
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 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): October 1, 2018

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

Delaware
(State or other jurisdiction
of incorporation)

001-34628
(Commission
File Number)

77-0512121
(I.R.S. Employer
Identification No.)

950 Tower Lane, 6th Floor
Foster City, CA 94404
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (650) 578-7700

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

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

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

Emerging growth company

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

On October 5, 2018, QuinStreet, Inc. (“the Company”) filed with the Securities and Exchange Commission a Current Report on Form 8-K (the “Initial 8-K”) announcing the Company’s acquisition of all of the issued and outstanding capital stock of AmOne Corp. This Form 8-K/A amends the Initial 8-K to include the historical audited and unaudited financial statements of AmOne Corp. and the pro forma combined financial statements required by Items 9.01(a) and 9.01(b) of Form 8-K that were excluded from the Initial 8-K in reliance on the instructions to such items.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The audited financial statements of AmOne Corp. for the fiscal year ended December 31, 2017 are attached as Exhibit 99.1 to this Form 8-K/A and incorporated herein by reference.

The unaudited financial statements of AmOne Corp. for the nine months ended September 30, 2018 and 2017 are attached as Exhibit 99.2 to this Form 8-K/A and incorporated herein by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma financial information of the Company and AmOne Corp. as of June 30, 2018 and for the fiscal year ended June 30, 2018 and for the three months ended September 30, 2018 is attached as Exhibit 99.3 to this Form 8-K/A and incorporated herein by reference.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
23.1	Consent of BDO, Independent Auditors of AmOne Corp.
99.1	Audited Financial Statements of AmOne Corp. for the fiscal year ended December 31, 2017
99.2	Unaudited Financial Statements of AmOne Corp. for the nine months ended September 30, 2018 and 2017
99.3	Unaudited Pro Forma Combined Financial Statements and Notes to the Unaudited Pro Forma Combined Financial Statements

SIGNATURE

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

QUINSTREET, INC.

Dated: December 17, 2018

By: /s/ Gregory Wong

Gregory Wong

Chief Financial Officer and Senior Vice President

Consent of Independent Auditors

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-227296, 333-220397, 333-213220, 333-206472, 333-198714, 333-190735, 333-183517, 333-176272, 333-168322, 333-165534) of QuinStreet, Inc. of our report dated December 17, 2018, relating to the financial statements of AmOne Corp, which appears in this Form 8-K/A.

/s/ BDO USA, LLP
Miami, FL

December 17, 2018

**AMONE CORP.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2017**

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Independent Auditor's Report

Board of Directors
AmOne Corp
Plantation, Florida

We have audited the accompanying financial statements of AmOne Corp, which comprise the balance sheet as of December 31, 2017, and the related statements of operations, stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

Opinion

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

/s/ BDO USA, LLP

Miami, Florida
December 17, 2018

AMONE CORP.
BALANCE SHEET
(In thousands, except share data)

	December 31,
	2017
Assets	
Current assets:	
Cash	\$ 1,493
Accounts receivable	1,561
Marketable securities	373
Prepaid expenses and other assets	49
Total current assets	3,476
Property and equipment, net	97
Other assets, noncurrent	20
Total assets	\$ 3,593
Liabilities and Stockholder's Equity	
Current liabilities:	
Accounts payable	\$ 604
Accrued liabilities	455
Total current liabilities	1,059
Stockholder's equity:	
Common stock: \$1 par; 7,500 shares authorized and issued, 6,962 shares outstanding	8
Treasury stock, at cost (538 shares)	(416)
Additional paid-in capital	190
Retained earnings	2,752
Total stockholder's equity	2,534
Total liabilities and stockholder's equity	\$ 3,593

See notes to financial statements

AMONE CORP.
STATEMENT OF OPERATIONS
(In thousands)

	<u>Fiscal Year Ended</u>
	<u>December 31, 2017</u>
Net revenue	\$ 20,426
Cost of revenue	14,907
Gross profit	5,519
Operating expenses:	
Product development	366
Sales and marketing	651
General and administrative	1,120
Operating income	3,382
Other income	78
Income before taxes	3,460
Provision for taxes	—
Net income	<u>\$ 3,460</u>

See notes to financial statements

AMONE CORP.
STATEMENT OF STOCKHOLDER'S EQUITY
(In thousands, except share data)

