Cheniere Energy Partners, L.P.
Form SC 13D/A
August 09, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D/A

UNDER THE SECURITIES EXCHANGE ACT OF 1934

(Amendment No. 4)*

CHENIERE ENERGY PARTNERS, L.P.

(Name of Issuer)

Common Units

(Title of Class of Securities)

16411Q101

(CUSIP Number)

Meg A. Gentle

700 Milan Street

Suite 800

Houston, Texas 77002

(713) 375-5000

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

July 31, 2012

(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report this acquisition that is the subject of this Schedule 13D, and is filing this Schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box: ¨

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (**Act**) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act.

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(1) Name of reporting person

I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)

Cheniere Common Units Holding, LLC 26-2292018

(2) Check the appropriate box if a member of a group (see instructions)

(a) ¨

(b) ¨

(3) SEC use only

(4) Source of funds (see instructions)

OO

(5) Check box if disclosure of legal proceedings is required pursuant to Items 2(d) or 2(e)

¨

(6) Citizenship or place of organization

Delaware

Number of shares beneficially owned by each reporting person with	(7)	Sole voting power 11,963,488 Common Units
	(8)	Shared voting power
	(9)	Sole dispositive power 11,963,488 Common Units
	(10)	Shared dispositive power

(11) Aggregate amount beneficially owned by each reporting person

11,963,488 Common Units

(12) Check box if the aggregate amount in Row (11) excludes certain shares (see instructions)

¨ N/A

(13) Percent of class represented by amount in Row (11)

38.0%

(14) Type of reporting person

OO - limited liability company

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(1) Name of reporting person

I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)

Cheniere LNG Holdings, LLC 20-3313086

(2) Check the appropriate box if a member of a group (see instructions)

(a) ¨

(b) ¨

(3) SEC use only

(4) Source of funds (see instructions)

OO

(5) Check box if disclosure of legal proceedings is required pursuant to Items 2(d) or 2(e)

¨

(6) Citizenship or place of organization

Delaware

Number of shares beneficially owned by each reporting person with	(7)	Sole voting power 11,963,488 Common Units
	(8)	Shared voting power
	(9)	Sole dispositive power 11,963,488 Common Units
	(10)	Shared dispositive power

(11) Aggregate amount beneficially owned by each reporting person

11,963,488 Common Units

(12) Check box if the aggregate amount in Row (11) excludes certain shares (see instructions)

¨ N/A

(13) Percent of class represented by amount in Row (11)

38.0%

(14) Type of reporting person

OO - limited liability company

SCHEDULE 13D

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(1) Name of reporting person

I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)

Cheniere LNG Terminals, Inc. 20-2452062

(2) Check the appropriate box if a member of a group (see instructions)

(a) ¨

(b) ¨

(3) SEC use only

(4) Source of funds (see instructions)

OO

(5) Check box if disclosure of legal proceedings is required pursuant to Items 2(d) or 2(e)

¨

(6) Citizenship or place of organization

Delaware

Number of shares beneficially owned by each reporting person	(7)	Sole voting power 11,963,488 Common Units
	(8)	Shared voting power
	(9)	Sole dispositive power

with 11,963,488 Common Units

(10) Shared dispositive power

(11) Aggregate amount beneficially owned by each reporting person

11,963,488 Common Units

(12) Check box if the aggregate amount in Row (11) excludes certain shares (see instructions)

¨ N/A

(13) Percent of class represented by amount in Row (11)

38.0%

(14) Type of reporting person

CO

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(1) Name of reporting person

I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)

Cheniere LNG, Inc. 20-2342836

(2) Check the appropriate box if a member of a group (see instructions)

(a) ¨

(b) ¨

(3) SEC use only

(4) Source of funds (see instructions)

OO

(5) Check box if disclosure of legal proceedings is required pursuant to Items 2(d) or 2(e)

¨

(6) Citizenship or place of organization

Delaware

Number of shares beneficially owned by each reporting person with	(7)	Sole voting power 11,963,488 Common Units
	(8)	Shared voting power
	(9)	Sole dispositive power 11,963,488 Common Units
	(10)	Shared dispositive power

(11) Aggregate amount beneficially owned by each reporting person

11,963,488 Common Units

(12) Check box if the aggregate amount in Row (11) excludes certain shares (see instructions)

¨ N/A

(13) Percent of class represented by amount in Row (11)

38.0%

(14) Type of reporting person

CO

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(1) Name of reporting person

I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)

Cheniere Energy, Inc. 95-4352386

(2) Check the appropriate box if a member of a group (see instructions)

(a) ¨

(b) ¨

(3) SEC use only

(4) Source of funds (see instructions)

OO

(5) Check box if disclosure of legal proceedings is required pursuant to Items 2(d) or 2(e)

¨

(6) Citizenship or place of organization

Delaware

Number of shares beneficially owned by each reporting person with	(7)	Sole voting power 11,963,488 Common Units
	(8)	Shared voting power
	(9)	Sole dispositive power 11,963,488 Common Units
	(10)	Shared dispositive power

(11) Aggregate amount beneficially owned by each reporting person

11,963,488 Common Units

(12) Check box if the aggregate amount in Row (11) excludes certain shares (see instructions)

¨ N/A

(13) Percent of class represented by amount in Row (11)

38.0%

(14) Type of reporting person

CO

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Explanatory Note

This Amendment No. 4 to Schedule 13D (**Amendment No. 4**) amends and restates in its entirety the Schedule 13D filed on February 14, 2008 (the **Original Filing**), as amended by Amendment No. 1 to Schedule 13D filed on February 17, 2009 (**Amendment No. 1**), as amended and restated in its entirety by Amendment No. 2 to Schedule 13D filed on October 3, 2011 (**Amendment No. 2**) and as amended and restated in its entirety by Amendment No. 3 to Schedule 13D filed on June 21, 2012 (**Amendment No. 3** , and, together with the Original Filing, Amendment No. 1 and Amendment No. 2, the **Prior Filings**).

Item 1. Security and Issuer.

This Amendment No. 4 relates to the common units representing limited partner interests (the **Common Units**) of Cheniere Energy Partners, L.P., a Delaware limited partnership (the **Issuer**), which has its principal executive office at 700 Milam Street, Suite 800, Houston, Texas 77002.

Item 2. Identity and Background.

(a) This Amendment No. 4 is being jointly filed by each of the following persons pursuant to Rule 13d-1(a) of the Securities Exchange Act of 1934, as amended (the **Act**): (i) Cheniere Common Units Holding, LLC, a Delaware limited liability company (**Cheniere Common**), by virtue of its direct beneficial ownership of the Common Units; (ii) Cheniere LNG Holdings, LLC, a Delaware limited liability company (**Cheniere Holdings**), by virtue of its ownership of all the outstanding membership interests of Cheniere Common; (iii) Cheniere LNG Terminals, Inc., a Delaware corporation (**Cheniere Terminals**), by virtue of its ownership of all the outstanding membership interests of Cheniere Holdings; (iv) Cheniere LNG, Inc., a Delaware corporation (**Cheniere LNG**), by virtue of its ownership of all the outstanding common stock of Cheniere Terminals, and (v) Cheniere Energy, Inc., a Delaware corporation (**Cheniere Energy**), by virtue of its ownership of all the outstanding common stock of Cheniere LNG. Cheniere Common, Cheniere Holdings, Cheniere Terminals, Cheniere LNG and Cheniere Energy are collectively referred to herein as the **Reporting Persons** .

The Reporting Persons have entered into a Joint Filing Agreement, dated October 3, 2011, a copy of which was filed with Amendment No. 2 as Exhibit A (which is hereby incorporated by reference) pursuant to which the Reporting Persons have agreed to file this statement jointly in accordance with the provisions of Rule 13d-1(k)(1) under the Act. Information with respect to each Reporting Person is given solely by each such Reporting Person, and no Reporting Person assumes responsibility for the accuracy or completeness of the information furnished by another Reporting Person.

Pursuant to Rule 13d-4 of the Act, the Reporting Persons expressly declare that the filing of this statement shall not be construed as an admission that any such person is, for the purposes of Section 13(d) and/or Section 13(g) of the Act or otherwise, the beneficial owner of any securities covered by this Amendment No. 4 held by any other person.

Certain information required by this Item 2 concerning the executive officers, directors and managers of certain of the Reporting Persons is set forth on Schedule A, attached hereto, which is incorporated herein by reference.

(b) The business address of each of the Reporting Persons is 700 Milam Street, Suite 800, Houston, Texas 77002.

(c) Each of the Reporting Persons is engaged in the energy business.

(d)-(e) None of the Reporting Persons nor, to the best of any Reporting Person s knowledge, their respective executive officers or directors listed on Schedule A hereto has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or been party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceedings was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

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Item 3. Source and Amount of Funds or Other Consideration.

Pursuant to the Unit Purchase Agreement between the Issuer and Cheniere Terminals, dated May 14, 2012 (the **CBUH Purchase Agreement**), Cheniere Terminals agreed that it or one of its affiliates would acquire 33,333,334 newly created Class B Units of the Issuer (**Class B Units**) in exchange for $15.00 per unit. The closing of the acquisition of 11,111,111 Class B Units occurred on June 11, 2012 and the closing of the acquisition of the remaining 22,222,223 Class B Units occurred on July 31, 2012. The acquisition was completed by a direct, wholly owned subsidiary of Cheniere Terminals, Cheniere Class B Units Holdings, LLC (**CBUH**). CBUH used available cash obtained pursuant to an intercompany loan among its affiliates to acquire the Class B Units under the CBUH Purchase Agreement.

Earlier purchases of the Issuer s equity securities by the Reporting Persons are described in the Prior Filings.

Item 4. Purpose of the Transaction.

The Reporting Persons acquired the Common Units reported herein solely for investment purposes. The Reporting Persons may make additional purchases of Common Units either in the open market or in private transactions depending on the Reporting Persons business, prospects and financial condition, the market for the Common Units, general economic conditions, stock market conditions and other future developments.

The Reporting Persons and CBUH acquired the Class B Units solely for investment purposes and in connection with a Unit Purchase Agreement among the Issuer, Cheniere Energy and Blackstone CQP Holdco LP (**Purchaser**), dated May 14, 2014 (the **Blackstone Purchase Agreement**) pursuant to which the Purchaser has agreed to acquire 100,000,000 Class B Units in exchange for $1.5 billion in the aggregate (described further below). The Issuer intends to use the net proceeds from the transactions with CBUH and the Purchaser to pay for the construction of two liquefaction trains and related facilities and equipment located in Cameron Parish, Louisiana (the **Liquefaction Facilities**). In connection with the foregoing Class B Unit transactions, Cheniere Energy has agreed to grant to the Purchaser certain rights with respect to the board of directors of Cheniere Energy Partners GP, LLC, a Delaware limited liability company (the **General Partner**) and the general partner of the Issuer (as described below).

The following describes any other plans or proposals that the Reporting Persons may have with respect to the matters set forth in Item 4(a)-(j) of Schedule 13D:

(a) See Item 5 below regarding agreements pertaining to Additional Class B Units that CBUH may acquire.

(b) None.

(c) None.

(d) See Item 5 below regarding changes to the board of directors of the General Partner.

(e) Cheniere Holdings as owner of the General Partner, Cheniere Terminals as owner of Cheniere Holdings, Cheniere LNG as owner of Cheniere Terminals, and Cheniere Energy as owner of Cheniere LNG, may cause the Issuer to change its distribution policy or its capitalization, through the issuance of debt or equity securities, from time to time in the future.

(f) None.

(g) See Item 5 below for a description of changes in the Issuer s agreement of limited partnership and the General Partner s limited liability company agreement.

