(18,568)		(27,231)
Income tax provision	10,824	-	-	h	10,824
Net income (loss)	$ (20,925)	$ 1,438	$ (18,568)		$ (38,055)
Net loss per share:					
Basic	$ (0.48)				$ (0.87)
Diluted	$ (0.48)				$ (0.87)
Weighted average common shares outstanding:					
Basic	43,604,869				43,604,869
Diluted	43,604,869				43,604,869

(1) Certain reclassifications were made to conform to Envestnet’s financial statement presentation. These reclassifications primarily consist of reclassifying employee-related costs (salary, benefits, stock compensation, etc.) from cost of revenues, sales and marketing, research and development and general and administrative expenses, into compensation and benefits expenses. In addition, depreciation expense was reclassified from cost of revenues, sales and marketing, research and development and general and administrative expenses, into depreciation and amortization expense.

See notes to the unaudited pro forma condensed combined financial statements.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

(all numbers are in thousands except share and per share information unless otherwise indicated)

1. Description of Transaction

On January 2, 2018, pursuant to an agreement and plan of merger (the "Merger Agreement"), dated as of September 25, 2017, between Envestnet, Inc. ("Envestnet"), Folio Dynamics Holdings, Inc., a Delaware corporation ("FolioDynamix"), FCD Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Envestnet ("Merger Sub"), and Actua USA Corporation ("Actua"), a Delaware corporation, solely in its capacity as the representative of the stockholders of FolioDynamix, Envestnet completed the merger of Merger Sub with and into FolioDynamix, with FolioDynamix continuing as the surviving corporation (the "Acquisition") and a wholly-owned subsidiary of Envestnet. The completion of the Acquisition on January 2, 2018 followed the receipt of all necessary regulatory approvals and third-party consents.

In connection with the Acquisition, Envestnet paid $195,000 in cash for all the outstanding shares of FolioDynamix, subject to certain closing and post-closing adjustments. Envestnet funded the Acquisition price with borrowings under its revolving credit facility.

The foregoing summary of the Merger Agreement and the Acquisition does not purport to be a complete description and is subject to, and qualified in its entirety by, the full text of the Merger Agreement, a copy of which was filed as Exhibit 2.1 to Envestnet's Form 8-K filed on September 25, 2017.

2. Basis of Presentation

The unaudited pro forma condensed combined financial statements were prepared using the acquisition method of accounting and are based on the historical consolidated financial statements of Envestnet and FolioDynamix. The acquisition method of accounting is based on ASC 805, *Business Combinations*, and uses the fair value concepts defined in ASC 820,*Fair Value Measurements.*

ASC 805 requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. In addition, ASC 805 requires that the consideration transferred be measured at the date the Acquisition was completed at the then-current market price.

ASC 820 defines the term "fair value," sets forth the valuation requirements for any asset or liability measured at fair value, expands related disclosure requirements and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined in ASC 820 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." This is an exit price concept for the valuation of the asset or liability. In addition, market participants are assumed to be buyers and sellers in the principal (or the most advantageous) market for the asset or liability. Fair value measurements for an asset assume the highest and best use by these market participants. As a result of these standards, Envestnet may be required to record the fair value of assets which are not intended to be used or sold and/or to value assets at fair value measures that do not reflect Envestnet's intended use of those assets. Many of these fair value measurements can be highly subjective, and it is possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

Under the acquisition method of accounting, the assets acquired and liabilities assumed will be recorded, as of completion of the Acquisition, primarily at their respective fair values and added to those of Envestnet. Financial statements and reported results of operations of Envestnet issued after completion of the Acquisition will reflect these values, but will not be retroactively restated to reflect the historical financial position or results of operations of FolioDynamix.

Under ASC 805, acquisition-related transaction costs (e.g., advisory, legal, valuation and other professional fees) are not included as a component of consideration transferred but are accounted for as expenses in the periods in which such costs are incurred. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2016 and for the nine months ended September 30, 2017 are required to exclude non-recurring costs and costs directly related to the Acquisition.

The unaudited pro forma condensed combined balance sheet as of September 30, 2017 is required to include adjustments which give effect to events that are directly attributable to the Acquistion regardless of whether they are expected to have a continuing impact on the combined results or are non-recurring. Therefore, acquisition-related transaction costs expected to be incurred by Envestnet and FolioDynamix subsequent to September 30, 2017 of approximately $920 and $1,000, respectively, are reflected as a pro forma adjustment to the unaudited pro forma condensed combined balance sheet as of September 30, 2017 as an increase to accrued expenses and accumulated deficit.