	<u>Shares</u>	<u>Common stock</u>	<u>Additional Paid-in Capital</u>	<u>Treasury Stock</u>	<u>Retained earnings</u>	<u>Total</u>
January 1, 2017	7,500	\$ 8	\$ 190	\$ (416)	\$ 2,261	\$ 2,043
Net income	—	—	—	—	3,460	3,460
Distributions	—	—	—	—	(2,969)	(2,969)
December 31, 2017	<u>7,500</u>	<u>\$ 8</u>	<u>\$ 190</u>	<u>\$ (416)</u>	<u>\$ 2,752</u>	<u>\$ 2,534</u>

See notes to financial statements

AMONE CORP.
STATEMENT OF CASH FLOWS
(In thousands)

	Fiscal Year Ended
	December 31, 2017
Cash Flows from Operating Activities	
Net income	\$ 3,460
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	7
Net realized and unrealized gains on marketable securities	(71)
Changes in assets and liabilities:	
Accounts receivable	(183)
Marketable securities	2
Prepaid expenses and other assets	(42)
Other assets, noncurrent	1
Accounts payable	(42)
Accrued liabilities	145
Net cash provided by operating activities	3,277
Cash Flows from Investing Activities	
Purchases of property and equipment	(40)
Net cash used in investing activities	(40)
Cash Flows from Financing Activities	
Shareholder distributions	(2,969)
Net cash used in financing activities	(2,969)
Net increase in cash	268
Cash at beginning of period	1,225
Cash at end of period	\$ 1,493

See notes to financial statements

AMONE CORP.
NOTES TO FINANCIAL STATEMENTS

1. The Company

Founded in 1999, AmOne Corp. (the “Company”) operates an online marketplace. Using its proprietary technology, the Company matches consumers that visits its website with personal loan, credit repair and debt management programs.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ from those estimates.

Revenue Recognition

The Company earns revenue when it delivers a lead to a client that converts to a customer for the client. The Company may earn a fixed fee per customer or a fee based on a percentage of the customer’s total debt. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is reasonably assured.

The Company records an allowance for doubtful accounts when it is probable that the accounts receivable balance will not be collected, based upon an analysis of individual accounts, number of days past due and historical collections. As of December 31, 2017, the allowance for doubtful accounts was \$0.

Concentrations of Credit Risk

The Company had the following clients that accounted for 10% or more of revenue for fiscal year 2017 or 10% or more of accounts receivable as of December 31, 2017:

- Customer A accounted for 15% of revenue and 23% of accounts receivable
- Customer B accounted for 14% of revenue and 12% of accounts receivable
- Customer C accounted for 13% of revenue and 13% of accounts receivable and;
- Customer D accounted for 13% of revenue and 13% of accounts receivable.

Marketable Securities

The Company determines the appropriate classification of its investments in marketable securities at the time of purchase and re-evaluates the designation at each balance sheet date. Based on the Company’s liquidity requirements, its marketable securities are classified and accounted for as trading. These securities are recorded at fair value and changes in the unrealized gains and losses are recorded within other income on the statement of operations. For fiscal year 2017, the Company recognized unrealized gains of \$68 thousand.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and is depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

Computer equipment	3 years
Leasehold improvements	the shorter of the lease term or the estimated useful lives of the improvements

AMONE CORP.
NOTES TO FINANCIAL STATEMENTS

Expenditures for additions and improvements are capitalized, and costs for repairs and maintenance are charged to operations as incurred.

Income Taxes

The Company is treated as a pass through entity under the applicable provisions of the Internal Revenue Code and local jurisdictions. Therefore, the Company is not subject to income taxes, and net income as determined for income tax purposes is allocated to its sole shareholder.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued a new accounting standard update on revenue from contracts with clients. The new guidance provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In March and April 2016, the FASB amended this standard to clarify implementation guidance on principal versus agent considerations and the identification of performance obligations and licensing. In May 2016, the FASB amended this standard to address improvements to the guidance on collectability, noncash consideration, and completed contracts at transition as well as provide a practical expedient for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. The new standard becomes effective for the Company on January 1, 2019. The Company is currently assessing the impact of this new guidance.

In January 2016, the FASB issued a new accounting standards update which requires equity investments with readily determinable fair values to be measured at fair value with changes in fair value for certain equity investments recognized in other income on the statements of operations. The new standard becomes effective for the Company on January 1, 2019 and is not expected to have an impact on the Company’s financial statements.