(h) None.

(i) None.

(j) Except as described in this Item 4, the Reporting Persons do not have, as of the date of this Schedule 13D, any plans or proposals that relate to or would result in any of the actions or events specified in clauses (a) through (i) of Item 4 of Schedule 13D. The Reporting Persons may change their plans or proposals in the future. In determining from time to time whether to sell the Common Units reported as beneficially owned in this Schedule 13D (and in what amounts) or to retain such securities, the Reporting Persons will take into consideration such factors as they deem relevant, including the business and prospects of the Issuer, anticipated future developments concerning the Issuer, existing and anticipated market conditions from time to time, general economic conditions, regulatory matters, and other opportunities available to the Reporting Persons. The Reporting Persons reserve the right to acquire additional securities of the Issuer in the open market, in privately negotiated transactions (which may be with the Issuer or with third parties) or otherwise, to dispose of all or a portion of their holdings of securities of the Issuer or to change their intention with respect to any or all of the matters referred to in this Item 4.

Item 5. Interests in Securities of the Issuer.

(a) Cheniere Common is the record and beneficial owner of 11,963,488 Common Units, which in the aggregate represents approximately 38.0% of the outstanding Common Units.

CBUH is the record and beneficial owner of 33,333,334 Class B Units, which in the aggregate represents 50% of the outstanding Class B Units. In addition, CBUH has the right to acquire 12,000,000 Class B Units pursuant to that certain Subscription Agreement dated as of May 14, 2012 (as amended, the **Subscription Agreement**) between the Issuer and Cheniere Terminals (as predecessor-in-interest to CBUH) upon satisfaction of the conditions specified therein.

Cheniere Holdings indirectly holds 135,383,831 subordinated units representing limited partner interests in the Issuer (**Subordinated Units**) which are convertible into an equal number of Common Units. By virtue of its ownership of all the outstanding membership interests of Cheniere Common and CBUH, Cheniere Holdings may be deemed to possess indirect beneficial ownership of the Common Units beneficially owned by Cheniere Common and the Class B Units beneficially owned by CBUH.

Cheniere Terminals does not directly own any units of the Issuer. By virtue of its ownership of all the outstanding membership interests of Cheniere Holdings, Cheniere Terminals may be deemed to possess indirect beneficial ownership of the Common Units, Subordinated Units and Class B Units beneficially owned by Cheniere Holdings.

Cheniere LNG does not directly own any units of the Issuer. By virtue of its ownership of all the outstanding common stock of Cheniere Terminals, Cheniere LNG may be deemed to possess indirect beneficial ownership of the Common Units, Subordinated Units and Class B Units beneficially owned by Cheniere Holdings.

Cheniere Energy does not directly own any units of the Issuer. By virtue of its ownership of all the outstanding common stock of Cheniere LNG, Cheniere Energy may be deemed to possess indirect beneficial ownership of the Common Units, Subordinated Units and Class B Units beneficially owned by Cheniere Holdings.

The filing of this Schedule 13D shall not be construed as an admission by any Reporting Person that, for the purpose of Section 13(d) or 13(g) of the Act, such Reporting Person is the beneficial owner of any securities covered by this Schedule 13D other than securities owned of record by such Reporting Person.

Except as indicated in this Item 5 or as set forth below, neither the Reporting Persons nor, to the best knowledge of the Reporting Persons, any of the persons named in Schedule A to this Schedule 13D owns beneficially, or has any right to acquire, directly or indirectly, any Common Units. Certain of the persons named in Schedule A to this Schedule 13D beneficially own Common Units in the amounts set forth next to their names in Schedule A.

(b) Cheniere Common has the power to vote or direct the vote and the power to dispose of or direct the disposition of the 11,963,488 Common Units beneficially owned by it.

CBUH has the power to vote or direct the vote of the 33,333,334 Class B Units owned by it. Each Class B Unit has the same power to vote as a Common Unit and owners of either security generally vote together as a single class. CBUH s voting power over the Class B Units beneficially owned by it together with Cheniere Common s voting power over the Common Units beneficially owned by it represent approximately 46% of the voting power of the currently outstanding Class B Units and Common Units voting together as a single class.

Cheniere Holdings indirectly holds 135,383,831 Subordinated Units which are convertible into an equal number of Common Units. By virtue of its ownership of all the outstanding membership interests of Cheniere Common and CBUH, Cheniere Holdings may be deemed to possess indirect beneficial ownership of the Common Units beneficially owned by Cheniere Common and the Class B Units beneficially owned by CBUH, and may be deemed to possess the power to vote or direct the vote and the power to dispose of or direct the disposition of such Common

Units and Class B Units.

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By virtue of its ownership of all the outstanding membership interests of Cheniere Holdings, Cheniere Terminals may be deemed to possess indirect beneficial ownership of the Common Units, Subordinated Units and Class B Units beneficially owned by Cheniere Holdings and may be deemed to possess the power to vote or direct the vote and the power to dispose of or direct the disposition of the Common Units, Subordinated Units and Class B Units beneficially owned by Cheniere Holdings.

By virtue of its ownership of all the outstanding common stock of Cheniere Terminals, Cheniere LNG may be deemed to possess indirect beneficial ownership of the Common Units, Subordinated Units and Class B Units beneficially owned by Cheniere Holdings and may be deemed to possess the power to vote or direct the vote and the power to dispose of or direct the disposition of the Common Units, Subordinated Units and Class B Units beneficially owned by Cheniere Holdings.

By virtue of its ownership of all the outstanding common stock of Cheniere LNG, Cheniere Energy may be deemed to possess indirect beneficial ownership of the Common Units, Subordinated Units and Class B Units beneficially owned by Cheniere Holdings and may be deemed to possess the power to vote or direct the vote and the power to dispose of or direct the disposition of the Common Units, Subordinated Units and Class B Units beneficially owned by Cheniere Holdings.

The filing of this Amendment No. 4 shall not be construed as an admission by any Reporting Person that, for the purpose of Section 13(d) or 13(g) of the Act, such Reporting Person is the beneficial owner of any securities covered by this Schedule 13D other than securities owned of record by such Reporting Person.

(c) None.

(d) No person other than the Reporting Persons has the right to receive or the power to direct the receipt of distributions from, or the proceeds from the sale of, the Common Units being reported on this Amendment No. 4.

(e) Not applicable

Item 6. Contracts, Arrangements; Understandings or Relationships with Respect to Securities of the Issuer

For further descriptions of the Blackstone Purchase Agreement, CBUH Purchase Agreement and Subscription Agreement, see the descriptions thereof in the Issuer s Form 8-K filed on May 14, 2012, which descriptions are incorporated herein by reference. Descriptions of the amended limited liability company agreement of the General Partner and an Investors and Registration Rights Agreement to be entered into by the Issuer, the General Partner, CBUH, Cheniere Energy and the Purchaser are also included in such Form 8-K and incorporated herein by reference. A description of the Issuer s amended agreement of limited partnership is included in the Issuer s Form 8-K filed on June 12, 2012, which description is incorporated herein by reference.

Item 7. Material to be Filed as Exhibits.

Exhibit A	Third Amended and Restated Agreement of Limited Partnership of Cheniere Energy Partners, L.P., dated as of August 9, 2012, incorporated by reference to Exhibit 3.1 to the Issuer s Current Report on Form 8-K filed on August 9, 2012.
Exhibit B	Unit Purchase Agreement, dated May 14, 2012, by and among Cheniere Energy Partners, L.P., Cheniere Energy, Inc. and Blackstone CQP Holdco LP, incorporated by reference to Exhibit 10.1 to the Issuer s Current Report on Form 8-K filed on May 15, 2012.
Exhibit C	Class B Unit Purchase Agreement, dated May 14, 2012, by and between Cheniere Energy Partners, L.P. and Cheniere LNG Terminals, Inc., incorporated by reference to Exhibit 10.2 to the Issuer s Current Report on Form 8-K filed on May 15, 2012.
Exhibit D	Subscription Agreement, dated May 14, 2012, by and between Cheniere Energy Partners, L.P. and Cheniere LNG Terminals, Inc., incorporated by reference to Exhibit 10.4 to the Issuer s Current Report on Form 8-K filed on May 15, 2012, as amended by that certain First Amendment to Class B Unit Purchase Agreement, dated August 10, 2012, by and between Cheniere Energy Partners, L.P. and Cheniere Class B Units Holdings, LLC, incorporated by reference to Exhibit 10.3 to the Issuer s Current Report on Form

8-K filed on August 9, 2012.

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SIGNATURES

After reasonable inquiry and to the best of each of the undersigned s knowledge and belief, each of the undersigned hereby certifies that the information set forth in this statement is true, complete and correct.

August 9, 2012

CHENIERE COMMON UNITS HOLDING, LLC

By: /s/ Meg A. Gentle
Meg A. Gentle
Title: Chief Financial Officer

CHENIERE LNG HOLDINGS, LLC

By: /s/ Meg A. Gentle
Meg A. Gentle
Title: Senior Vice President and Chief

Financial Officer

CHENIERE LNG TERMINALS, INC.

By: /s/ Meg A. Gentle
Meg A. Gentle
Title: Chief Financial Officer

CHENIERE LNG, INC.

By: /s/ Meg A. Gentle
Meg A. Gentle
Title: Chief Financial Officer

CHENIERE ENERGY, INC.

By: /s/ Meg A. Gentle
Meg A. Gentle
Title: Senior Vice President and Chief

Financial Officer

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Schedule A

General Partners, Executive Officers, Managers and Board of Directors

Cheniere Common Units Holding, LLC

Name	Position	Principal Occupation/Business	Common Units Beneficially Owned
Charif Souki	Chairman of the Board	Chairman, Chief Executive Officer and President of Cheniere Energy, Inc.	283,100(1)
R. Keith Teague	President and Manager	Senior Vice President Asset Group of Cheniere Energy, Inc.	None
Meg A. Gentle	Chief Financial Officer and Manager	Senior Vice President and Chief Financial Officer of Cheniere Energy, Inc.	8,035

The business address for each of the persons listed above is c/o Cheniere Common Units Holding, LLC, 700 Milam Street, Suite 800, Houston, Texas 77002.

Cheniere LNG Holdings, LLC

Name	Position	Principal Occupation/Business	Common Units Beneficially Owned
Charif Souki	Chairman of the Board	Chairman, Chief Executive Officer and President of Cheniere Energy, Inc.	283,100(1)
R. Keith Teague	President and Manager	Senior Vice President Asset Group of Cheniere Energy, Inc.	None
Meg A. Gentle	Senior Vice President, Chief Financial Officer and Manager	Senior Vice President and Chief Financial Officer of Cheniere Energy, Inc.	8,035

The business address for each of the persons listed above is c/o Cheniere LNG Holdings, LLC, 700 Milam Street, Suite 800, Houston, Texas 77002.

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Cheniere LNG Terminals, Inc.

Name	Position	Principal Occupation/Business	Common Units Beneficially Owned
Charif Souki	Chief Executive Officer	Chairman, Chief Executive Officer and President of Cheniere Energy, Inc.	283,100(1)
R. Keith Teague	President and Director	Senior Vice President Asset Group of Cheniere Energy, Inc.	None
Meg A. Gentle	Chief Financial Officer and Director	Senior Vice President and Chief Financial Officer of Cheniere Energy, Inc.	8,035

The business address for each of the persons listed above is c/o Cheniere LNG Terminals, Inc., 700 Milam Street, Suite 800, Houston, Texas 77002.

Cheniere LNG, Inc.

