UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2023

OR

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

For the transition period from ____________ to __________

Commission File Number: 000-25131

Avantax, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**91-1718107**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3200 Olympus Blvd, Suite 100, Dallas, Texas 75019

(Address of principal executive offices) (Zip Code)

(972) 870-6400

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	**AVTA**	**NASDAQ Global Select Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes o No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes o No

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of August 2, 2023, 36,760,034 shares of the registrant's Common Stock were outstanding.

TABLE OF CONTENTS

This report includes some of the trademarks, trade names, and service marks of Avantax, Inc. (referred to throughout this report as ***"Avantax,"*** *the* ***"Company," "we," "us,"*** *or* ***"our"****), including Avantax Wealth Management, Avantax Planning Partners, Avantax Retirement Plan Services, HD Vest, 1st Global, and HKFS. Each one of these trademarks, trade names, or service marks is either (i) our registered trademark, (ii) a trademark for which we have a pending application, (iii) a trade name or service mark for which we claim common law rights, or (iv) a registered trademark or application for registration that we have been authorized by a third party to use.*

Solely for convenience, the trademarks, service marks, and trade names included in this report are without the ®, ™, or other applicable symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks, and trade names. This report may also include additional trademarks, service marks, and trade names of others, which are the property of their respective owners. All trademarks, service marks, and trade names included in this report are, to our knowledge, the property of their respective owners.

References to our or our subsidiaries' website addresses or the website addresses of third parties in this report do not constitute incorporation by reference of the information contained on such websites and should not be considered part of this report.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

*This Quarterly Report on Form 10-Q (**"Form 10-Q"**) contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Many of the forward-looking statements are located in Part I, Item 2 of this Form 10-Q under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as "anticipates," "believes," "plans," "expects," "future," "intends," "may," "will," "would," "could," "should," "estimates," "predicts," "potential," "continues," "target," "outlook," and similar terms and expressions, but the absence of these words does not mean that the statement is not forward-looking. Actual results may differ significantly from management's expectations due to various risks and uncertainties including, but not limited to:*

- *our ability to effectively compete within our industry;*
- *our ability to generate strong performance for our clients and the impact of the financial markets on our clients' portfolios;*
- *our expectations concerning the revenues we generate from fees associated with the financial products that we distribute;*
- *our ability to attract and retain financial professionals, employees, and clients, as well as our ability to provide strong client service;*
- *the impact of significant interest rate changes;*
- *our ability to maintain our relationships with third-party partners, providers, suppliers, vendors, distributors, contractors, financial institutions, industry associations, and licensing partners, and our expectations regarding and reliance on the products, tools, platforms, systems, and services provided by these third parties;*
- *political and economic conditions and events that directly or indirectly impact the wealth management industry;*
- *our ability to respond to rapid technological changes, including our ability to successfully release new products and services or improve upon existing products and services;*
- *our future capital requirements and the availability of financing, if necessary;*
- *the impact of new or changing legislation and regulations (or interpretations thereof) on our business, including our ability to successfully address and comply with such legislation and regulations (or interpretations thereof) and increased costs, reductions of revenue, and potential fines, penalties, or disgorgement to which we may be subject as a result thereof;*
- *risks, burdens, and costs, including fines, penalties, or disgorgement, associated with our business being subjected to regulatory inquiries, investigations, or initiatives, including those of the Financial Industry Regulatory Authority, Inc. and the Securities and Exchange Commission (the **"SEC"**);*
- *any compromise of confidentiality, availability, or integrity of information, including cyberattacks;*
- *risks associated with legal proceedings, including litigation and regulatory proceedings;*
- *our ability to close, finance, and realize all of the anticipated benefits of acquisitions, as well as our ability to integrate the operations of recently acquired businesses, and the potential impact of such acquisitions on our existing indebtedness and leverage;*
- *our ability to retain employees and acquired client assets following acquisitions;*
- *our ability to manage leadership and employee transitions, including costs and time burdens on management and our board of directors related thereto;*
- *our ability to develop, establish, and maintain strong brands;*
- *our ability to comply with laws and regulations regarding privacy and protection of user data;*
- *our assessments and estimates that determine our effective tax rate;*
- *our ability to protect our intellectual property and the impact of any claim that we infringed on the intellectual property rights of others;*

- *risks related to goodwill and acquired intangible asset impairment;*
- *our failure to realize the expected benefits of the sale of our former tax software business (the* ***"TaxAct Sale"****);*
- *disruptions to our business and operations resulting from our compliance with the terms of the transition services agreement entered into in connection with the TaxAct Sale; and*
- *our ability to mitigate and manage risks caused by yield curve, duration and interest rate fluctuations, and other macroeconomic factors upon our business and financing arrangements through derivative transactions pursuant to our recently implemented hedging policy.*

Forward-looking statements are not guarantees of future performance and 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, the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, as well as in our other filings with the SEC. All forward-looking statements speak only as of the date of this Form 10-Q. We do not undertake any obligation and do not intend to update or revise any forward-looking statement to reflect new information, events, or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events, except as required by law.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AVANTAX, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