In February 2016, the FASB issued a new accounting standard update which replaces ASC 840, “Leases.” The new guidance requires a lessee to recognize on its balance sheet a right-of-use asset representing its right to use the underlying asset for the lease term and a lease liability representing its lease payment obligations. The guidance also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance becomes effective for the Company on January 1, 2020. The Company is currently assessing the impact of this new guidance.

3. Fair Value Measurements

Fair value is defined as the price that would be received on sale of an asset or paid to transfer a liability (“exit price”) in an orderly transaction between market participants at the measurement date. The FASB has established a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under the guidance for fair value measurement are described below:

Level 1 — Inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Pricing inputs are based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The valuations are based on quoted prices of the underlying security that are readily and regularly available in an active market, and accordingly, a significant degree of judgment is not required.

Level 2 — Pricing inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for

AMONE CORP.
NOTES TO FINANCIAL STATEMENTS

which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 — Pricing inputs are generally unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management’s judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The Company’s financial instruments as of December 31, 2017 were categorized as follows in the fair value hierarchy (in thousands):

Level 1:	
Equity securities	\$ 322
Exchange traded funds	51
Total	<u>\$ 373</u>

As of December 31, 2017, the Company had unrealized gains related to its trading securities of \$133 thousand.

4. Property and Equipment, Net

Property and equipment, net was comprised of the following (in thousands):

Computer equipment	\$ 17
Leasehold improvements	87
Total property plant and equipment, gross	104
Less: Accumulated depreciation	(7)
Total property plant and equipment, net	<u>\$ 97</u>

Depreciation expense was \$7 thousand for fiscal year 2017.

5. Commitments and Contingencies

Leases

The Company leases office space under non-cancelable operating leases with various expiration dates through fiscal year 2023. Rent expense for fiscal year 2017 was \$419 thousand. The Company recognizes rent expense on a straight-line basis over the lease period and accrues for rent expense incurred but not paid.

Future annual minimum lease payments under noncancelable operating leases as of December 31, 2017 were as follows (in thousands):

Fiscal Year Ending December 31,	
2018	\$ 402
2019	485
2020	493
2021	469
2022	429
Thereafter	218
Total	<u>\$ 2,496</u>

AMONE CORP.
NOTES TO FINANCIAL STATEMENTS

6. Subsequent Events

On October 1, 2018, pursuant to a Share Purchase Agreement by and among QuinStreet, Inc. (“QuinStreet”), the Company and the Company’s sole shareholder, Rod Romero (the “Seller”), entered into on October 1, 2018, QuinStreet acquired all of the issued and outstanding capital stock of the Company from the Seller.

The Company has evaluated subsequent events through December 17, 2018, which is the date the financial statements were issued.

AMONE CORP.
INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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AMONE CORP.
BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Assets		
Current assets:		
Cash	\$ 889	\$ 1,493
Accounts receivable	2,510	1,561
Marketable securities	404	373
Prepaid expenses and other assets	267	49
Total current assets	<u>4,070</u>	<u>3,476</u>
Property and equipment, net	122	97
Other assets, noncurrent	20	20
Total assets	<u>\$ 4,212</u>	<u>\$ 3,593</u>
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable	\$ 762	\$ 604
Accrued liabilities	355	455
Total current liabilities	<u>1,117</u>	<u>1,059</u>
Other liabilities, noncurrent	257	—
Total liabilities	<u>1,374</u>	<u>1,059</u>
Stockholder's equity:		
Common stock: \$1 par; 7,500 shares authorized and issued, 6,962 shares outstanding	8	8
Treasury stock, at cost (538 shares)	(416)	(416)
Additional paid-in capital	190	190
Retained earnings	3,056	2,752
Total stockholder's equity	<u>2,838</u>	<u>2,534</u>
Total liabilities and stockholder's equity	<u>\$ 4,212</u>	<u>\$ 3,593</u>

See notes to unaudited financial statements

AMONE CORP.
STATEMENTS OF OPERATIONS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
Net revenue	\$ 17,508	\$ 15,257
Cost of revenue	12,725	11,067
Gross profit	4,783	4,190
Operating expenses:		
Product development	394	256
Sales and marketing	634	482
General and administrative	852	822
Operating income	2,903	2,630
Other income	35	50
Income before taxes	2,938	2,680
Provision for taxes	—	—
Net income	\$ 2,938	\$ 2,680