Name	Position	Principal Occupation/Business	Common Units Beneficially Owned
R. Keith Teague	President and Director	Senior Vice President Asset Group of Cheniere Energy, Inc.	None
E. Darron Granger	Senior Vice President, Engineering and Construction	Senior Vice President, Engineering and Construction of Cheniere LNG, Inc.	None
Meg A. Gentle	Chief Financial Officer and Director	Senior Vice President and Chief Financial Officer of Cheniere Energy, Inc.	8,035

The business address for each of the persons listed above is c/o Cheniere LNG, Inc., 700 Milam Street, Suite 800, Houston, Texas 77002.

Cheniere Energy, Inc.

Name	Position	Principal Occupation/Business	Common Units Beneficially Owned
Charif Souki	Chairman, Chief Executive Officer, President and Director	Chairman, Chief Executive Officer and President of Cheniere Energy, Inc.	283,100(1)
Walter L. Williams	Director	Previous senior executive in the oil and gas industry	15,388
Jean Abiteboul	Senior Vice President - International	Senior Vice President - International of Cheniere Energy, Inc.	None
Meg A. Gentle	Senior Vice President and Chief Financial Officer	Senior Vice President and Chief Financial Officer of Cheniere Energy, Inc.	8,035

R. Keith Teague	Senior Vice President Asset Group	Senior Vice President of Cheniere Energy, Inc.	Asset Group	None
H. Davis Thames	Senior Vice President Marketing	Senior Vice President Cheniere Energy, Inc.	Marketing of	500

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Greg W. Rayford	Senior Vice President and General Counsel	Senior Vice President and General Counsel of Cheniere Energy, Inc.	None
Vicky A. Bailey	Director	President of Anderson Stratton International, LLC	300
Nuno Brandolini	Director	Manager of the General Partner of Scorpion Capital Partners, L.P.	10,000
G. Andrea Botta	Director	President of Glenco LLC	None
Keith F. Carney	Director	Previous President of Dolomite Advisors, LLC	10,000
John M. Deutch	Director	Institute Professor at the Massachusetts Institute of Technology	5,000
Paul J. Hoenmans	Director	Previous senior executive in the oil and gas industry	150
David B. Kilpatrick	Director	President of Kilpatrick Energy Group	None

The business address for each of the persons listed above is c/o Cheniere Energy, Inc., 700 Milam Street, Suite 800, Houston, Texas 77002.

(1) All 283,100 units are held by Mr. Souki s wife, and Mr. Souki may be deemed to possess indirect beneficial ownership of these units.

yle="overflow:hidden;font-size:10pt;">
40,952

Dilutive potential common shares
—

—

925

959

Weighted average common shares outstanding, diluted
41,635

40,950

42,329

41,911

Net income (loss) per share attributable to Blucora, Inc. - basic:

Continuing operations
$
(0.33
)

$
(0.30
)

$
0.29

$
0.23

Discontinued operations
(0.97
)

0.04

(1.40
)

0.18

Basic net income (loss) per share
$
(1.30
)

$
(0.26
)

$
(1.11
)

$
0.41

Net income (loss) per share attributable to Blucora, Inc. - diluted:

Continuing operations
$
(0.33
)

$
(0.30
)

$
0.29

$
0.23

Discontinued operations
(0.97
)

0.04

(1.37
)

0.17

Diluted net income (loss) per share
$
(1.30
)

$
(0.26
)

$
(1.08
)

$
0.40

Shares excluded
10,246

6,195

6,317

2,950

Shares excluded primarily related to the antidilutive effect of a net loss (for the three months ended September 30, 2016 and 2015) and stock options with an exercise price greater than the average price during the applicable periods.
As more fully discussed in "Note 7: Debt," in March 2013, the Company issued the Notes, which are convertible and mature in April 2019. In May 2013, the Company received shareholder approval for “flexible settlement,” which provided the Company with the option to settle conversions in cash, shares of common stock, or any combination thereof. The Company intends, upon conversion or maturity of the Notes, to settle the principal in cash and satisfy any conversion premium by issuing shares of its common stock. The Company expects to have the liquidity to satisfy conversion of the Notes' principal for cash based upon cash on hand, net cash flows from operations, and cash available through the credit facility. As a result, the Company only includes the impact of the premium feature in its dilutive potential common shares when the average stock price during the quarter exceeds the conversion price of the Notes, which did not occur during the three months ended September 30, 2016 and 2015.

Note 13: Subsequent Event

On October 27, 2016, Blucora announced plans to relocate its corporate headquarters by June 2017 from Bellevue, Washington to Irving, Texas as part of the Strategic Transformation and “One Company” operating model. The actions to relocate corporate headquarters are intended to drive efficiencies, improve operational effectiveness, and deliver cost savings over time. The Company expects to incur restructuring charges between $7.5 million and $11.3 million, of which we estimate $1.9 million to $2.6 million are non-cash expenses. Such range primarily includes severance and costs to exit the leased facility in Bellevue, as well as loss on disposal of property and equipment, primarily driven by leasehold improvements, and other move-related expenses. In addition, the Company expects to incur costs between $3.0 million and $4.0 million associated with expenses that do not qualify for restructuring classification, such as recruiting and overlap in personnel expenses as we transition positions to Irving, Texas. We expect that the majority of these costs will be incurred over the next three quarters.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. The statements in this report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements generally are identified by the words "anticipate," "believe," "plan," "project," "expect," "future," "intend," "may," "will," "should," "estimate," "predict," "potential," "continue," and similar expressions. These forward-looking statements include, but are not limited to: statements regarding projections of our future financial performance; trends in our businesses; our future business plans and growth strategy, including our "Strategic Transformation"; and the sufficiency of our cash balances and cash generated from operating, investing, and financing activities for our future liquidity and capital resource needs.

Forward-looking statements are subject to known and unknown risks, uncertainties, and other factors that may cause our results, levels of activity, performance, achievements, and prospects to be materially different from those expressed or implied by such forward-looking statements. These risks, uncertainties, and other factors include, among others, those identified under Part II Item 1A, “Risk Factors,” and elsewhere in this report. You should not rely on forward-looking statements included herein, which speak only as of the date of this Quarterly Report on Form 10-Q or the date specified herein. We do not undertake any obligation to update publicly any forward-looking statement to reflect new information, events, or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events.

Overview

Blucora (the “Company,” “Blucora,” or “we”) operates two primary businesses: a Wealth Management business and an online Tax Preparation business. The Wealth Management business consists of the operations of HDV Holdings, Inc. and its subsidiaries (“HD Vest”), which we acquired on December 31, 2015. HD Vest is included in Blucora's results of operations as of January 1, 2016. HD Vest provides wealth management solutions for financial advisors. The Tax Preparation business consists of the operations of TaxAct, Inc. (“TaxAct”) and provides digital tax preparation solutions for consumers, small business owners, and tax professionals.

Blucora also operated an internet Search and Content business and continues to operate an E-Commerce business. The Search and Content business operated through the InfoSpace LLC subsidiary (“InfoSpace”) and provided search services to users of our owned and operated and distribution partners' web properties, as well as online content through HowStuffWorks (“HSW”). The E-Commerce business consists of the operations of Monoprice, Inc. (“Monoprice”) and sells self-branded electronics and accessories to both consumers and businesses. See further information regarding these businesses under "Strategic Transformation" below.

Strategic Transformation

On October 14, 2015, we announced our plans to focus on the technology-enabled financial solutions market (the “Strategic Transformation”). Strategic Transformation refers to our transformation into a technology-enabled financial solutions company comprised of TaxAct and HD Vest, and our intention to divest our Search and Content and E-Commerce businesses. The transformation will, among other things, result in fewer support requirements and, therefore, reduced corporate operating expenses. We also expect our capital allocation priority in the near-term to be to pay down debt, which includes using all of the net divestiture proceeds from the sales of the Search and Content business and the E-Commerce business to pay down the new TaxAct - HD Vest 2015 credit facility. The elements of our Strategic Transformation are described in more detail below. For a discussion of the associated risks, see the sections under the heading "Risks Associated With our Strategic Transformation" in Part II Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2015.

Acquisition: On December 31, 2015, we acquired HD Vest for $613.7 million, including cash acquired of $38.9 million and after a $1.8 million final working capital adjustment in the first quarter of 2016. HD Vest provides wealth management solutions for financial advisors and is expected to be synergistic with TaxAct as a result of cross-serving opportunities and an expanded addressable market for both HD Vest and TaxAct. The acquisition was funded by a combination of cash on hand and the new TaxAct - HD Vest 2015 credit facility, under which we borrowed $400.0 million. During the last half of 2015, we incurred transaction costs of $11.0 million.

See "Note 3: Business Combinations" and "Note 7: Debt" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report for additional information on the HD Vest acquisition and the new credit facility, respectively.

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Business divestitures and chief executive officer change: On October 14, 2015, we announced plans to divest the Search and Content and E-Commerce businesses. Accordingly, our financial condition, results of operations, and cash flows reflect the Search and Content and E-Commerce businesses as discontinued operations for all periods presented. Unless otherwise specified, disclosures in "Management's Discussion and Analysis of Financial Condition and Results of Operations" reflect continuing operations.

On August 9, 2016, we closed on an agreement with OpenMail LLC (“OpenMail”), under which OpenMail acquired substantially all of the assets and assumed certain specified liabilities of the Search and Content business for $45.2 million, which included a working capital adjustment. Of this amount, $44.7 million was received in the third quarter of 2016, and the remaining $0.5 million should be received in the fourth quarter of 2016. We used all of the proceeds to pay down debt.

We expect to incur business exit costs of approximately $4.5 million. Of this amount, $3.6 million has been recorded through September 30, 2016, with the vast majority of these costs recorded in discontinued operations. The remaining costs are contingent upon the sale of the E-Commerce business and will be recorded at the time of sale.

See "Note 4: Discontinued Operations" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report for additional information on discontinued operations.

On October 14, 2015, we also announced the departure of our former chief executive officer. His departure became effective March 31, 2016. In conjunction with such announcement, we recorded $1.8 million of separation-related costs, most of which were pursuant to the former chief executive officer's employment agreement and paid in April 2016. On March 12, 2016, our Board of Directors appointed our new chief executive officer, effective April 4, 2016.

Our Continuing Businesses

Wealth Management

The HD Vest business provides wealth management solutions for financial advisors. Specifically, HD Vest provides an integrated platform of brokerage, investment advisory, and insurance services to assist in making each financial advisor a financial service center for his/her clients. HD Vest generates revenue primarily through commissions, quarterly investment advisory fees based on assets under management, and other fees.

HD Vest was founded to help tax and accounting professionals integrate financial services into their practices. The company primarily recruits independent tax professionals with established tax practices and offers specialized training and support, which allows them to join the HD Vest platform as independent financial advisors. HD Vest's business model provides an open-architecture investment platform and technology tools to help financial advisors identify investment opportunities for their clients, while the long-standing tax advisory relationships provide a large client base of possible investment clients. This results in an experienced and stable network of financial advisors, who have multiple revenue-generating options to diversify their earnings sources.

Our Wealth Management business is subject to certain additional financial industry regulations and supervision, including by the SEC, FINRA, the DOL, state securities and insurance regulators, and other regulatory authorities. For additional information regarding the potential impact of governmental regulation on our operations and results, see the Risk Factor "Increased government regulation of our business may harm our operating results" in Part II Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2015.

Tax Preparation

Our TaxAct business provides digital tax preparation solutions for consumers, small business owners, and tax professionals. TaxAct generates revenue primarily through its online service at www.TaxAct.com.