	June 30, 2023		December 31, 2022	
	(Unaudited)			
ASSETS				
Current assets:				
Cash and cash equivalents	$	109,791	$	263,928
Accounts receivable, net		25,127		24,117
Commissions and advisory fees receivable		22,005		20,679
Prepaid expenses and other current assets		30,054		15,027
Total current assets		186,977		323,751
Long-term assets:				
Property, equipment, and software, net		51,363		53,041
Right-of-use assets, net		18,556		19,361
Goodwill, net		266,279		266,279
Acquired intangible assets, net		259,125		266,002
Other long-term assets		39,340		35,081
Total long-term assets		634,663		639,764
Total assets	$	821,640	$	963,515
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$	2,172	$	7,531
Commissions and advisory fees payable		14,883		13,829
Accrued expenses and other current liabilities		40,932		111,212
Current deferred revenue		5,663		4,583
Current lease liabilities		5,177		5,139
Current portion of long-term debt		10,125		—
Total current liabilities		78,952		142,294
Long-term liabilities:				
Long-term debt, net		251,399		—
Long-term lease liabilities		28,622		30,332
Deferred tax liabilities, net		16,084		20,819
Long-term deferred revenue		3,933		4,396
Other long-term liabilities		31,450		22,476
Total long-term liabilities		331,488		78,023
Total liabilities		410,440		220,317
Commitments and contingencies (Note 9)				
Stockholders' equity:				
Common stock, par value $0.0001 per share—900,000 shares authorized; 43,463 shares issued and 37,118 shares outstanding as of June 30, 2023; 51,260 shares issued and 48,079 shares outstanding as of December 31, 2022		4		5
Additional paid-in capital		1,387,591		1,636,134
Accumulated deficit		(824,288)		(829,542)
Accumulated other comprehensive loss		(12,061)		—
Treasury stock, at cost—6,345 shares as of June 30, 2023 and 3,181 shares as of December 31, 2022		(140,046)		(63,399)
Total stockholders' equity		411,200		743,198
Total liabilities and stockholders' equity	$	821,640	$	963,515

See accompanying notes.

AVANTAX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited) (In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	$ 186,928	$ 162,669	$ 364,908	$ 329,072
Operating expenses:				
Cost of revenue	110,847	114,446	219,099	235,634
Engineering and technology	2,191	2,302	4,912	4,116
Sales and marketing	27,423	24,882	53,604	47,056
General and administrative	26,335	21,721	58,736	45,596
Acquisition and integration	(39)	(6,792)	83	(5,126)
Depreciation	3,588	2,642	7,176	5,085
Amortization of acquired intangible assets	6,231	6,462	12,569	13,093
Total operating expenses	176,576	165,663	356,179	345,454
Operating income (loss) from continuing operations	10,352	(2,994)	8,729	(16,382)
Interest expense and other, net	(4,698)	(212)	(3,804)	(265)
Income (loss) from continuing operations before income taxes	5,654	(3,206)	4,925	(16,647)
Income tax benefit (expense)	(2,073)	4,053	(1,592)	21,046
Income from continuing operations	3,581	847	3,333	4,399
Discontinued operations (Note 3)				
Income from discontinued operations before gain on disposal and income taxes	—	45,874	—	96,517
Pre-tax gain on disposal	—	—	2,539	—
Income from discontinued operations before income taxes	—	45,874	2,539	96,517
Income tax benefit (expense)	—	(7,296)	(618)	(26,871)
Income from discontinued operations	—	38,578	1,921	69,646
Net income	$ 3,581	$ 39,425	$ 5,254	$ 74,045
Basic net income per share:				
Continuing operations	$ 0.09	$ 0.02	$ 0.08	$ 0.09
Discontinued operations	—	0.81	0.05	1.45
Basic net income per share	$ 0.09	$ 0.83	$ 0.13	$ 1.54
Diluted net income per share:				
Continuing operations	$ 0.09	$ 0.02	$ 0.08	$ 0.09
Discontinued operations	—	0.79	0.04	1.41
Diluted net income per share	$ 0.09	$ 0.81	$ 0.12	$ 1.50
Weighted average shares outstanding:				
Basic	38,349	47,582	41,497	48,048
Diluted	39,201	48,690	42,515	49,220
Comprehensive income (loss):				
Net income	$ 3,581	$ 39,425	$ 5,254	$ 74,045
Other comprehensive loss, net of tax	(12,061)	—	(12,061)	—
Comprehensive income (loss)	$ (8,480)	$ 39,425	$ (6,807)	$ 74,045

See accompanying notes.

AVANTAX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited) (In thousands)

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Treasury stock		Total
	Shares	**Amount**				**Shares**	**Amount**	
Balance as of December 31, 2022	51,260	$ 5	$ 1,636,134	$ (829,542)	$ —	3,181	$ (63,399)	$ 743,198
Common stock issued pursuant to stock incentive and employee stock purchase plans	307	—	1,135	—	—	—	—	1,135
Stock repurchases	—	—	—	—	—	9,291	(279,562)	(279,562)
Retirement of common stock	(8,333)	(1)	(254,538)	—	—	(8,333)	254,539	—
Stock-based compensation	—	—	4,714	—	—	—	—	4,714
Tax payments from shares withheld for equity awards	—	—	(3,114)	—	—	—	—	(3,114)
Net income	—	—	—	1,673	—	—	—	1,673
Balance as of March 31, 2023	43,234	4	1,384,331	(827,869)	—	4,139	(88,422)	468,044
Common stock issued pursuant to stock incentive and employee stock purchase plans	229	—	1,506	—	—	—	—	1,506
Stock repurchases	—	—	—	—	—	2,206	(51,624)	(51,624)
Stock-based compensation	—	—	2,910	—	—	—	—	2,910
Tax payments from shares withheld for equity awards	—	—	(1,156)	—	—	—	—	(1,156)
Other comprehensive loss, net of tax	—	—	—	—	(12,061)	—	—	(12,061)
Net income	—	—	—	3,581	—	—	—	3,581
Balance as of June 30, 2023	43,463	$ 4	$ 1,387,591	$ (824,288)	$ (12,061)	6,345	$ (140,046)	$ 411,200