See notes to unaudited financial statements

AMONE CORP.
STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
Cash Flows from Operating Activities		
Net income	\$ 2,938	\$ 2,680
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	17	1
Net unrealized and realized gains on marketable securities	(29)	(45)
Changes in assets and liabilities:		
Accounts receivable	(948)	(339)
Marketable securities	(2)	(6)
Prepaid expenses and other assets	(218)	(7)
Other assets, noncurrent	—	1
Accounts payable	32	18
Accrued liabilities	(103)	112
Other liabilities, noncurrent	257	—
Net cash provided by operating activities	<u>1,944</u>	<u>2,415</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(42)	(40)
Net cash used in investing activities	<u>(42)</u>	<u>(40)</u>
Cash Flows from Financing Activities		
Shareholder distributions	(2,506)	(2,558)
Net cash used in financing activities	<u>(2,506)</u>	<u>(2,558)</u>
Net decrease in cash	(604)	(183)
Cash at beginning of period	1,493	1,225
Cash at end of period	<u>\$ 889</u>	<u>\$ 1,042</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Shareholder distributions included in accounts payable	128	—

See notes to unaudited financial statements

AMONE CORP.
NOTES TO FINANCIAL STATEMENTS
(unaudited)

1. The Company

Founded in 1999, AmOne Corp. (the “Company”) operates an online marketplace. Using its proprietary technology, the Company matches consumers that visits its website with personal loan, credit repair and debt management programs.

2. Summary of Significant Accounting Policies

Unaudited Interim Financial Information

The accompanying financial statements and the notes to the financial statements as of September 30, 2018 and for the nine months ended September 30, 2018 and 2017 are unaudited. These unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim financial statements should be read in conjunction with the financial statements and notes thereto for the fiscal year ended December 31, 2017. The balance sheet at December 31, 2017 included herein was derived from the audited financial statements as of that date, but does not include all disclosures, including notes, required by GAAP.

The unaudited interim financial statements have been prepared on the same basis as the audited financial statements and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary for the fair presentation of the Company’s balance sheet at September 30, 2018 and its statements of operations and cash flows for the nine months ended September 30, 2018 and 2017. The results of operations for the nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2018, or any other future period.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ from those estimates.

Revenue Recognition

The Company earns revenue when it delivers a lead to a client that converts to a customer for the client. The Company may earn a fixed fee per customer or a fee based on a percentage of the customer’s total debt. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is reasonably assured.

The Company records an allowance for doubtful accounts when it is probable that the accounts receivable balance will not be collected, based upon an analysis of individual accounts, number of days past due and historical collections. As of September 30, 2018 and December 31, 2017, the allowance for doubtful accounts was \$0.

Concentrations of Credit Risk

The Company had the following clients that accounted for 10% or more of revenue for the nine months ended September 30, 2018 or 2017 or 10% or more of accounts receivable as of September 30, 2018 or December 31, 2017:

- Customer A accounted for 20% and 12% of revenue for the nine months ended September 30, 2018 and 2017. That same customer accounted for 25% and 13% of accounts receivable as of September 30, 2018 and December 31, 2017.

AMONE CORP.
NOTES TO FINANCIAL STATEMENTS
(unaudited)

- Customer B accounted for 19% and 12% of revenue for the nine months ended September 30, 2018 and 2017. That same customer accounted for 12% and 23% of accounts receivable as of September 30, 2018 and December 31, 2017.
- Customer C accounted for 12% and 13% of revenue for the nine months ended September 30, 2018 and 2017. That same customer accounted for 13% of accounts receivable as of December 31, 2017 and;
- Customer D accounted for 14% of revenue for the nine months ended September 30, 2017 and 12% of accounts receivable as of December 31, 2017.

Marketable Securities

The Company determines the appropriate classification of its investments in marketable securities at the time of purchase and re-evaluates the designation at each balance sheet date. Based on the Company's liquidity requirements, its marketable securities are classified and accounted for as trading. These securities are recorded at fair value and changes in the unrealized gains and losses are recorded within other income on the statement of operations. For the nine months ended September 30, 2018 and 2017, the Company recognized unrealized gains of \$28 thousand and \$45 thousand.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new accounting standard update on revenue from contracts with clients. The new guidance provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In March and April 2016, the FASB amended this standard to clarify implementation guidance on principal versus agent considerations and the identification of performance obligations and licensing. In May 2016, the FASB amended this standard to address improvements to the guidance on collectability, noncash consideration, and completed contracts at transition as well as provide a practical expedient for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. The new standard becomes effective for the Company on January 1, 2019. The Company is currently assessing the impact of this new guidance.