We have four offerings for consumers for tax year 2015: a "free" federal and state edition that handles simple returns; a "basic" offering that contains all of the features of the free federal edition in addition to import capabilities, taxpayer phone support, and return preparation assistance tools; a "plus" offering that contains all of the basic offering features in addition to tools to maximize credits and deductions, and enhanced reporting; and a "premium" offering that contains all of the plus offering features in addition to tools for self-employed individuals to maximize credits and deductions. For the latter three offerings, state returns can be filed through the separately-sold state edition. We also have an offering for small business owners. TaxAct's offerings come with a price lock guarantee, whereby the price at the start of the tax return filing process holds until the return is filed, rather than pricing the offering at the time that the tax return is filed. In addition to these core

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offerings, TaxAct also offers ancillary services such as refund payment transfer, data archive services, audit defense, stored value cards, and other add-on services.

TaxAct’s professional tax preparer software allows professional tax preparers to file individual and business returns for their clients. TaxAct offers flexible pricing and packaging options that help tax professionals save money by paying only for what they need.

Acquisitions

On December 31, 2015, we acquired HD Vest, as described further under "Strategic Transformation" above. HD Vest is included in Blucora's results of operations as of January 1, 2016. Accordingly, the results discussed below were impacted by the timing of this acquisition, in which 2016 includes a full year of results as compared to no results in 2015.

On July 2, 2015, TaxAct acquired SimpleTax Software Inc. (“SimpleTax”), a provider of online tax preparation services for individuals in Canada through its website www.simpletax.ca, for C$2.4 million (with C$ indicating Canadian dollars and amounting to approximately $1.9 million based on the acquisition-date exchange rate) in cash and additional consideration of up to C$4.6 million ($3.7 million) that is contingent upon product availability and revenue performance over a three-year period. SimpleTax is included in our financial results beginning on July 2, 2015.

Seasonality

Our Tax Preparation segment is highly seasonal, with a significant portion of its annual revenue earned in the first four months of our fiscal year. During the third and fourth quarters, the Tax Preparation segment typically reports losses because revenue from the segment is minimal while core operating expenses continue.

Comparability

We reclassified certain amounts related to discontinued operations. See "Note 4: Discontinued Operations" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report for additional information.

RESULTS OF OPERATIONS

Summary

(In thousands, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Percentage Change	2016	2015	Percentage Change
Revenue	$83,237	$2,875	2,795 %	$369,110	$114,843	221 %
Operating income (loss)	$(10,508)	$(16,054)	(35)%	$51,292	$23,871	115 %

Three months ended September 30, 2016 compared with three months ended September 30, 2015

Total revenues increased approximately $80.4 million due to increases of $80.1 million and $0.3 million in revenue related to our Wealth Management and Tax Preparation businesses, respectively.

Operating loss decreased approximately $5.5 million, consisting of the $80.4 million increase in revenue and offset by a $74.8 million increase in operating expenses. Key changes in operating expenses were:

- $68.5 million increase in the Wealth Management segment’s operating expenses due to the timing of the HD Vest acquisition.
- $2.1 million increase in the Tax Preparation segment’s operating expenses, primarily due to higher spending on marketing, higher professional services fees mostly related to development projects, and, to a lesser extent, higher personnel expenses resulting from overall increased headcount supporting most functions.
- $4.2 million increase in corporate-level expense activity, primarily due to higher amortization expense related to HD Vest acquisition-related intangible assets, higher stock-based compensation mainly related to a net increase in stock award grants (including to HD Vest employees), higher depreciation expense mainly related to HD Vest fixed assets, and costs incurred as part of our Strategic Transformation, offset by lower amortization expense associated

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with concluding the useful life of certain TaxAct acquisition-related intangible assets during 2016 and lower acquisition-related costs due to professional services fees and other direct transaction costs incurred in the prior year related to the HD Vest acquisition.
Segment results are discussed in the next section.
Nine months ended September 30, 2016 compared with nine months ended September 30, 2015
Total revenues increased approximately $254.3 million due to increases of $233.5 million and $20.8 million in revenue related to our Wealth Management and Tax Preparation businesses, respectively.
Operating income increased approximately $27.4 million, consisting of the $254.3 million increase in revenue and offset by a $226.8 million increase in operating expenses. Key changes in operating expenses were:

- $201.0 million increase in the Wealth Management segment's operating expenses due to the timing of the HD Vest acquisition.
- $9.3 million increase in the Tax Preparation segment's operating expenses, primarily due to higher spending on marketing, higher personnel expenses resulting from overall increased headcount supporting most functions, higher data center costs mostly related to third-party technology fees (software support and maintenance, bandwidth and hosting, and professional services), higher third-party costs associated with additional features in the current year offerings, and an increase in professional services fees mostly related to development projects.
- $16.5 million increase in corporate-level expense activity, primarily due to the same factors described above that impacted the quarterly period.

Segment results are discussed in the next section.
SEGMENT REVENUE/OPERATING INCOME
The revenue and operating income amounts in this section are presented on a basis consistent with accounting principles generally accepted in the U.S. ("GAAP") and include certain reconciling items attributable to each of the segments. Segment information appearing in "Note 11: Segment Information" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report is presented on a basis consistent with our current internal management financial reporting. We do not allocate certain general and administrative costs (including personnel and overhead costs), stock-based compensation, acquisition-related costs, depreciation, amortization of acquired intangible assets, other loss, net, and income taxes to segment operating results. We analyze these separately.
Following the acquisition of HD Vest and the discontinued operations treatment of Search and Content and E-Commerce, we determined that we have two reportable segments: Wealth Management and Tax Preparation.
Wealth Management
On December 31, 2015, we acquired HD Vest, a provider of wealth management solutions for financial advisors. HD Vest is included in Blucora's results of operations as of January 1, 2016.

(In thousands, except percentages)	Three months ended September 30, 2016	Nine months ended September 30, 2016
Revenue	$ 80,088	$ 233,496
Operating income	$ 11,628	$ 32,458
Segment margin	15 %	14 %

Wealth Management revenue is derived from multiple sources. We track sources of revenue, primary drivers of each revenue source, and recurring revenue. In addition, we focus on several business and key financial metrics in evaluating the success of our business relationships and our resulting financial position and operating performance. A summary of our sources of revenue and business metrics are as follows.

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Sources of revenue

(In thousands)	Sources of Revenue	Primary Drivers	Three months ended September 30, 2016	Nine months ended September 30, 2016
Advisor-driven	Commission	- Transactions - Asset levels	$38,962	$111,070
	Advisory	- Advisory asset levels	32,705	95,759
Other revenue	Asset-based	- Cash balances - Interest rates - Number of accounts - Client asset levels	5,476	16,689
	Transaction and fee	- Account activity - Number of clients - Number of advisors - Number of accounts	2,945	9,978
	Total revenue		$80,088	$233,496
	Total recurring revenue		$62,543	$183,772
	Recurring revenue rate		78.1 %	78.7 %

Recurring revenue consists of trailing commissions, advisory fees, fees from cash sweep programs, and certain transaction and fee revenue, all as described further below in Commission revenue, Advisory revenue, Asset-based revenue, and Transaction and fee revenue, respectively. Certain recurring revenues are associated with asset balances and will fluctuate depending on market values and current interest rates. Accordingly, our recurring revenue can be negatively impacted by adverse external market conditions. However, recurring revenue is meaningful despite these fluctuations because it is not dependent upon transaction volumes or other activity-based revenues, which are more difficult to predict, particularly in declining or volatile markets.

Business metrics

(In thousands, except percentages and as otherwise indicated)	September 30, 2016
Total Assets Under Administration ("AUA")	$38,482,620
Advisory Assets Under Management ("AUM")	$10,204,448
Percentage of total AUA	26.5 %
Number of advisors (in ones)	4,568

Commission revenue: We generate two types of commissions: transaction-based sales commissions and trailing commissions. Transaction-based sales commissions, which occur when clients trade securities or purchase investment products, represent gross commissions generated by our financial advisors. The level of transaction-based sales commissions can vary from period to period based on the overall economic environment, number of trading days in the reporting period, and investment activity of our financial advisors' clients. We earn trailing commissions (a commission or fee that is paid periodically over time) on mutual funds and variable annuities held by clients. Trailing commissions are recurring in nature and are based on the market value of investment holdings in trail-eligible assets. Our commission revenue, by product category and by sales-based and trailing, was as follows:

(In thousands)	Three months ended September 30, 2016	Nine months ended September 30, 2016

By product category:		
Mutual funds	$ 20,196	$ 59,021
Variable annuities	12,395	35,725
Insurance	3,689	8,836
General securities	2,682	7,488
Total commission revenue	$ 38,962	$ 111,070
By sales-based and trailing:		
Sales-based	$ 16,925	$ 47,703
Trailing	22,037	63,367
Total commission revenue	$ 38,962	$ 111,070

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Advisory revenue: Advisory revenue primarily includes fees charged to clients in advisory accounts where HD Vest is the Registered Investment Advisor ("RIA") and is based on the value of advisory assets under management. Advisory fees are typically billed to clients quarterly, in advance, and are recognized as revenue ratably during the quarter. The value of the assets in an advisory account on the billing date determines the amount billed and, accordingly, the revenues earned in the following three-month period. The majority of our accounts are billed in advance using values as of the last business day of the prior calendar quarter.

The activity within our advisory assets under management was as follows:

(In thousands)	Three months ended September 30, 2016	Nine months ended September 30, 2016
Balance, beginning of the period	$9,814,232	$9,692,244
Net increase (decrease) in new advisory assets	131,982	(1,357)
Market impact and other	258,234	513,561
Balance, end of the period	$10,204,448	$10,204,448

Increases or decreases in advisory assets have a limited impact on advisory fee revenue in the period in which they occur. Rather, increases or decreases in advisory assets are a primary driver of future advisory fee revenue. Advisory revenue for a particular quarter is predominately driven by the prior quarter-end advisory assets under management.

Asset-based revenue: Asset-based revenue primarily includes fees from financial product manufacturer sponsorship programs and cash sweep programs.

Transaction and fee revenue: Transaction and fee revenue primarily includes fees for executing certain transactions in client accounts and fees related to services provided and other account charges as generally outlined in agreements with financial advisors, clients, and financial institutions.

Tax Preparation

(In thousands, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Percentage Change	2016	2015	Percentage Change
Revenue	$3,149	$2,875	10 %	$135,614	$114,843	18 %
Operating income (loss)	$(4,382)	$(2,542)	72 %	$72,987	$61,493	19 %
Segment margin	(139)%	(88)%		54 %	54 %	

Tax Preparation revenue is derived primarily from sales of our consumer tax preparation software and online services as well as other offerings and ancillary services to consumers and small business owners. We also generate revenue through the professional tax preparer software that we sell to professional tax preparers who use it to prepare and file individual and business returns for their clients.

We measure our consumer tax preparation customers using the number of accepted federal tax e-files made through our software and online services. We consider growth in the number of e-files to be the most important non-financial metric in measuring the performance of the consumer side of the Tax Preparation business.

We measure our professional tax preparer customers using three metrics--the number of accepted federal tax e-files made through our software, the number of units sold, and the number of e-files per unit sold. We consider growth in these areas to be the most important non-financial metrics in measuring the performance of the professional tax preparer side of the Tax Preparation business.

Three months ended September 30, 2016 compared with three months ended September 30, 2015

Tax Preparation revenue was comparable to the prior period.

Tax Preparation operating loss increased approximately $1.8 million, due mainly to a $2.1 million increase in operating expenses. The increase in Tax Preparation segment operating expenses primarily was due to increased spending on marketing,

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an increase in professional services fees mostly related to development projects, and, to a lesser extent, an increase in personnel expenses resulting from overall higher headcount supporting most functions.