The unaudited pro forma condensed combined financial statements do not reflect any projected realization of cost savings following completion of the Acquisition. These cost savings opportunities are primarily related to administrative cost savings. Although Envestnet projects that cost savings will result from the Acquisition, there can be no assurance that these cost savings will be achieved. The unaudited pro forma condensed combined financial statements do not reflect any potential restructuring and integration-related costs associated with the projected cost savings. Such restructuring and integration-related costs will be expensed in the appropriate accounting periods after completion of the Acquisition. In addition, the unaudited pro forma condensed combined financial statements do not reflect any potential debt repayments.

3. Accounting Policies

At completion of the Acquisition, Envestnet reviewed FolioDynamix's accounting policies and did not identify differences between the accounting policies of the two companies that, when conformed, could have a material impact on the combined financial statements. Therefore, the unaudited pro forma condensed combined financial statements assume there are no differences in accounting policies.

4. Consideration Transferred

The following is a summary of preliminary consideration transferred to effect the acquisition of FolioDynamix:

Base consideration	$	195,000
Preliminary working capital adjustment		2,370
Total estimated fair value of consideration transferred	$	197,370

5. Estimate of Assets Acquired and Liabilities Assumed

The following is a preliminary estimate of the assets acquired and the liabilities assumed by Envestnet in the Acquisition:

Total tangible assets acquired	$	14,186
Total liabilities assumed		(14,124)
Identifiable intangible assets		117,700
Goodwill		79,608
Total estimated preliminary consideration allocation	$	197,370

Identifiable intangible assets are required to be measured at fair value, and these acquired assets could include assets that are not intended to be used or sold or that are intended to be used in a manner other than their highest and best use. For purposes of these unaudited pro forma condensed combined financial statements and consistent with the ASC 820 requirements for fair value measurements, it is assumed that all acquired assets will be used in a manner that represents the highest and best use of those acquired assets, but it is not assumed that any market participant synergies will be achieved.

The fair value of identifiable intangible assets is determined primarily using variations of the "income approach," which is based on the present value of the future after-tax cash flows attributable to each identifiable intangible asset. Other valuation methods, including the market approach and cost approach, were also considered in estimating the fair value. Goodwill is calculated as the difference between the acquisition-date fair value of the total consideration transferred and the aggregate values assigned to the assets acquired and liabilities assumed.

As of the date of this Form 8-K/A filing, Envestnet has not finalized the estimated fair values of FolioDynamix's identifiable intangible assets. Some of the more significant assumptions inherent in the development of intangible asset values, from the perspective of a market participant, include, but are not limited to: the amount and timing of projected future cash flows (including revenue and profitability); the discount rate selected to measure the risks inherent in the future cash flows; the assessment of the asset's life cycle; and the competitive trends impacting the asset. For purposes of these unaudited pro forma condensed combined financial statements, the fair value of FolioDynamix's identifiable intangible assets and their weighted-average useful lives have been preliminarily estimated as follows:

	Estimated Fair Value	Estimated Useful Life in Years
Customer relationships	$ 95,000	12
Proprietary technology	18,000	4
Trade names and domains	4,700	5
Total intangible assets acquired	$ 117,700	

These preliminary estimates of fair value and weighted-average useful life may be different from the amounts included in the final acquisition accounting, and the difference could have a material impact on the accompanying unaudited pro forma condensed combined financial statements. Once Envestnet has completed the final valuation of FolioDynamix's intangible assets, additional insight will be gained that could impact (i) the estimated total value assigned to identifiable intangible assets, (ii) the estimated allocation of value between finite-lived and indefinite-lived intangible assets (as applicable) and/or (iii) the estimated weighted-average useful life of each category of intangible assets. The combined effect of any such changes to these estimated fair values could then also result in a significant increase or decrease to Envestnet's estimate of associated amortization expense.

6. Pro Forma Adjustments

The pro forma adjustments included in the unaudited pro forma condensed combined financial statements are as follows:

(a) To reflect the cash consideration amount of $197,370 funded by borrowings of $195,000 and the use of $2,370 of available Envestnet cash in order to fund the Acquisition. In connection with the Acquisition, Envestnet amended its credit facility to increase the borrowing capacity to $350,000.

(b) To eliminate historical FolioDynamix intangible assets of $31,904 as of September 30, 2017 and to eliminate historical intangible amortization of $5,921 and $4,679 for the year ended December 31, 2016 and the nine months ended September 30, 2017, respectively.

To record the estimated fair value of FolioDynamix intangible assets as of September 30, 2017 and estimated amortization expense associated with the new intangible assets for the year ended December 31, 2016 and the nine months ended September 30, 2017, respectively.