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Treasury stock		Total
	Shares	**Amount**				**Shares**	**Amount**	
Balance as of December 31, 2021	50,137	$ 5	$ 1,619,805	$ (1,249,789)	$ —	1,306	$ (28,399)	$ 341,622
Common stock issued pursuant to stock incentive and employee stock purchase plans	247	—	96	—	—	—	—	96
Stock repurchases	—	—	—	—	—	1,645	(30,537)	(30,537)
Stock-based compensation	—	—	4,641	—	—	—	—	4,641
Tax payments from shares withheld for equity awards	—	—	(1,569)	—	—	—	—	(1,569)
Net income	—	—	—	34,620	—	—	—	34,620
Balance as of March 31, 2022	50,384	5	1,622,973	(1,215,169)	—	2,951	(58,936)	348,873
Common stock issued pursuant to stock incentive and employee stock purchase plans	537	—	2,402	—	—	—	—	2,402
Stock repurchases	—	—	—	—	—	230	(4,463)	(4,463)
Stock-based compensation	—	—	3,683	—	—	—	—	3,683
Tax payments from shares withheld for equity awards	—	—	(467)	—	—	—	—	(467)
Net income	—	—	—	39,425	—	—	—	39,425
Balance as of June 30, 2022	50,921	$ 5	$ 1,628,591	$ (1,175,744)	$ —	3,181	$ (63,399)	$ 389,453

See accompanying notes.

AVANTAX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (In thousands)

	Six Months Ended June 30,	
	2023	2022
Operating activities:		
Net income	$ 5,254	$ 74,045
Less: Income from discontinued operations, net of income taxes	1,921	69,646
Income from continuing operations	3,333	4,399
Adjustments to reconcile income from continuing operations to net cash from operating activities:		
Depreciation and amortization of acquired intangible assets	19,745	18,178
Stock-based compensation	11,093	9,818
Change in the fair value of acquisition-related contingent consideration	—	(5,320)
Reduction of right-of-use lease assets	805	715
Deferred income taxes	(858)	(1,023)
Amortization of debt discount and issuance costs	440	—
Accretion of lease liabilities	948	1,020
Other non-cash items	2,739	2,575
Changes in operating assets and liabilities, net of acquisitions and disposals:		
Accounts receivable, net	(992)	4,430
Commissions and advisory fees receivable	(1,326)	3,859
Prepaid expenses and other current assets	(14,531)	(2,333)
Other long-term assets	(5,406)	(8,816)
Accounts payable	(5,359)	(4,178)
Commissions and advisory fees payable	1,054	(4,316)
Lease liabilities	(2,620)	(2,491)
Deferred revenue	617	(443)
Accrued expenses and other current and long-term liabilities	(84,901)	(1,166)
Net cash provided (used) by operating activities from continuing operations	(75,219)	14,908
Investing activities:		
Purchases of property, equipment, and software	(5,499)	(9,019)
Asset acquisitions	(5,451)	(1,858)
Net cash used by investing activities from continuing operations	(10,950)	(10,877)
Financing activities:		
Proceeds from credit facilities, net of debt discount and issuance costs	261,543	—
Payments on credit facilities	(1,688)	(906)
Acquisition-related fixed and contingent consideration payments	(287)	(98)
Stock repurchases	(328,119)	(35,000)
Proceeds from issuance of stock through employee stock purchase plan	1,584	2,324
Proceeds from stock option exercises	1,057	174
Tax payments from shares withheld for equity awards	(4,270)	(2,036)
Net cash used by financing activities from continuing operations	(70,180)	(35,542)
Net cash used by continuing operations	(156,349)	(31,511)
Net cash provided by operating activities from discontinued operations	—	32,980
Net cash provided (used) by investing activities from discontinued operations	2,212	(2,771)
Net cash provided by financing activities from discontinued operations	—	—
Net cash provided by discontinued operations	2,212	30,209
Net decrease in cash and cash equivalents	(154,137)	(1,302)
Cash and cash equivalents, beginning of period	263,928	100,629
Cash and cash equivalents, end of period	$ 109,791	$ 99,327
Supplemental cash flow information:		
Cash paid for income taxes	$ 97,420	$ 1,958
Cash paid for interest	$ 6,041	$ 14,301

See accompanying notes.

Note 1: Description of the Business

Avantax, Inc. (the ***"Company," "Avantax," "we," "our,"*** or ***"us"***) is a leading provider of integrated tax-intelligent wealth management services and software, assisting consumers, small business owners, tax professionals, financial professionals, and certified public accounting (***"CPA"***) firms. Our integrated tax-intelligent wealth management services consist of the operations of Avantax Wealth Management and Avantax Planning Partners.