Nine months ended September 30, 2016 compared with nine months ended September 30, 2015

Tax Preparation revenue increased approximately $20.8 million primarily due to growth in revenue earned from online consumer users, increased sales of ancillary services, and increased sales of our professional tax preparer software. Online consumer revenue grew, despite a decrease in e-files, due to growth in average revenue per user, primarily resulting from the re-packaging of our offerings and related price increases for tax year 2015. Revenue derived from professional tax preparers also contributed to the increase, primarily due to an increase in the number of professional preparer units sold.

Tax Preparation operating income increased approximately $11.5 million, consisting of the $20.8 million increase in revenue and offset by a $9.3 million increase in operating expenses. The increase in Tax Preparation segment operating expenses primarily was due to increased spending on marketing, an increase in personnel expenses resulting from overall higher headcount supporting most functions, increased data center costs mostly related to third-party technology fees (software support and maintenance, bandwidth and hosting, and professional services), increased third-party costs associated with additional features in the current year offerings, and an increase in professional services fees mostly related to development projects.

Corporate-Level Activity

(In thousands)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	2016	2015	Change
Operating expenses	$4,907	$4,433	$474	$14,066	$13,471	$595
Stock-based compensation	3,364	2,074	1,290	10,616	5,974	4,642
Acquisition-related costs	—	1,314	(1,314)	391	1,314	(923)
Depreciation	1,137	585	552	3,386	1,661	1,725
Amortization of acquired intangible assets	8,346	5,106	3,240	25,694	15,202	10,492
Total corporate-level activity	$17,754	$13,512	$4,242	$54,153	$37,622	$16,531

Certain corporate-level activity is not allocated to our segments, including certain general and administrative costs (including personnel and overhead costs), stock-based compensation, acquisition-related costs, depreciation, and amortization of acquired intangible assets. For further detail, refer to segment information appearing in “Note 11: Segment Information” of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

Three months ended September 30, 2016 compared with three months ended September 30, 2015

Operating expenses included in corporate-level activity increased primarily due to costs incurred as part of our Strategic Transformation.

Stock-based compensation increased primarily due to a net increase in stock award grants (including to HD Vest employees).

Acquisition-related costs include professional services fees and other direct transaction costs and changes in the fair value of contingent consideration liabilities related to acquired companies. The decrease relates to professional services fees and other direct transaction costs incurred in the prior year related to the HD Vest acquisition.

Depreciation increased primarily due to depreciation expense on HD Vest fixed assets.

Amortization of acquired intangible assets increased primarily due to amortization expense on HD Vest acquisition-related intangible assets, offset by lower amortization expense associated with concluding the useful life of certain TaxAct acquisition-related intangible assets during 2016.

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Nine months ended September 30, 2016 compared with nine months ended September 30, 2015

Operating expenses included in corporate-level activity increased primarily due to costs incurred as part of our Strategic Transformation, offset by lower headcount.

Stock-based compensation, depreciation, and amortization of acquired intangible assets were affected by the same factors described above that impacted the quarterly period.

Acquisition-related costs decreased due to professional services fees and other direct transaction costs incurred in the prior year related to the HD Vest acquisition, offset by changes in the fair value of the SimpleTax contingent consideration liability, which was revalued in the second quarter of 2016.

OPERATING EXPENSES

Cost of Revenue

(In thousands, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	2016	2015	Change
Wealth management services cost of revenue	$54,921	$—	$54,921	$158,213	$—	$158,213
Tax preparation services cost of revenue	1,319	1,170	149	6,549	4,680	1,869
Amortization of acquired technology	49	1,911	(1,862)	765	5,636	(4,871)
Total cost of revenue	$56,289	$3,081	$53,208	$165,527	$10,316	$155,211
Percentage of revenue	68 %	107 %		45 %	9 %	

We record the cost of revenue for sales of services when the related revenue is recognized. Services cost of revenue consists of costs related to our Wealth Management and Tax Preparation businesses, which include commissions to financial advisors, third-party costs, and costs associated with the technical support team and the operation of our data centers. Data center costs include personnel expenses (salaries, stock-based compensation, benefits, and other employee-related costs), the cost of temporary help and contractors, professional services fees (which include technology project consulting fees), software support and maintenance, bandwidth and hosting costs, and depreciation. Cost of revenue also includes the amortization of acquired technology.

Three months ended September 30, 2016 compared with three months ended September 30, 2015

Wealth management services cost of revenue increased due to the timing of the HD Vest acquisition.

Tax preparation services cost of revenue was comparable to the prior period.

Amortization of acquired technology decreased due to amortization expense associated with concluding the useful life of certain TaxAct acquisition-related intangible assets during 2016.

Nine months ended September 30, 2016 compared with nine months ended September 30, 2015

Wealth management services cost of revenue increased due to the timing of the HD Vest acquisition.

Tax preparation services cost of revenue increased primarily due to higher data center costs mostly related to third-party technology fees (software support and maintenance, bandwidth and hosting, and professional services) and higher third-party costs associated with additional features in the current year offerings.

Amortization of acquired technology was affected by the same factor described above that impacted the quarterly period.

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Engineering and Technology

(In thousands, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	2016	2015	Change
Engineering and technology	$4,588	$1,251	$3,337	$12,842	$3,471	$9,371
Percentage of revenue	6 %	44 %		3 %	3 %	

Engineering and technology expenses are associated with the research, development, support, and ongoing enhancements of our offerings, which include personnel expenses (salaries, stock-based compensation, benefits, and other employee-related costs), the cost of temporary help and contractors, software support and maintenance, bandwidth and hosting, and professional services fees.

Three months ended September 30, 2016 compared with three months ended September 30, 2015

Engineering and technology expenses increased, of which $2.3 million was attributable to HD Vest (excluding stock-based compensation) and related to the timing of the HD Vest acquisition. The remaining increase primarily was due to a $0.6 million increase in personnel expenses, mainly related to higher stock-based compensation due to an increase in stock award grants (including to HD Vest employees) and higher headcount in our Tax Preparation business, and an increase in professional services fees mostly related to Tax Preparation development projects.

Nine months ended September 30, 2016 compared with nine months ended September 30, 2015

Engineering and technology expenses increased, of which $6.6 million was attributable to HD Vest (excluding stock-based compensation) and related to the timing of the HD Vest acquisition. The remaining increase primarily was due to a $2.2 million increase in personnel expenses, which were affected by the same factors described above that impacted the quarterly period, and, to a lesser extent, an increase in professional services fees mostly related to Tax Preparation development projects.

Sales and Marketing

(In thousands, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	2016	2015	Change
Sales and marketing	$11,965	$2,113	$9,852	$75,715	$42,824	$32,891
Percentage of revenue	14 %	73 %		21 %	37 %	

Sales and marketing expenses consist principally of personnel expenses (salaries, stock-based compensation, benefits, and other employee-related costs) and the cost of temporary help and contractors for those engaged in marketing, selling, and sales support operations activities, marketing expenses associated with our HD Vest and TaxAct businesses (which primarily include television, radio, online, text, email, and sponsorship channels), and back office processing support expenses associated with our HD Vest business (occupancy and general office expenses, regulatory fees, and license fees).

Three months ended September 30, 2016 compared with three months ended September 30, 2015

Sales and marketing expenses increased, of which $8.1 million was attributable to HD Vest (excluding stock-based compensation) and related to the timing of the HD Vest acquisition. The remaining increase primarily was due to a $1.1 million increase in marketing expenses and a $0.6 million increase in personnel expenses. The increase in marketing expenses was driven by increased marketing in our Tax Preparation business. Personnel expenses increased primarily due to higher stock-based compensation with an increase in stock award grants (including to HD Vest employees) and higher headcount in our Tax Preparation business.

Nine months ended September 30, 2016 compared with nine months ended September 30, 2015

Sales and marketing expenses increased, of which $26.6 million was attributable to HD Vest (excluding stock-based compensation) and related to the timing of the HD Vest acquisition. The remaining increase primarily was due to a $4.3 million increase in marketing expenses and a $1.7 million increase in personnel expenses, both of which were affected by the same factors described above that impacted the quarterly period.

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General and Administrative

(In thousands, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	2016	2015	Change
General and administrative	$11,638	$8,895	$2,743	$35,899	$23,694	$12,205
Percentage of revenue	14 %	309 %		10 %	21 %	

General and administrative ("G&A") expenses consist primarily of personnel expenses (salaries, stock-based compensation, benefits, and other employee-related costs), the cost of temporary help and contractors, professional services fees (which include legal, audit, and tax fees), general business development and management expenses, occupancy and general office expenses, business taxes, and insurance expenses.

Three months ended September 30, 2016 compared with three months ended September 30, 2015

G&A expenses increased, of which $3.2 million was attributable to HD Vest (excluding stock-based compensation) and related to the timing of the HD Vest acquisition. The remaining increase primarily was due to a $0.9 million net increase in personnel expenses, which included higher stock-based compensation, mainly related to a net increase in stock award grants (including to HD Vest employees), and costs incurred related to our Strategic Transformation. These increases were offset by a $1.3 million decrease in acquisition-related costs due to professional services fees and other direct transaction costs incurred in the prior year related to the HD Vest acquisition.

Nine months ended September 30, 2016 compared with nine months ended September 30, 2015

G&A expenses increased, of which $9.6 million was attributable to HD Vest (excluding stock-based compensation) and related to the timing of the HD Vest acquisition. The remaining increase primarily was due to a $3.4 million net increase in personnel expenses, which was affected by the same factors described above that impacted the quarterly period and offset by lower headcount. These increases were offset by a $0.9 million net decrease in acquisition-related costs due to professional services fees and other direct transaction costs incurred in the prior year related to the HD Vest acquisition, offset by changes in the fair value of the SimpleTax contingent consideration liability, which was revalued in the second quarter of 2016.

Depreciation and Amortization of Acquired Intangible Assets

(In thousands, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	2016	2015	Change
Depreciation	$968	$394	$574	$2,906	$1,101	$1,805
Amortization of acquired intangible assets	8,297	3,195	5,102	24,929	9,566	15,363
Total	$9,265	$3,589	$5,676	$27,835	$10,667	$17,168
Percentage of revenues	11 %	125 %		8 %	9 %	

Depreciation of property and equipment includes depreciation of computer equipment and software, office equipment and furniture, and leasehold improvements not recognized in cost of revenue. Amortization of acquired intangible assets primarily includes the amortization of customer relationships, which are amortized over their estimated lives.

Three months ended September 30, 2016 compared with three months ended September 30, 2015

Depreciation increased primarily due to depreciation expense on HD Vest fixed assets.

Amortization of acquired intangible assets increased primarily due to amortization expense on HD Vest acquisition-related intangible assets.

Nine months ended September 30, 2016 compared with nine months ended September 30, 2015

Depreciation and amortization of acquired intangible assets were affected by the same factors described above that impacted the quarterly period.

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Other Loss, Net

(In thousands)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	2016	2015	Change
Interest income	$(18)	$(170)	$152	$(54)	$(430)	$376
Interest expense	7,824	2,203	5,621	25,396	6,833	18,563
Amortization of debt issuance costs	413	286	127	1,440	842	598
Accretion of debt discounts	1,099	975	124	3,599	2,873	726
(Gain) loss on debt extinguishment and modification expense	2,205	—	2,205	(641)	—	(641)
Gain on third party bankruptcy settlement	(84)	(224)	140	(128)	(1,066)	938
Other	14	10	4	271	57	214
Other loss, net	$11,453	$3,080	$8,373	$29,883	$9,109	$20,774

Three months ended September 30, 2016 compared with three months ended September 30, 2015

The increase in interest expense, amortization of debt issuance costs, and accretion of debt discounts primarily related to the TaxAct - HD Vest 2015 credit facility, which was entered into in December 2015.