In January 2016, the FASB issued a new accounting standards update which requires equity investments with readily determinable fair values to be measured at fair value with changes in fair value for certain equity investments recognized in other income on the statements of operations. The new standard becomes effective for the Company on January 1, 2019 and is not expected to have an impact on the Company's financial statements.

In February 2016, the FASB issued a new accounting standard update which replaces ASC 840, "Leases." The new guidance requires a lessee to recognize on its balance sheet a right-of-use asset representing its right to use the underlying asset for the lease term and a lease liability representing its lease payment obligations. The guidance also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance becomes effective for the Company on January 1, 2020. The Company is currently assessing the impact of this new guidance.

3. Fair Value Measurements

Fair value is defined as the price that would be received on sale of an asset or paid to transfer a liability ("exit price") in an orderly transaction between market participants at the measurement date. The FASB has established a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

AMONE CORP.
NOTES TO FINANCIAL STATEMENTS
(unaudited)

The three levels of the fair value hierarchy under the guidance for fair value measurement are described below:

Level 1 — Inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Pricing inputs are based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The valuations are based on quoted prices of the underlying security that are readily and regularly available in an active market, and accordingly, a significant degree of judgment is not required.

Level 2 — Pricing inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 — Pricing inputs are generally unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The Company's financial instruments as of September 30, 2018 and December 31, 2017 were categorized as follows in the fair value hierarchy (in thousands):

	September 30, 2018	December 31, 2017
Level 1:		
Marketable equity securities	\$ 354	\$ 322
Exchange traded funds	50	51
Total	<u>\$ 404</u>	<u>\$ 373</u>

As of September 30, 2018 and December 31, 2017, the Company had unrealized gains related to its trading securities of \$161 thousand and \$133 thousand.

4. Commitments and Contingencies

Leases

The Company leases office space under non-cancelable operating leases with various expiration dates through fiscal year 2023. Rent expense for the nine months ended September 30, 2018 and 2017 was \$305 thousand and \$327 thousand. The Company recognizes rent expense on a straight-line basis over the lease period and accrues for rent expense incurred but not paid.

Future annual minimum lease payments under noncancelable operating leases as of September 30, 2018 were as follows (in thousands):

Fiscal Year Ending December 31,	
2018 (remaining 3 months)	\$ 121
2019	485
2020	493
2021	469
2022	429
Thereafter	218
Total	<u>\$ 2,215</u>

AMONE CORP.
NOTES TO FINANCIAL STATEMENTS
(unaudited)

5. Stockholder's Equity

For the nine months ended September 30, 2018, the Company made distributions to its sole shareholder totaling \$2,634 thousand.

6. Subsequent Events

On October 1, 2018, pursuant to a Share Purchase Agreement by and among QuinStreet, Inc. ("QuinStreet"), the Company and the Company's sole shareholder, Rod Romero (the "Seller"), entered into on October 1, 2018, QuinStreet acquired all of the issued and outstanding capital stock of the Company from the Seller.

The Company has evaluated subsequent events through December 17, 2018, which is the date the financial statements were issued.

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

On October 1, 2018, pursuant to a Share Purchase Agreement (the "Share Purchase Agreement") by and among QuinStreet, Inc. (the "Company"), AmOne Corp. ("AmOne") and Rod Romero (the "Seller") entered into on October 1, 2018, the Company acquired all of the issued and outstanding capital stock of AmOne from the Seller (the "Closing").

The Share Purchase Agreement required the Company to pay (i) at Closing, approximately \$20.3 million in cash, subject to certain closing adjustments as provided in the Share Purchase Agreement, including adjustments for cash, debt and net asset balance and (ii) up to \$8.0 million in additional post-Closing payments, payable in equal semi-annual installments over a two year period, with the first installment payable six-months following the date of Closing.

The Company has presented the pro forma combined balance sheet as if the acquisition had occurred on September 30, 2018 using the acquisition method of accounting. The Company has presented the pro forma combined statements of operations for the three months ended September 30, 2018 and the fiscal year ended June 30, 2018 as if the acquisition occurred on July 1, 2017.