Avantax Wealth Management provides tax-intelligent wealth management solutions for financial professionals, tax professionals, CPA firms, and their clients. Avantax Wealth Management offers its services through its registered broker-dealer, which is a leading U.S. tax-focused independent broker-dealer, registered investment advisor (***"RIA"***), and insurance agency subsidiaries. Avantax Wealth Management works with a nationwide network of financial professionals that operate as independent contractors. Avantax Wealth Management provides these financial professionals with an integrated platform of technical, practice, compliance, operations, sales, and product support tools that enable them to offer tax-intelligent planning, investing, and wealth management services to their clients.

Avantax Planning Partners is an in-house/employee-based RIA, insurance agency, and wealth management business that partners with CPA firms in order to provide their consumer and small business clients with holistic financial planning and advisory services, as well as retirement plan solutions through Avantax Retirement Plan Services.

Divestiture of Tax Software Business

On October 31, 2022, we entered into a Stock Purchase Agreement (the ***"Purchase Agreement"***) with TaxAct Holdings, Inc. (f/k/a Avantax Holdings, Inc.), a Delaware corporation and a direct subsidiary of Avantax, Franklin Cedar Bidco, LLC, a Delaware limited liability company (the ***"Buyer"***), and, solely for purposes of certain provisions thereof, DS Admiral Bidco, LLC, a Delaware limited liability company, pursuant to which we sold our former tax software business to Buyer for an aggregate purchase price of $720.0 million in cash, subject to customary purchase price adjustments set forth in the Purchase Agreement (the *"**TaxAct Sale**"*). This transaction subsequently closed on December 19, 2022.

In accordance with ASC 205 (***"ASC 205"***), *Presentation of Financial Statements*, we determined that the sale of our tax software business represented a strategic shift that will have a major effect on our operations and financial results. As a result of the TaxAct Sale, the historical results of our former tax software business, and any adjustments to amounts previously reported in discontinued operations in a prior period (if applicable) have been reclassified as a discontinued operation and are excluded from continuing operations for all periods presented within the condensed consolidated financial statements.

Segments

Our Chief Executive Officer is our chief operating decision maker and assesses performance and allocates resources on a consolidated basis. Given the similarities in economic characteristics between our operations and the common nature of the products, services, we currently operate in one reportable segment.

Note 2: Summary of Significant Accounting Policies

Interim Financial Information

The accompanying unaudited condensed consolidated financial statements have been prepared by us under the rules and regulations of the SEC for interim financial reporting. These condensed consolidated financial statements are unaudited and, in management's opinion, include all adjustments, consisting of normal recurring adjustments and accruals, necessary for a fair presentation of the condensed consolidated financial position, results of operations, and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States (***"GAAP"***) have been omitted in accordance with the rules and regulations of the SEC. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2022. Interim results are not necessarily indicative of results for a full year.

A summary of our significant accounting policies is included in Note 2 to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2022. Other than below, there have been no significant changes in our significant accounting policies since December 31, 2022.

Derivative Financial Instruments

We primarily enter into derivative financial instruments as part of our strategy to manage our exposure to changes in interest rates. Derivative instruments represent contracts between parties that result in one party delivering cash to the other party based on a notional amount and an underlying term (such as an interest rate or index) as specified in the contract. The amount of cash delivered from one party to the other is determined based on the interaction of the notional amount of the contract with the underlying term. We do not enter into derivative instruments for any purpose other than hedging interest rate risk, and none of our derivative instruments are used for trading purposes.

We recognize derivatives as assets or liabilities on our consolidated balance sheets at their fair value in accordance with ASC 815, *Derivatives and Hedging*. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Currently, we have only designated derivative instruments as cash flow hedges. We may also enter into derivative contracts that are intended to economically hedge interest rate risk, even though hedge accounting does not apply or we elect not to apply hedge accounting.

To qualify for hedge accounting, concurrent with the execution of a derivative contract, we formally document our risk management objective and strategy for undertaking the hedging transaction, how the hedging instrument is expected to hedge the designated risk related to the hedged item, and the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and at least quarterly throughout the life of the designated hedging relationship.

For derivatives designated as cash flow hedging instruments, changes in fair value are initially recorded net of tax in accumulated other comprehensive income (loss) and subsequently reclassified into earnings when the hedged transaction affects earnings. Additionally, changes in the fair value of amounts excluded from the assessment of effectiveness are recorded net of tax in accumulated other comprehensive income (loss) and recognized in earnings using a straight-line amortization method over the term of instrument. Changes in fair value for derivative contracts that do not qualify for hedge accounting (or for those that we elect to not apply hedge accounting), are immediately recognized within earnings. Realized and unrealized gains and losses for derivatives are presented in the statements of comprehensive income (loss) based on the nature and use of the instrument.

We prospectively discontinue hedge accounting if it is determined that the derivative is no longer effective in offsetting the designated risk of the hedged item, the derivative is terminated prior to maturity, or the occurrence of the forecasted transaction (for a cash flow hedge) is no longer probable. When hedge accounting for a cash flow hedge is discontinued, any subsequent changes in fair value of the derivative are recognized immediately in earnings. The cumulative unrealized gain or loss related to the discontinued hedge continues to be reported in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the same manner discussed above, unless it is probable that the forecasted transaction will not occur by the end of the originally specified time period, in which case the cumulative unrealized gain or loss is reclassified into earnings immediately.