The increase in loss on debt extinguishment and modification expense related to the prepayment of a portion of the TaxAct - HD Vest 2015 credit facility in the third quarter of 2016, which resulted in the write-down of a portion of the unamortized debt discount and issuance costs.

The gain on third party bankruptcy settlement related to amounts received in connection with ongoing distributions from the Lehman Brothers estate, of which we are a creditor.

Nine months ended September 30, 2016 compared with nine months ended September 30, 2015

Interest expense, amortization of debt issuance costs, accretion of debt discounts, and gain on third party bankruptcy settlement were affected by the same factors described above that impacted the quarterly period.

The gain on debt extinguishment and modification expense primarily related to the repurchase of a portion of the Convertible Senior Notes below par value during the first quarter of 2016. This was offset by a loss on debt extinguishment and modification expense related to the prepayment of a portion of the TaxAct - HD Vest 2015 credit facility in 2016, which resulted in the write-down of a portion of the unamortized debt discount and issuance costs. Further detail is as follows:

(In thousands)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	2016	2015	Change
Gain on Convertible Senior Notes repurchased	$—	$ —	$—	$(7,724)	$ —	$(7,724)
Accelerated accretion of debt discount on Convertible Senior Notes	—	—	—	1,628	—	1,628
Accelerated amortization of debt issuance costs on Convertible Senior Notes	—	—	—	416	—	416
Accelerated accretion of debt discount and amortization of debt issuance costs on TaxAct - HD Vest 2015 credit facility	2,205	—	2,205	5,039	—	5,039
Total (gain) loss on debt extinguishment and modification expense	$2,205	$ —	$2,205	$(641)	$ —	$(641)

Income Taxes

We recorded income tax benefit of $8.5 million and expense of $8.9 million in the three and nine months ended September 30, 2016, respectively. Income taxes differed from taxes at the statutory rates in 2016 primarily due to the domestic

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manufacturing deduction, offset by non-deductible compensation and state income taxes. We recorded income tax benefit of $6.9 million and expense of $5.1 million in the three and nine months ended September 30, 2015, respectively. Income taxes did not differ materially from taxes at the statutory rates in 2015.

Discontinued Operations, Net of Income Taxes

(In thousands)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	2016	2015	Change
Discontinued operations, net of income taxes	$(40,528)	$1,597	$(42,125)	$(57,981)	$7,122	$(65,103)

On October 14, 2015, we announced our Strategic Transformation, which includes plans to divest the Search and Content and E-Commerce businesses. Our results of operations reflect the Search and Content and E-Commerce businesses as discontinued operations for all periods presented. Amounts in discontinued operations include previously unallocated depreciation, amortization, stock-based compensation, income taxes, and other corporate expenses that were attributable to the Search and Content and E-Commerce businesses. In addition, discontinued operations included a loss on classification as held-for-sale of $29.5 million and $46.5 million for the three and nine months ended September 30, 2016, respectively, to record net assets at their fair value less cost to sell.

On August 9, 2016, we closed on an agreement with OpenMail, under which OpenMail acquired substantially all of the assets and assumed certain specified liabilities of the Search and Content business for $45.2 million, which included a working capital adjustment. As a result, we recognized a $21.6 million loss on sale of discontinued operations for the nine months ended September 30, 2016.

See "Note 4: Discontinued Operations" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report for additional information on discontinued operations. For a discussion of the risks associated with these pending divestitures, see the sections under the heading "Risks Associated With our Strategic Transformation" in Part II Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2015.

NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA: We define Adjusted EBITDA differently for this report than we have defined it in the past, due to the impact of noncontrolling interests from the HD Vest acquisition that we began recognizing in the first quarter of 2016, the discontinued operations treatment of our Search and Content and E-Commerce businesses as determined in the fourth quarter of 2015, and acquisition-related costs in connection with the HD Vest and SimpleTax acquisitions that we would not have otherwise incurred as part of our business operations. Acquisition-related costs include professional services fees and other direct transaction costs and changes in the fair value of contingent consideration liabilities related to acquired companies. The HD Vest acquisition closed in the fourth quarter of 2015 and resulted in significant transaction costs. The SimpleTax acquisition included contingent consideration, for which the fair value of that liability was revalued in the second quarter of 2016. We define Adjusted EBITDA as operating income (loss), determined in accordance with GAAP, excluding the effects of depreciation, amortization of acquired intangible assets (including acquired technology), stock-based compensation, and acquisition-related costs.

We believe that Adjusted EBITDA provides meaningful supplemental information regarding our performance. We use this non-GAAP financial measure for internal management and compensation purposes, when publicly providing guidance on possible future results, and as a means to evaluate period-to-period comparisons. We believe that Adjusted EBITDA is a common measure used by investors and analysts to evaluate our performance, that it provides a more complete understanding of the results of operations and trends affecting our business when viewed together with GAAP results, and that management and investors benefit from referring to this non-GAAP financial measure. Items excluded from Adjusted EBITDA are significant and necessary components to the operations of our business and, therefore, Adjusted EBITDA should be considered as a supplement to, and not as a substitute for or superior to, GAAP net income (loss). Other companies may calculate Adjusted EBITDA differently and, therefore, our Adjusted EBITDA may not be comparable to similarly titled measures of other companies. A reconciliation of our Adjusted EBITDA to operating income (loss), which we believe to be the most comparable GAAP measure, is presented below:

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(In thousands)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Operating income (loss)	$(10,508)	$(16,054)	$51,292	$23,871
Stock-based compensation	3,364	2,074	10,616	5,974
Depreciation and amortization of acquired intangible assets	9,483	5,691	29,080	16,863
Acquisition-related costs	—	1,314	391	1,314
Adjusted EBITDA	$2,339	$(6,975)	$91,379	$48,022

Three months ended September 30, 2016 compared with three months ended September 30, 2015

The increase in Adjusted EBITDA primarily was due to an increase in segment operating income of $11.6 million related to our Wealth Management segment, offset by a decrease in segment operating income of $1.8 million related to our Tax Preparation segment. Also offsetting the increase in Adjusted EBITDA was a $0.5 million increase in corporate operating expenses not allocated to the segments.

Nine months ended September 30, 2016 compared with nine months ended September 30, 2015

The increase in Adjusted EBITDA primarily was due to increases in segment operating income of $32.5 million and $11.5 million related to our Wealth Management and Tax Preparation segments, respectively. Offsetting the increase in Adjusted EBITDA was a $0.6 million increase in corporate operating expenses not allocated to the segments.

Non-GAAP net income (loss): We define non-GAAP net income (loss) differently for this report than we have defined it in the past, due to the impact of noncontrolling interests from the HD Vest acquisition that we began recognizing in the first quarter of 2016, the discontinued operations treatment of our Search and Content and E-Commerce businesses as determined in the fourth quarter of 2015, and acquisition-related costs in connection with the HD Vest and SimpleTax acquisitions that we would not have otherwise incurred as part of our business operations. Acquisition-related costs are described further under Adjusted EBITDA above. For this report, we define non-GAAP net income (loss) as net income (loss) attributable to Blucora, Inc., determined in accordance with GAAP, excluding the effects of stock-based compensation, amortization of acquired intangible assets (including acquired technology), accretion of debt discount and accelerated accretion of debt discount on the Convertible Senior Notes, gain on Convertible Senior Notes repurchased, acquisition-related costs, discontinued operations, the impact of noncontrolling interests, and the related cash tax impact of those adjustments, and non-cash income taxes. We exclude the non-cash portion of income taxes because of our ability to offset a substantial portion of our cash tax liabilities by using deferred tax assets, which primarily consist of U.S. federal net operating losses. The majority of these net operating losses will expire, if unutilized, between 2020 and 2024.

We believe that non-GAAP net income (loss) and non-GAAP net income (loss) per share provide meaningful supplemental information to management, investors, and analysts regarding our performance and the valuation of our business by excluding items in the statement of operations that we do not consider part of our ongoing operations or have not been, or are not expected to be, settled in cash. Additionally, we believe that non-GAAP net income (loss) and non-GAAP net income (loss) per share are common measures used by investors and analysts to evaluate our performance and the valuation of our business. Non-GAAP net income (loss) should be evaluated in light of our financial results prepared in accordance with GAAP and should be considered as a supplement to, and not as a substitute for or superior to, GAAP net income (loss). Other companies may calculate non-GAAP net income differently, and, therefore, our non-GAAP net income may not be comparable to similarly titled measures of other companies. A reconciliation of our non-GAAP net income to net income attributable to Blucora, Inc., which we believe to be the most comparable GAAP measure, is presented below:

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(In thousands, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net income (loss) attributable to Blucora, Inc.	$(54,119)	$(10,611)	$(45,897)	$16,740
Discontinued operations, net of income taxes	40,528	(1,597)	57,981	(7,122)
Stock-based compensation	3,364	2,074	10,616	5,974
Amortization of acquired intangible assets	8,346	5,106	25,694	15,202
Accretion of debt discount on Convertible Senior Notes	901	975	2,749	2,873
Accelerated accretion of debt discount on Convertible Senior Notes	—	—	1,628	—
Gain on Convertible Senior Notes repurchased	—	—	(7,724)	—
Acquisition-related costs	—	1,314	391	1,314
Impact of noncontrolling interests	167	—	426	—
Cash tax impact of adjustments to GAAP net income	(17)	(196)	244	(297)
Non-cash income tax (benefit) expense	(9,312)	(6,984)	6,460	4,970
Non-GAAP net income (loss)	$(10,142)	$(9,919)	$52,568	$39,654
Per diluted share:				
Net income (loss) attributable to Blucora, Inc.	$(1.30)	$(0.26)	$(1.08)	$0.40
Discontinued operations, net of income taxes	0.97	(0.04)	1.37	(0.17)
Stock-based compensation	0.08	0.05	0.25	0.14
Amortization of acquired intangible assets	0.21	0.13	0.60	0.37
Accretion of debt discount on Convertible Senior Notes	0.02	0.02	0.06	0.07
Accelerated accretion of debt discount on Convertible Senior Notes	—	—	0.04	—
Gain on Convertible Senior Notes repurchased	—	—	(0.18)	—
Acquisition-related costs	—	0.03	0.01	0.03
Impact of noncontrolling interests	0.00	—	0.01	—
Cash tax impact of adjustments to GAAP net income	(0.00)	(0.00)	0.01	(0.01)
Non-cash income tax (benefit) expense	(0.22)	(0.17)	0.15	0.12
Non-GAAP net income (loss)	$(0.24)	$(0.24)	$1.24	$0.95
Weighted average shares outstanding used in computing per diluted share amounts	41,635	40,950	42,329	41,911

Three months ended September 30, 2016 compared with three months ended September 30, 2015

The increase in non-GAAP net loss primarily was due to (i) a $5.9 million increase in interest expense, amortization of debt issuance costs, and accretion of debt discounts, mainly related to the TaxAct - HD Vest 2015 credit facility, which was entered into in December 2015, (ii) a $2.2 million loss on debt extinguishment and modification expense, related to the prepayment of a portion of the TaxAct - HD Vest 2015 credit facility in the third quarter of 2016, (iii) a $0.6 million increase in depreciation expense, mainly related to depreciation expense on HD Vest fixed assets, (iv) a $0.5 million increase in cash income tax expense, mainly related to the addition of HD Vest, and (v) a $0.5 million increase in corporate operating expenses not allocated to the segments. Further contributing was a decrease in segment operating income of $1.8 million related to our Tax Preparation segment, offset by an increase in segment operating income of $11.6 million related to our Wealth Management segment.