These unaudited pro forma combined financial statements and the notes thereto should be read together with the Company's audited consolidated financial statements and the notes thereto contained in the Company's annual report on Form 10-K for the fiscal year ended June 30, 2018, filed with the Securities and Exchange Commission on September 12, 2018.

The pro forma combined financial statements are presented for illustrative purposes only and do not necessarily reflect what the combined company's financial condition or results of operations would have been had the acquisition occurred on the dates indicated, nor is it necessarily indicative of the future financial condition and results of operations of the combined company.

PRO FORMA COMBINED BALANCE SHEET
As of September 30, 2018
(In thousands)
(Unaudited)

	<u>QuinStreet, Inc.</u>	<u>AmOne Corp.</u>	<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>Pro Forma</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 70,519	\$ 889	\$ (23,039)	(a)	\$ 48,369
Accounts receivable, net	65,668	2,510	—		68,178
Marketable securities	—	404	—		404
Prepaid expenses and other assets	5,297	267	—		5,564
Total current assets	<u>141,484</u>	<u>4,070</u>	<u>(23,039)</u>		<u>122,515</u>
Property and equipment, net	4,126	122	—		4,248
Goodwill	62,283	—	4,065	(c)	66,348
Other intangible assets, net	7,835	—	23,900	(b)	31,735
Other assets, noncurrent	7,330	20	—		7,350
Total assets	<u>\$ 223,058</u>	<u>\$ 4,212</u>	<u>\$ 4,926</u>		<u>\$ 232,196</u>
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable	\$ 34,129	\$ 762	\$ —		\$ 34,891
Accrued liabilities	31,015	355	—		31,370
Deferred revenue	881	—	—		881
Other liabilities	—	—	2,066	(a)	2,066
Total current liabilities	<u>66,025</u>	<u>1,117</u>	<u>2,066</u>		<u>69,208</u>
Other liabilities, noncurrent	4,008	257	5,698	(a)	9,963
Total liabilities	<u>70,033</u>	<u>1,374</u>	<u>7,764</u>		<u>79,171</u>
Stockholders' equity:					
Common stock	49	8	(8)	(d)	49
Treasury stock	—	(416)	416	(d)	—
Additional paid-in capital	277,084	190	(190)	(d)	277,084
Accumulated other comprehensive loss	(302)	—	—		(302)
Accumulated deficit	<u>(123,806)</u>	<u>3,056</u>	<u>(3,056)</u>	(d)	<u>(123,806)</u>
Total stockholders' equity	<u>153,025</u>	<u>2,838</u>	<u>(2,838)</u>		<u>153,025</u>
Total liabilities and stockholders' equity	<u>\$ 223,058</u>	<u>\$ 4,212</u>	<u>\$ 4,926</u>		<u>\$ 232,196</u>

PRO FORMA COMBINED STATEMENT OF OPERATIONS
Fiscal Year Ended June 30, 2018
(In thousands, except per share data)
(Unaudited)

	<u>QuinStreet, Inc.</u>	<u>AmOne Corp.</u>	<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>Pro Forma</u>
Net revenue	\$ 404,358	\$ 21,779	\$ —		\$ 426,137
Cost of revenue	345,947	15,826	3	(f)	361,776
Gross profit	58,411	5,953	(3)		64,361
Operating expenses:					
Product development	13,805	463	—		14,268
Sales and marketing	10,414	732	—		11,146
General and administrative	18,556	1,112	—		19,668
Operating income	15,636	3,646	(3)		19,279
Interest income	181	—	—		181
Other income, net	687	45	—		732
Income before taxes	16,504	3,691	(3)		20,192
Provision for taxes	(574)	—	—	(g)	(574)
Net income	<u>\$ 15,930</u>	<u>\$ 3,691</u>	<u>\$ (3)</u>		<u>\$ 19,618</u>
Net income per share:					
Basic	<u>\$ 0.34</u>				<u>\$ 0.42</u>
Diluted	<u>\$ 0.32</u>				<u>\$ 0.39</u>
Weighted-average shares used in computing net income per share:					
Basic	46,417				46,417
Diluted	49,872				49,872

PRO FORMA COMBINED STATEMENT OF OPERATIONS
Three Months Ended September 30, 2018
(In thousands, except per share data)
(Unaudited)