			Amortization	
	Estimated Fair Value	Estimated Useful Life in Years	For the Year Ended December 31, 2016	For the Nine Months Ended September 30, 2017
Customer relationships	$ 95,000	12	$ 13,239	$ 9,929
Proprietary technology	18,000	4	4,500	3,375
Trade names and domains	4,700	5	940	705
Total intangible assets acquired	$ 117,700		$ 18,679	$ 14,009

Amortization expense related to the customer relationships are amortized on an accelerated method and proprietary technology and trade name and domains are amortized on a straight-line method. A five percent increase or decrease in each of the intangible asset fair values would result in an approximate increase or decrease of $930 and $700 in the estimated amortization expense for the year ended December 31, 2016 and the nine months ended September 30, 2017, respectively.

(c) To record the estimated fair value of goodwill of $79,608 for this Acquisition and to eliminate the historical goodwill of FolioDynamix of $136,251.

(d) To record estimated transaction costs totaling $1,920 and to eliminate definite consideration of $463 related to an earnout payment for FolioDynamix's purchase of SAS Capital Management, LLC ("SAS") that was paid by Actua. The estimated transaction costs are not reflected in the unaudited pro forma condensed combined statements of operations as these costs are non-recurring and are directly related to the acquisition.

(e) To eliminate the intercompany note payable to Actua of $10,000.

(f) To eliminate the contingent consideration of $1,297 related to an earnout payment for FolioDynamix's purchase of SAS that was paid by Actua.

(g) To record the fair value adjustment of $353 to deferred revenues acquired from FolioDynamix in accordance with ASC 820. The fair value of deferred revenue represents an amount equivalent to the estimated cost plus a reasonable profit margin to perform services based on deferred revenue balances of FolioDynamix as of September 30, 2017.
The fair value adjustment to deferred revenue will reduce revenues during a period of time following the Acquisition; however this adjustment has not been included in the pro forma condensed combined statements of operations because it is non-recurring in nature.

(h) As a result of the valuation allowance Envestnet has on all U.S. deferred tax assets, in both the historical and pro forma periods presented, there are no pro forma adjustments recorded related to U.S. deferred tax assets or U.S. deferred tax liabilities in the pro forma condensed consolidated balance sheet as of September 30, 2017 and there were no pro forma adjustments recorded related to income tax benefits for the year ended December 31, 2016 and for the nine-month period ended September 30, 2017.

(i) To eliminate FolioDynamix's historical common shares, additional paid-in capital and treasury stock.

(j) To eliminate FolioDynamix's historical accumulated deficit totaling $54,775 offset by accrued transcation costs of $1,920.

(k) At this time, information is not currently available to present FolioDynamix's historical revenue in Envestnet's revenue categories.

(l) Envestnet granted restricted stock units to certain former FolioDynamix employees upon commencement of their employment with Envestnet. The restricted stock units vest one-third on the first anniversary of the grant date and quarterly over the next two years. To record stock-based compensation for the issuance of the restricted stock units net of estimated forfeitures and to eliminate stock-based compensation recorded by FolioDynamix for the historical periods presented:

	For the Year Ended December 31, 2016	For the Nine Months Ended September 30, 2017
Stock compensation expense for new RSU grants	$ 800	$ 600
Less: historical FolioDynamix stock compensation expense	(1,693)	(1,225)
Net	$ (893)	$ (625)

(m) To eliminate the fair market value adjustment on contingent consideration of $352 related to an earnout payment for FolioDynamix's purchase of SAS.

(n) To record the estimated interest expense related to the credit facility related to the acquisition as well as to eliminate FolioDynamix's historical interest expense:

	For the Year Ended December 31, 2016	For the Nine Months Ended September 30, 2017
Estimated interest expense on credit facility	$ 7,550	$ 5,663
Less: historical interest expense on FolioDynamix note payable	(292)	(340)
Net	$ 7,258	$ 5,323

The calculation of interest expense on the credit facility assumes no repayment of principal for the periods presented and an assumed annual interest rate of 3.87%. An increase or decrease in the average annual interest rate of 0.125% would result in an approximate increase or decrease of $245 and $185 in the estimated interest expense for the year ended December 31, 2016 and the nine months ended September 30, 2017, respectively.

(o) To eliminate the direct, incremental transaction costs in the amount of $2,391 related to the Acquisition for the nine months ended September 30, 2017 and to eliminate the fair market value adjustment on contingent consideration of $6,931 related to an earnout payment for FolioDynamix's purchase of SAS that was paid by Actua.