Nine months ended September 30, 2016 compared with nine months ended September 30, 2015

The increase in non-GAAP net income primarily was due to increases in segment operating income of $32.5 million and $11.5 million related to our Wealth Management and Tax Preparation segments, respectively. This was offset by (i) a $20.0 million increase in interest expense, amortization of debt issuance costs, and accretion of debt discounts, mainly related to the TaxAct - HD Vest 2015 credit facility, which was entered into in December 2015, (ii) a $5.5 million loss on debt extinguishment and modification expense, mainly related to the prepayment of a portion of the TaxAct - HD Vest 2015 credit facility in 2016, (iii) a $1.7 million increase in depreciation expense, mainly related to depreciation expense on HD Vest fixed assets, (iv) a $1.7 million increase in cash income tax expense, mainly related to the addition of HD Vest, (v) a $0.9 million

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decrease in gain on third party bankruptcy settlement, and (vi) a $0.6 million increase in corporate operating expenses not allocated to the segments.

LIQUIDITY AND CAPITAL RESOURCES

Cash, Cash Equivalents, and Short-Term Investments

Our principal source of liquidity is our cash, cash equivalents, and short-term investments. As of September 30, 2016, we had cash and marketable investments of approximately $75.7 million, consisting of cash and cash equivalents of $71.2 million and available-for-sale investments of $4.5 million. We generally invest our excess cash in high quality marketable investments. These investments generally include debt instruments issued by the U.S. federal government and its agencies, international governments, municipalities and publicly-held corporations, as well as commercial paper, insured time deposits with commercial banks, and money market funds invested in securities issued by agencies of the U.S., although specific holdings can vary from period to period depending upon our cash requirements. Our financial instrument investments held at September 30, 2016 had minimal default risk and short-term maturities.

We have financed our operations primarily from cash provided by operating activities. Accordingly, we believe that the cash generated from our operations and the cash and cash equivalents we have on hand will be sufficient to meet our operating, working capital, and capital expenditure requirements for at least the next 12 months. However, the underlying levels of revenues and expenses that we project may not prove to be accurate. For further discussion of the risks to our business related to liquidity, see the Risk Factor "Existing cash and cash equivalents, short-term investments, and cash generated from operations may not be sufficient to meet our anticipated cash needs for servicing debt, working capital, and capital expenditures" in Part II Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2015.

Use of Cash

We may use our cash, cash equivalents, and short-term investments balance in the future on investment in our current businesses, for repayment of debt, for returning capital to shareholders, or for acquiring companies or assets that complement our Wealth Management and Tax Preparation businesses.

On October 14, 2015, we announced our Strategic Transformation, which refers to our transformation into a technology-enabled financial solutions company comprised of TaxAct and HD Vest, plans to divest our Search and Content and E-Commerce businesses, and plans to reduce corporate operating expenses. We also expect our capital allocation priority in the near-term to be to pay down debt, which includes using all of the net divestiture proceeds from the sales of the Search and Content business and the E-Commerce business to pay down the new TaxAct - HD Vest 2015 credit facility. See the "Strategic Transformation" subsection above for additional detail regarding the related use of cash.

On December 31, 2015, TaxAct and HD Vest entered into an agreement for the purposes of financing the HD Vest acquisition and providing future working capital flexibility for TaxAct and HD Vest. The credit facility consists of a $25.0 million revolving credit loan and a $400.0 million term loan for an aggregate $425.0 million credit facility. The final maturity dates of the revolving credit loan and term loan are December 31, 2020 and December 31, 2022, respectively. The interest rates on the revolving credit loan and term loan are variable. The credit facility includes financial and operating covenants with respect to certain ratios, including a net leverage to EBITDA ratio, which are defined further in the agreement. We were in compliance with these covenants as of September 30, 2016. TaxAct and HD Vest initially borrowed $400.0 million under the term loan and had repayment activity of $105.0 million during the nine months ended September 30, 2016. For further detail, see "Note 7: Debt" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

On August 30, 2013, TaxAct entered into an agreement to refinance a 2012 credit facility on more favorable terms. TaxAct had repayment activity of $51.9 million during the nine months ended September 30, 2015. This credit facility was repaid in full in the second quarter of 2015 and subsequently closed.

On March 15, 2013, we issued $201.25 million principal amount of Convertible Senior Notes (the “Notes”) and received net proceeds from the offering of approximately $194.8 million. There are no financial or operating covenants relating to the Notes. The Notes mature April 1, 2019, unless earlier purchased, redeemed, or converted in accordance with their terms. During the nine months ended September 30, 2016, we repurchased $28.4 million of the Notes' principal for cash of $20.7 million. The Notes bear interest at a rate of 4.25% per year, payable semi-annually in arrears beginning on October 1, 2013. As of May 2013, we are permitted to settle any conversion obligation under the Notes in cash, shares of our common stock, or a combination of cash and shares of our common stock, at our election. We expect to have the liquidity to satisfy conversion of the Notes' principal for cash based upon cash on hand, net cash flows from operations, and cash available through the credit facility. We intend to satisfy any conversion premium by issuing shares of our common stock. For further detail, see "Note 7: Debt" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

Our Board of Directors approved a stock repurchase program whereby we could purchase our common stock in open-market transactions. The repurchase period concluded in May 2016. During the nine months ended September 30, 2016, we purchased no shares. During the nine months ended September 30, 2015, we purchased 0.5 million shares at a total cost of approximately $7.0 million and an average price of $14.46 per share, exclusive of purchase and administrative costs. For further detail, see "Note 10: Stockholders' Equity" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1of this report.

On July 2, 2015, TaxAct acquired SimpleTax for C$2.4 million (with C$ indicating Canadian dollars and amounting to approximately $1.9 million based on the acquisition-date exchange rate) in cash and additional consideration of up to C$4.6 million ($3.7 million) that is contingent upon product availability and revenue performance over a three-year period.

Contractual Obligations and Commitments

Except for the debt repayments and repurchases (as disclosed in "Note 7: Debt" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report) and sublease income (related to the sublease agreement with InfoSpace as disclosed in "Note 4: Discontinued Operations" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report), there have been no material changes during the period covered by this Quarterly Report on Form 10-Q, outside of the ordinary course of our business, to the contractual obligations and commitments specified in "Note 9: Commitments and Contingencies" in Part II Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2015.

Off-balance Sheet Arrangements

We have no off-balance sheet arrangements other than operating leases.

Cash Flows

Our cash flows were comprised of the following:

(In thousands)	Nine months ended September 30,	
	2016	2015
Net cash provided by operating activities from continuing operations	$70,095	$20,946
Net cash provided by investing activities from continuing operations	2,225	15,488
Net cash used by financing activities from continuing operations	(103,202)	(28,002)
Net cash provided (used) by continuing operations	(30,882)	8,432
Net cash provided by discontinued operations	46,589	912
Effect of exchange rate changes on cash and cash equivalents	(15)	(6)
Net increase in cash and cash equivalents	$15,692	$9,338

Net cash from the operating activities of continuing operations: Net cash from the operating activities of continuing operations consists of income from continuing operations, offset by certain non-cash adjustments, and changes in our working capital.

Net cash provided by operating activities was $70.1 million and $20.9 million for the nine months ended September 30, 2016 and 2015, respectively. The activity in the nine months ended September 30, 2016 included a $46.8 million working capital contribution and approximately $23.3 million of income from continuing operations (offset by non-cash adjustments). The working capital contribution continued to be driven by accrued expenses and the impact of excess tax benefits from stock-based activity primarily due to utilizing equity net operating loss carryforwards from prior years. In addition, we had placed into escrow $20.0 million of additional consideration that was contingent upon HD Vest's 2015 earnings performance, and that amount was returned to us in the first quarter of 2016 since it was not achieved (see "Note 3: Business Combinations" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report for additional information). Lastly, the addition of HD Vest provided further working capital contribution during the period.

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The activity in the nine months ended September 30, 2015 included a $37.3 million working capital contribution offset by approximately $16.3 million of income from continuing operations and non-cash adjustments. The working capital contribution was driven by accrued expenses and the impact of excess tax benefits from stock-based activity and also was affected by decreases in prepaid expenses and other current assets due to the timing of TaxAct's spending on marketing campaigns for the tax season.

Net cash from the investing activities of continuing operations: Net cash from the investing activities of continuing operations primarily consists of cash outlays for business acquisitions, transactions (purchases of and proceeds from sales and maturities) related to our investments, and purchases of property and equipment. Our investing activities tend to fluctuate from period to period primarily based upon the level of acquisition activity.

Net cash provided by investing activities was $2.2 million and $15.5 million for the nine months ended September 30, 2016 and 2015, respectively. The activity in the nine months ended September 30, 2016 consisted of net cash inflows on our available-for-sale investments of $6.7 million offset by approximately $2.6 million in purchases of property and equipment and payment of the $1.8 million final working capital adjustment on the HD Vest acquisition. The activity in the nine months ended September 30, 2015 consisted of net cash inflows on our available-for-sale investments of $18.1 million offset by approximately $1.7 million for the acquisition of SimpleTax and $0.9 million in purchases of property and equipment.

Net cash from the financing activities of continuing operations: Net cash from the financing activities of continuing operations primarily consists of transactions related to the issuance of debt and stock. Our financing activities tend to fluctuate from period to period based upon our financing needs due to the level of acquisition activity and market conditions that present favorable financing opportunities.

Net cash used by financing activities was $103.2 million and $28.0 million for the nine months ended September 30, 2016 and 2015, respectively. The activity for the nine months ended September 30, 2016 primarily consisted of payments of $105.0 million on the TaxAct - HD Vest credit facility, the $20.7 million repurchase of the Notes, and $1.4 million in tax payments from shares withheld for equity awards. These cash outflows were offset by approximately $21.4 million in excess tax benefits from stock-based award activity primarily due to utilizing equity net operating loss carryforwards from prior years and $2.5 million in combined proceeds from the issuance of common stock related to stock option exercises and the employee stock purchase plan.

The activity for the nine months ended September 30, 2015 primarily consisted of payments of $51.9 million on the TaxAct credit facility (which was closed in 2015), stock repurchases of $7.1 million, and $1.2 million in tax payments from shares withheld for equity awards. These cash outflows were offset by approximately $28.6 million in excess tax benefits from stock-based award activity primarily due to utilizing equity net operating loss carryforwards from prior years and $3.6 million in combined proceeds from the issuance of common stock related to stock option exercises and the employee stock purchase plan.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and disclosure of contingencies. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. Our critical accounting policies, estimates, and methodologies for the nine months ended September 30, 2016 were consistent with those in Part II Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2015, with the following update:

Wealth management revenue recognition: Wealth management revenue consists primarily of commission revenue, advisory revenue, asset-based revenue, and transaction and fee revenue. Revenue is recognized in the periods in which the related services are performed, provided that persuasive evidence of an arrangement exists, the fee is fixed or determinable, and collectibilty is reasonably assured. Payments received in advance of the performance of service are deferred and recognized as revenue when earned.

We consider the nature of our contractual arrangements in determining whether to recognize certain types of wealth management revenue, primarily commission revenue and advisory revenue, on the basis of the gross amount billed or net amount retained after payments are made to providers of certain services related to the product or service offering. The main factors that we use to determine whether to record revenue on a gross or net basis are whether:

• we are primarily responsible for the service to the financial advisor and their client;

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- we have discretion in establishing fees paid by the client and fees due to the third-party service provider; and
- we are involved in the determination of product or service specifications.

When client fees include a portion of charges that are paid to another party and we are primarily responsible for providing the service to the client, revenue is recognized on a gross basis in an amount equal to the fee paid by the client. The cost of revenue recognized is the amount due to the other party. In instances in which another party is primarily responsible for providing the service to the client, we recognize revenue based on the net amount that we retain. The portion of the fees that we collect from the client and remit to the other party are considered pass-through amounts and are not a component of revenue or cost of revenue.