	<u>QuinStreet, Inc.</u>	<u>AmOne Corp.</u>	<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>Pro Forma</u>
Net revenue	\$ 112,869	\$ 6,490	\$ —		\$ 119,359
Cost of revenue	96,813	4,731	1	(f)	101,545
Gross profit	16,056	1,759	(1)		17,814
Operating expenses:					
Product development	3,305	151	—		3,456
Sales and marketing	2,044	235	—		2,279
General and administrative	5,394	338	(172)	(e)	5,560
Operating income	5,313	1,035	171		6,519
Interest income	66	—	—		66
Other (expense) income, net	(67)	30	—		(37)
Income before taxes	5,312	1,065	171		6,548
Provision for taxes	(15)	—	—	(g)	(15)
Net income	<u>\$ 5,297</u>	<u>\$ 1,065</u>	<u>\$ 171</u>		<u>\$ 6,533</u>
Net income per share:					
Basic	<u>\$ 0.11</u>				<u>\$ 0.13</u>
Diluted	<u>\$ 0.10</u>				<u>\$ 0.12</u>
Weighted-average shares used in computing net income per share:					
Basic	48,663				48,663
Diluted	52,441				52,441

NOTES TO THE PRO FORMA COMBINED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The historical combined financial statements have been adjusted in the pro forma combined financial statements to give effect to pro forma events that are (1) directly attributable to the business combination, (2) factually supportable and (3) with respect to the pro forma combined statements of operations, expected to have a continuing impact on the combined results following the business combination.

As AmOne's fiscal year end is December 31, the Company has compiled the AmOne statement of operations for the twelve months ended June 30, 2018 by obtaining the statement of operations for the fiscal year ended December 31, 2017, adding the statement of operations activity from January 1, 2018 through June 30, 2018 and subtracting the statement of operations activity from January 1, 2017 through June 30, 2017.

Note 2. Preliminary Purchase Price Allocation

The Company acquired AmOne for approximately \$20.3 million in cash, subject to certain closing adjustments as provided in the Share Purchase Agreement, including adjustments for cash, debt and net asset balance and (ii) up to \$8.0 million in additional post-Closing payments, payable in equal semi-annual installments over a two year period, with the first installment payable six-months following the date of Closing. Total consideration at closing was calculated as follows (in thousands):

	Estimated Fair Value
Cash	\$ 23,039
Deferred payments	7,764
Total	\$ 30,803

The Company has performed a preliminary valuation analysis of the fair market value of AmOne's assets acquired. The following table summarizes the preliminary allocation of the purchase price and the estimated useful lives of the identifiable intangible assets acquired as of the date of the acquisition (in thousands):

	Estimated Fair Value	Estimated Useful Life
Customer/publisher/advertiser relationships	\$ 22,400	8 years
Website/trade/domain names	1,100	15 years
Acquired technology and others	400	3 years
Goodwill	4,065	Indefinite
Net assets	2,838	n/a
Total	\$ 30,803	

This preliminary purchase price allocation has been used to prepare pro forma adjustments in the pro forma combined financial statements. Due to the timing of the close of the acquisition, the Company is still finalizing the allocation of the purchase price to the individual assets acquired. Accordingly, these preliminary estimates are subject to change during the measurement period, which is the period subsequent to the acquisition date during which the acquiror may adjust the provisional amounts recognized for a business combination, not to exceed one year from the acquisition date. The final purchase price allocation, which may include changes in the allocations within intangible assets and between intangible assets and goodwill, will be determined when the Company has completed the detailed review of underlying inputs and assumptions used in its preliminary purchase price allocation.

Note 3. Pro Forma Adjustments

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

- (a) To record the total consideration paid related to the acquisition.
- (b) To record the fair value of the acquired assets as of the acquisition date.

NOTES TO THE PRO FORMA COMBINED FINANCIAL STATEMENTS
(Unaudited)

- (c) To record the goodwill associated with the acquisition.
- (d) Represents the elimination of the historical AmOne shareholder's equity.
- (e) Represents the elimination of nonrecurring acquisition costs incurred by the Company during the three months ended September 30, 2018 that are directly related to the acquisition.
- (f) To recognize the amortization associated with the intangible assets acquired by the Company on a straight-line basis over its estimated useful life.
- (g) No provision for income taxes was recorded related to the acquisition as the Company maintains a full valuation allowance against its deferred tax assets.