Note 3: Discontinued Operations

On October 31, 2022, we entered into the Purchase Agreement with the Buyer to sell our former tax software business for an aggregate purchase price of $720.0 million in cash, subject to customary purchase price adjustments set forth in the Purchase Agreement. The TaxAct Sale subsequently closed on December 19, 2022. This divestiture was considered part of our strategic shift to become a pure-play wealth management company and was determined to meet discontinued operations accounting criteria under ASC 205.

During the six months ended June 30, 2023, we finalized our previously estimated closing date working capital balance, resulting in an incremental pre-tax gain of $2.5 million which is included within “Pre-tax gain on disposal” in the condensed consolidated statements of comprehensive income (loss).

The following table presents summarized information regarding certain components of income (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues	$ —	$ 94,214	$ —	$ 235,364
Operating expenses	—	40,435	—	123,154
Interest expense and other, net	—	(7,905)	—	(15,693)
Income from discontinued operations before gain on disposal and income taxes	—	45,874	—	96,517
Pre-tax gain on disposal	—	—	2,539	—
Income from discontinued operations before income taxes	—	45,874	2,539	96,517
Income tax expense	—	(7,296)	(618)	(26,871)
Income from discontinued operations	$ —	$ 38,578	$ 1,921	$ 69,646

Note 4: Revenue Recognition

Revenue primarily consists of advisory revenue, commission revenue, asset-based revenue, and transaction and fee revenue.

Revenues by major category and the timing of revenue recognition was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Recognized upon transaction:				
Commission	$ 18,084	$ 17,881	$ 36,885	$ 38,505
Transaction and fee	1,079	1,262	2,012	2,506
Total revenue recognized upon transaction	$ 19,163	$ 19,143	$ 38,897	$ 41,011
Recognized over time:				
Advisory	$ 103,316	$ 104,155	$ 200,841	$ 211,324
Commission	23,755	24,954	46,426	51,985
Asset-based	33,193	6,964	67,080	12,627
Transaction and fee	7,501	7,453	11,664	12,125
Total revenue recognized over time	$ 167,765	$ 143,526	$ 326,011	$ 288,061
Total revenue:				
Advisory	$ 103,316	$ 104,155	$ 200,841	$ 211,324
Commission	41,839	42,835	83,311	90,490
Asset-based	33,193	6,964	67,080	12,627
Transaction and fee	8,580	8,715	13,676	14,631
Total revenue	$ 186,928	$ 162,669	$ 364,908	$ 329,072

Note 5: Asset Acquisitions

During the six months ended June 30, 2023, we completed acquisitions that met the criteria to be accounted for as asset acquisitions. Total initial purchase consideration, including acquisition costs and fixed deferred payments, was $4.9 million. This purchase consideration was allocated to client relationship intangibles. Client relationship intangibles are amortized on a straight-line basis over an amortization period of 15 years.

We are subject to variable contingent consideration payments related to our asset acquisitions that are not recognized as a liability on our condensed consolidated balance sheets until all contingencies related to the achievement of future financial targets are resolved and the consideration is payable. As of June 30, 2023, the maximum future fixed and contingent payments associated with all prior asset acquisitions were $27.5 million, with specified payment dates from 2023 through 2027.

Note 6: Debt

Our debt consisted of the following as of the periods indicated in the table below (in thousands):

	June 30, 2023	December 31, 2022
	Delayed Draw Term Loan Facility	
Principal outstanding	$ 268,313	$ —
Unamortized debt issuance costs	(5,505)	—
Unamortized debt discount	(1,284)	—
Net carrying value	$ 261,524	$ —

In May 2017, we entered into a credit agreement (as the same has been amended, the ***"Credit Agreement"***) with a syndicate of lenders, which provided for a term loan facility and a revolving line of credit (including a letter of credit sub-facility) for working capital, capital expenditures, and general business purposes. Subject to the terms of the Credit Agreement, we repaid the remaining principal amount outstanding under the Credit Agreement in connection with the TaxAct Sale in the fourth quarter of 2022.

On January 24, 2023 (the ***"Closing Date")***, we entered into a restatement agreement (the ***"Amended and Restated Credit Agreement"***), which amended and restated in its entirety our previous Credit Agreement. The Amended and Restated Credit Agreement provides for a new delayed draw term loan facility up to a maximum principal amount of $270.0 million (the ***"Delayed Draw Term Loan Facility"***) and a revolving credit facility with a commitment amount of $50.0 million (the ***"Revolving Credit Facility"***). We may borrow term loans under the Delayed Draw Term Loan Facility (the ***"Term Loans")*** until January 24, 2024. The stated maturity date of the Delayed Draw Term Loan Facility and the Revolving Credit Facility is January 24, 2028 (the ***"Maturity Date"***). The proceeds of any Term Loans may be used to fund shareholder distributions and for general corporate purposes. The proceeds of any loans under the Revolving Credit Facility may be used to finance working capital needs and for general corporate purposes. On February 24, 2023, we borrowed $170.0 million under the Delayed Draw Term Loan Facility. During the second quarter of 2023, we borrowed the remaining $100.0 million available under the Delayed Draw Term Loan Facility.

We capitalized approximately $8.5 million of debt discount and issuance costs in connection with the Amended and Restated Credit Agreement. A portion of these costs were allocated to the Revolving Credit Facility and are included in other long-term assets on the Company's condensed consolidated balance sheets.