Further details of wealth management revenue are as follows:

- Commission revenue - Commissions represent amounts generated by HD Vest's financial advisors for their clients' purchases and sales of securities and various investment products. We generate two types of commissions: transaction-based sales commissions that occur at the point of sale, as well as trailing commissions for which we provide ongoing account support to clients of our financial advisors.

We record transaction-based sales commission revenue on a trade-date basis, which is when our performance obligations in generating the commissions have been substantially completed. Trailing commission revenue is based on a percentage of the current market value of clients' investment holdings in trail-eligible assets and recognized over the period during which services are performed. Since trailing commission revenue is generally paid in arrears, we estimate it based on a number of factors, including market levels and the amount of trailing commission revenues received in prior periods.

A substantial portion of commission revenue is ultimately paid to financial advisors. We record an estimate for transaction-based commissions payable based upon the payout rate of the financial advisor generating the accrued commission revenue. We record an estimate for trailing commissions payable based upon historical payout ratios. Such amounts are recorded as "Commissions and advisory fees payable" on the consolidated balance sheets and "Wealth management services cost of revenue" on the consolidated statements of comprehensive income.

- Advisory revenue - Advisory revenue includes fees charged to clients in advisory accounts where HD Vest is the RIA. These fees are based on the value of assets within these advisory accounts. A substantial portion of these advisory fees are paid to the related financial advisor and these payments are classified as "Wealth management services cost of revenue" in the consolidated statements of comprehensive income.
- Asset-based revenue - Asset-based revenue primarily includes fees from financial product manufacturer sponsorship programs and cash sweep programs and are recognized ratably over the period in which services are provided.
- Transaction and fee revenue - We charge fees for executing certain transactions in client accounts. Transaction-related charges are recognized on a trade-date basis. Other fees relate to services provided and other account charges as generally outlined in agreements with financial advisors, clients, and financial institutions. Such fees are recognized as services are performed or as earned, as applicable.

Recent Accounting Pronouncements

See "Note 2: Summary of Significant Accounting Policies" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our market risk during the nine months ended September 30, 2016. For additional information, see Part II Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2015.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective at providing reasonable assurance that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure, and that such information is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the third quarter of 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

We acquired HD Vest on December 31, 2015. We are still assessing the internal controls of HD Vest but do not believe those controls have materially affected, or are likely to materially affect, our internal controls over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

See "Note 9: Commitments and Contingencies" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

Item 1A. Risk Factors

Refer to Part I Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2015 for a discussion of risk factors relating to the Company's business. The Company believes that there has been no material change in its risk factors as previously disclosed in the Company's Form 10-K other than as follows:

Final ERISA fiduciary regulations issued by the Department of Labor ("DOL") could have a material adverse impact on our financial condition and results of operations.

In April 2016, the DOL issued final regulations changing the definition of who is a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and specifying how such fiduciaries must provide investment advice to account holders in ERISA plans, individual retirement accounts ("IRAs"), and certain other types of accounts described in the Internal Revenue Code (collectively, "Covered Accounts"). Over the past several quarters, IRAs made up approximately half of HD Vest's assets under administration. The new DOL regulations focus on conflicts of interest related to investment recommendations made by financial advisors to clients holding Covered Accounts. The rules bring virtually all of the investment products and services HD Vest currently provides to IRA owners within the scope of ERISA. The rules, the applicability of which are phased in between April 10, 2017 and January 1, 2018, will require HD Vest to either: (1) subject such Covered Accounts to a level fee arrangement under which (a) the firm and affiliates receive a fee based on a fixed percentage of the value of assets in the account and (b) no ERISA prohibited transactions are otherwise implicated; or (2) comply with one of the DOL prohibited transaction exemptions that impose significant new and additional compliance and disclosure requirements, and restrict the manner in which HD Vest can earn revenue and pay its financial advisors.

The final regulations will impact how HD Vest designs investment products and services for Covered Accounts, how we receive fees, and how we compensate our advisors. The regulations will impact how we are able to recruit and retain financial advisors and will require us to change systems and implement new compliance programs and client disclosures. In addition, if HD Vest relies on the new Best Interest Contract prohibited transaction exemption, the firm will be required to adopt new "impartial conduct" policies and procedures and make contractual representations and warranties to clients that HD Vest will comply with such policies and procedures and abide by fiduciary standards. These requirements, coupled with ambiguity inherent in the new rules, will likely lead to increased regulatory scrutiny and litigation related to the provision of investment advice to IRA and ERISA investors. HD Vest's management team is devoting and expects to continue to devote substantial time and resources to assess the new rules, implement required policies and procedures, and develop and execute a business strategy

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in light of such rules, diminishing the firm’s ability to focus on other initiatives. Depending on the scope of required changes, if HD Vest is not able to complete necessary modifications to its business practices and operational systems by the applicability date, its ability to process business for Covered Accounts will be negatively impacted. As a result, the new DOL rules and related litigation and regulatory scrutiny could materially and adversely impact our financial condition and results of operations. In addition, investigations, claims, or other actions or proceedings by regulators or third-parties with respect to our compliance with these new regulations may also have a material adverse effect on our financial condition and results of operations.

If we are unable to hire, retain, and motivate highly qualified employees, including our key employees, we may not be able to successfully manage our businesses.

Our future success depends on our ability to identify, attract, hire, retain, and motivate highly skilled management, technical, sales and marketing, and corporate development personnel, including personnel with experience and expertise in the wealth management, tax preparation, and technology industries to support our new strategic focus. Qualified personnel with experience relevant to our businesses are scarce, and competition to recruit them is intense. If we fail to successfully hire and retain a sufficient number of highly qualified employees, we may have difficulties in supporting or expanding our businesses. Realignments of resources, reductions in workforce, or other operational decisions have created and could continue to create an unstable work environment and may have a negative effect on our ability to hire, retain, and motivate employees.

Our business and operations are substantially dependent on the performance of our key employees. Changes of management or key employees may disrupt operations, which may materially and adversely affect our business and financial results or delay achievement of our business objectives. In addition, if we lose the services of one or more key employees and are unable to recruit and retain a suitable successor, we may not be able to successfully and timely manage our business or achieve our business objectives. There can be no assurance that any retention program we initiate will be successful at retaining employees, including key employees. As part of the relocation of our corporate headquarters to Irving, Texas, we expect to replace nearly all of our corporate employees, with the exception of our Chief Executive Officer and certain positions that will be eliminated as part of our restructure. We will engage in a search process to identify, evaluate and select new employees for each position moving to Texas, but there can be no assurance that we will fill every position in a timely manner or at all. In addition, while we have put an enhanced retention program in place to ensure the orderly transition of our key employees, there can be no assurance that the retention program will be successful at retaining our key employees through the move date. The loss of key employees before a suitable replacement is in place may disrupt operations, which may materially and adversely affect our business and financial results.

We use stock options, restricted stock units, and other equity-based awards to recruit and retain senior level employees. With respect to those employees to whom we issue such equity-based awards, we face a significant challenge in retaining them if the value of equity-based awards in aggregate or individually is either not deemed by the employee to be substantial enough or deemed so substantial that the employee leaves after their equity-based awards vest. If our stock price does not increase significantly above the exercise prices of our options, we may need to issue new equity-based awards in order to motivate and retain our key employees. We may undertake or seek stockholder approval to undertake other equity-based programs to retain our employees, which may be viewed as dilutive to our stockholders or may increase our compensation costs. There can be no assurance that any such programs, if approved by stockholders, or any other incentive programs, would be successful in motivating and retaining our employees.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

See "Note 10: Stockholders’ Equity" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report for additional information regarding the Company’s stock repurchase program. There was no share repurchase activity during the third quarter of 2016.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

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Item 5. Other Information

On October 27, 2016, the Company announced that it anticipates relocating its headquarters to the State of Texas during 2017. In connection with the anticipated relocation, on October 25, 2016, the Company entered into amendments to its employment agreements with each of Eric M. Emans and Mark A. Finkelstein, (each an "Amendment" and together, the "Amendments"). The material terms of the Amendments are as follows:

Eric M. Emans. Mr. Emans' Amended and Restated Employment Agreement dated January 6, 2015, as amended, was further amended to clarify that, if during the calendar year 2017, the Company relocates its headquarters to the State of Texas or any other location that is more than 25 miles from Bellevue, Washington, and either (i) Mr. Emans' employment is terminated without cause, whether before or after the date of the relocation, or (ii) Mr. Emans does not relocate and terminates his employment with the Company on or after the relocation date, then, Mr. Emans will be entitled to the payment of certain severance benefits, accelerated vesting of outstanding equity awards, and the extension of the exercise period for all outstanding equity awards granted prior to October 25, 2016.

Mark A. Finkelstein. Mr. Finkelstein's Employment Agreement dated September 30, 2014, as amended, was further amended to clarify that, if during the calendar year 2017, the Company relocates its headquarters to the State of Texas or any other location that is more than 25 miles from Bellevue, Washington, and either (i) Mr. Finkelstein's employment is terminated without cause, whether before or after the date of the relocation, or (ii) Mr. Finkelstein does not relocate and terminates his employment with the Company on or after the relocation date, then, Mr. Finkelstein will be entitled to the payment of certain severance benefits, accelerated vesting of outstanding equity awards, and the extension of the exercise period for all outstanding equity awards granted prior to October 25, 2016.

The above descriptions are only a summary of the material terms of the Amendments, do not purport to be a complete description of the Amendments, and are qualified in their entirety by reference to the Amendment for Mr. Emans a copy of which is filed as Exhibit 10.4 and the Amendment for Mr. Finkelstein a copy of which is filed as Exhibit 10.5, each of which Amendment is incorporated herein by reference.

Item 6. Exhibits

See exhibits listed under the Index to Exhibits below.

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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.

BLUCORA, INC.

By: /s/ Eric M. Emans
Eric M. Emans
Chief Financial Officer
(Principal Financial Officer)

Date: October 27, 2016

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INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
2.1	Asset Purchase Agreement among Blucora, Inc., InfoSpace LLC, InfoSpace Holdings LLC and OpenMail LLC dated July 1, 2016	8-K	July 5, 2016	2.1	
10.1 *	Amendment No. 2 to Employment Agreement dated October 6, 2014, as amended January 22, 2016 between Blucora, Inc., InfoSpace LLC and Peter Mansour	8-K	July 5, 2016	10.1	
10.2 *	Transition, Separation and Release Agreement dated June 29, 2016 between JoAnn Kintzel, Blucora, Inc. and TaxAct, Inc.	8-K	July 1, 2016	10.1	
10.3 *	Second Amended and Restated Employment Agreement dated August 9, 2016, by and between Project Baseball Sub, Inc. and Roger Ochs.				X
10.4 *	Amendment No. 2 to Amended and Restated Employment Agreement by and between Blucora, Inc. and Eric M. Emans dated January 6, 2015, as amended.				X
10.5 *	Amendment No. 2 to Employment Agreement by and between Blucora, Inc. and Mark A. Finkelstein dated September 30, 3014, as amended.				X
10.6 *	Amendment No. 1 to Blucora, Inc. 2016 Inducement Plan	S-8	October 14, 2016	99.1	
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101	The following financial statements from the Company's 10-Q for the fiscal quarter ended September 30, 2016, formatted in XBRL: (i) Unaudited Condensed Consolidated Balance Sheets, (ii) Unaudited Condensed Consolidated Statements of Operations, (iii) Unaudited Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Unaudited Condensed Consolidated Financial Statements				X

* Indicates a management contract or compensatory plan or arrangement.