As of June 30, 2023, we had $268.3 million in principal amount outstanding under the Delayed Draw Term Loan Facility and no amounts outstanding under the Revolving Credit Facility. As of June 30, 2023, $50.0 million was available for future borrowings under the Revolving Credit Facility, subject to customary terms and conditions. Subject to certain conditions set forth in the Amended and Restated Credit Agreement, we may borrow, prepay, and reborrow under the Revolving Credit Facility and terminate or reduce the Lenders' commitments at any time prior to the Maturity Date.

We are required to make quarterly principal amortization payments on the Delayed Draw Term Loan Facility on the last business day of each fiscal quarter, beginning with the last business day of June 2023. These payments will amortize in equal quarterly installments based on the following aggregate annual amounts (expressed as a percentage of the principal amount of Term Loans borrowed): 2.5% during the first year ended December 31, 2023, 5% during years two and three, 7.5% during year four, and 10% during year five. Any remaining Term Loans outstanding are due on the Maturity Date.

Commencing with the first year ending December 31, 2023, we may be required to make annual prepayments on the Term Loans in an amount equal to a percentage of Excess Cash Flow (as defined in the Amended and Restated Credit Agreement). The percentage of Excess Cash Flow ranges from 0% to 50% depending on our Consolidated First Lien Net Leverage Ratio (as defined in the Amended and Restated Credit Agreement). We may voluntarily prepay the Term Loans in whole or in part without premium or penalty.

Subject to customary reference rate availability provisions, the borrowings under the Amended and Restated Credit Agreement will bear interest at a rate per annum equal to (i) the Term SOFR Rate (as defined in the Amended and Restated Credit Agreement, and which includes a 0.10% credit spread adjustment) plus a margin ranging from 2.25% to 2.75% (which margin would be 2.75% as of the Closing Date), or (ii) a base rate based on the highest of the Wall Street Journal prime rate, the federal funds rate plus 0.50% and the Term SOFR (as defined in the Amended and Restated Credit Agreement, and which includes a 0.10% credit spread adjustment) rate plus

1.00%, in each case plus a margin ranging from 1.25% to 1.75% (which margin would be 1.75% as of the Closing Date). The margin is determined based on the Company's Consolidated First Lien Net Leverage Ratio (as defined in the Amended and Restated Credit Agreement). We are required to pay a quarterly commitment fee on the daily amount of the undrawn portion of the revolving commitments under the Revolving Credit Facility ranging from 0.35% to 0.45%. Interest is payable at the end of each interest period, typically quarterly.

The obligations of the Company under the Amended and Restated Credit Agreement are secured by a first-priority security interest in substantially all of the existing and future personal property of the Company and certain of its subsidiaries.

Pursuant to the Amended and Restated Credit Agreement, we shall not permit (i) the Consolidated Total Net Leverage Ratio (as defined in the Amended and Restated Credit Agreement) to exceed 4.00 to 1.00 between March 31, 2023 and June 30, 2024, or 3.75 to 1.00 between July 1, 2024 and the Maturity Date, (ii) the Consolidated Fixed Charge Coverage Ratio (as defined in the Amended and Restated Credit Agreement) to be less than 1.25 to 1.00 or (iii) Liquidity (as defined in the Amended and Restated Credit Agreement) on the last day of any fiscal quarter to be less than $50 million. The Company was in compliance with the debt covenants of the Amended and Restated Credit Agreement as of June 30, 2023.

Note 7: Leases

Our leases are primarily related to office space and are classified as operating leases. Operating lease cost, net of sublease income, is recognized in "General and administrative" expense for those net costs related to leases used in our operations and within "Acquisition and integration" expense for those net costs related to an unoccupied lease assumed in a previous acquisition on the condensed consolidated statements of comprehensive income (loss).

During the three and six months ended June 30, 2023, and in connection with the TaxAct Sale, we began subleasing a portion of our corporate headquarters in Dallas, Texas. This sublease was classified as an operating lease at inception, with sublease income recognized on a straight-line basis over the five-year sublease term.

Operating lease cost, net of sublease income, and cash paid on operating lease liabilities for the three and six months ended June 30, 2023 and 2022 were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Fixed lease cost	$ 974	$ 947	$ 1,936	$ 1,920
Variable lease cost	340	363	748	765
Operating lease cost, before sublease income	1,314	1,310	2,684	2,685
Sublease income	(479)	(234)	(958)	(468)
Total operating lease cost, net of sublease income	$ 835	$ 1,076	$ 1,726	$ 2,217
Additional lease information:				
Cash paid on operating lease liabilities	$ 1,312	$ 1,262	$ 2,619	$ 2,491
Lease liabilities obtained from new right-of-use assets	$ —	$ 128	$ —	$ 128

Right-of-use assets and operating lease liabilities were recorded on the condensed consolidated balance sheets as follows (in thousands):

	June 30, 2023	December 31, 2022
Right-of-use assets, net	$ 18,556	$ 19,361
Current lease liabilities	$ 5,177	$ 5,139
Long-term lease liabilities	28,622	30,332
Total operating lease liabilities	$ 33,799	$ 35,471
Weighted-average remaining lease term (in years)	9.1	9.4
Weighted-average discount rate	5.5 %	5.5 %

The maturities of our operating lease liabilities as of June 30, 2023 were as follows (in thousands):

Undiscounted cash flows:		
Remainder of 2023	$	2,670
2024		5,184
2025		5,086
2026		4,256
2027		3,858
Thereafter		22,315
Total undiscounted cash flows		43,369
Imputed interest		(9,570)
Present value of cash flows	$	33,799

Note 8: Balance Sheet Components

Prepaid expenses and other current assets consisted of the following (in thousands):

	June 30, 2023		December 31, 2022	
Prepaid expenses	$	22,499	$	7,857
Forgivable loans		6,023		5,951
Other current assets		1,532		1,219
Total prepaid expenses and other current assets	$	30,054	$	15,027

Accrued expenses and other current liabilities consisted of the following (in thousands):

	June 30, 2023		December 31, 2022	
Salaries and related benefit expenses	$	12,891	$	17,481
Accrued legal costs		2,897		1,102
Accrued vendor and advertising costs		1,411		2,726
Accrued taxes		5,076		85,965
Accrued fixed and variable acquisition consideration		1,139		897
Accrued cash-settled stock-based compensation		6,783		2,121
Interest rate derivatives		8,517		—
Other		2,218		920
Total accrued expenses and other current liabilities	$	40,932	$	111,212

Other long-term liabilities consisted of the following (in thousands):

	June 30, 2023		December 31, 2022	
Deferred compensation	$	12,235	$	7,974
Accrued cash-settled stock-based compensation		3,864		7,556
Accrued tax positions		4,099		3,616
Interest rate derivatives		8,309		—
Other		2,943		3,330
Other long-term liabilities	$	31,450	$	22,476

Note 9: Commitments and Contingencies

TaxAct Indemnification Obligations

In connection with the TaxAct Sale, we have certain indemnification obligations to the Buyer, TaxAct Holdings, Inc. and their respective affiliates and representatives with respect to certain losses actually incurred or suffered as a result of any claim, action, suit, or proceeding against such indemnitees arising out of or relating to the use by us or any of our affiliates in the tax software business of website tracking and analytics technologies prior to the closing of the TaxAct Sale. Such indemnification obligations terminate on December 19, 2027 and may not exceed $5.4 million ($1.0 million of which is allocable to the deductible under our insurance policies). We believe that applicable insurance policies will cover all or a substantial portion of any claims made by the Buyer under such indemnification obligations. The current carrying amount of the liability for these indemnification obligations is approximately $0.9 million as of June 30, 2023 and is included within “Other long-term liabilities” on the condensed consolidated balance sheets.

Litigation

From time to time, we are subject to various legal proceedings, regulatory matters or fines, or claims that arise in the ordinary course of business. We accrue a liability when management believes that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Although we believe that resolving such claims, individually or in aggregate, will not have a material adverse impact on our financial statements, these matters are subject to inherent uncertainties.

We are not currently a party to any such matters for which we have recognized a material liability on our condensed consolidated balance sheet as of June 30, 2023.

We have entered into indemnification agreements in the ordinary course of business with our officers and directors. Pursuant to these agreements, we may be obligated to advance payment of legal fees and costs incurred by the defendants pursuant to our obligations under these indemnification agreements and applicable Delaware law.

Note 10: Fair Value Measurements

Certain of our assets and liabilities are carried at fair value and are valued using inputs that are classified in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs, other than Level 1, or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data and reflect our own assumptions.

Assets and Liabilities Measured on a Recurring Basis

The fair value hierarchy of our financial assets and liabilities carried at estimated fair value and measured on a recurring basis were as follows (in thousands):

		Fair value measurements at the reporting date using		
	June 30, 2023	Quoted prices in active markets using identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents: money market and other funds	$ 216	$ 216	$ —	$ —
Deferred compensation assets	12,710	12,710	—	—
Total assets at fair value	$ 12,926	$ 12,926	$ —	$ —
Deferred compensation liabilities	$ 12,710	$ 12,710	$ —	$ —
Interest rate derivatives	16,814	—	16,814	—
Total liabilities at fair value	$ 29,524	$ 12,710	$ 16,814	$ —

		Fair value measurements at the reporting date using		
	December 31, 2022	Quoted prices in active markets using identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents: money market and other funds	$ 4,369	$ 4,369	$ —	$ —
Deferred compensation assets	7,974	7,974	—	—
Total assets at fair value	$ 12,343	$ 12,343	$ —	$ —
Deferred compensation liabilities	$ 7,974	$ 7,974	$ —	$ —
Total liabilities at fair value	$ 7,974	$ 7,974	$ —	$ —

Cash equivalents are classified within Level 1 of the fair value hierarchy because we value them utilizing quoted prices in active markets.

We offer non-qualified deferred compensation plans to our executive officers, board of directors, and certain independent financial professionals. Participants in these plans direct the investment of their accounts among the available investment options, which are generally the same as those available under our 401(k) plan. We have elected to fund these obligations through a rabbi trust which mirrors the investment elections made by participants. The assets in the rabbi trust are held for the purpose of satisfying our obligations to participants, however, remain subject to the claims of our creditors in the event we become insolvent. Our obligations and corresponding investments held under these non-qualified deferred compensation plans primarily consist of money market and mutual funds and are classified within Level 1 of the fair value hierarchy because we value them utilizing quoted prices in active markets. These investments, and the corresponding deferred compensation liabilities, are primarily included within “Other long-term assets” and “Other long-term liabilities,” respectively, on the condensed consolidated balance sheets.

We utilize a third-party pricing service to estimate the fair value of our derivative financial instruments. Fair value is estimated using industry standard valuation models that primarily rely on observable market inputs, including daily simple secured overnight financing rates (***"SOFR"***) overnight index swap rate curves, SOFR swap rate curves, and volatility. Credit valuation adjustments are incorporated in the fair values to reflect nonperformance risk for both the Company and our counterparties. Although we have determined that the majority of the inputs used to value these derivative instruments fall within Level 2 of the fair value hierarchy, the credit valuation adjustments utilize Level 3 inputs, such as estimates of current credit spreads. We have determined that the impact of the credit valuation adjustments is not significant to the overall valuation of these derivatives. As a result, we have classified our derivative financial instruments in Level 2 of the fair value hierarchy.

Fair Value of Financial Instruments

We consider the carrying values of accounts receivable, commissions receivable, other receivables, prepaid expenses, other current assets, financial professional loans, accounts payable, commissions and advisory fees payable, accrued expenses, and other current liabilities to approximate fair values primarily due to their short-term natures.

As of June 30, 2023, the principal amount outstanding for our Delayed Draw Term Loan Facility was $268.3 million. The principal amount outstanding approximated its fair value as it is a variable rate instrument, and its applicable margin is consistent with current market conditions.

Note 11: Derivative Financial Instruments

We primarily enter into derivative financial instruments as part of our strategy to manage our exposure to changes in interest rates. Our objective in using interest rate derivatives is to reduce variability in the future cash flows we earn from our cash sweep program by limiting our exposure to changes in our contractually specified rate, which is primarily tied to the federal funds rate. To accomplish this objective, we currently utilize interest rate collar and interest rate cap derivative instruments. Our interest rate collar derivatives involve the payment of variable-rate amounts if interest rates rise above the cap strike rate on the contracts and receipts of fixed-rate amounts if interest rates fall below the floor strike rate on the contracts. Our interest rate cap derivatives involve the payment of variable-rate amounts if interest rates rise above the cap strike rate on the contracts. Our interest rate collar derivatives are designated and qualify as cash flow hedges, as defined in ASC 815. Our interest rate cap derivatives do not qualify for cash flow hedge accounting and are considered economic hedges. As of June 30, 2023, the total notional value of our interest rate derivatives represented approximately 64% of the ending client cash balances in our cash sweep program.

We are exposed to credit risk in the event of nonperformance of counterparties for our derivative financial instruments. We manage concentration of counterparty credit risk by limiting acceptable counterparties to major financial institutions with investment grade credit ratings, limiting the amount of credit exposure to individual counterparties and actively monitoring counterparty credit ratings. We also employ master netting arrangements which allow us to net settle positive and negative positions (assets and liabilities) arising from different transactions with the same counterparty. Although not completely eliminated, we do not consider the risk of counterparty default to be significant as a result of these protections. Further, none of our derivative financial instruments are subject to collateral or other security arrangements, nor do they contain provisions that are dependent on our credit ratings from any credit rating agency.

We recognize derivative financial instruments in the condensed consolidated financial statements at fair value regardless of the purpose or intent for holding the instruments. The following table presents the gross fair value of our derivative financial instruments as of June 30, 2023 and December 31, 2022 (in thousands):

	Derivative Assets		Derivative Liabilities	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Derivatives designated as hedging instruments under ASC 815:				
Interest rate collars [1]	$ —	$ —	$ 15,938	$ —
Total derivatives designated as hedging instruments under ASC 815	—	—	15,938	—
Derivatives not designated as hedging instruments under ASC 815:				
Interest rate caps [1]	—	—	876	—
Total derivatives not designated as hedging instruments under ASC 815	—	—	876	—
Total Derivatives	$ —	$ —	$ 16,814	$ —

____

(1) As of June 30, 2023, approximately $8.5 million of the fair value of these derivative financial instruments was recorded within “Accrued expenses and other current liabilities,” with the remaining balance recorded within “Other long-term liabilities” on the condensed consolidated balance sheets.

Cash Flow Hedges of Interest Rate Risk

During the second quarter of 2023, we entered into two interest rate collar derivative contracts for a total notional value of $1.5 billion. Each contract is indexed to daily simple SOFR and is a combination of a purchased floor instrument with a strike rate of 2.5% and a sold cap instrument with a strike rate of 5.5%, both of which expire on May 31, 2026. The total cost for these interest rate collars was $15.3 million, which we have elected to defer and will settle through monthly straight-line cash payments to the counterparties over the term of the instruments. This hedging strategy enables us to limit the downside risk of significant reductions to interest rates over the term of the instruments in exchange for capping the amount of our future cash flows that may be received from our cash sweep program for the comparable notional amount hedged.

We designated these derivative instruments as cash flow hedges and determined that they are highly effective at achieving offsetting changes in cash flows attributable to interest rate fluctuations associated with our cash sweep program. The changes in fair value of the effective portion of these derivative instruments are initially recorded net of tax in accumulated other comprehensive income (loss) as a separate component of stockholders’ equity. These accumulated gains or losses are reclassified into “Revenue” (where the hedged transaction is recorded) on the condensed consolidated statements of comprehensive income (loss) when the hedged transaction affects earnings. We have elected to exclude the change in fair value of these derivative instruments attributable to the passage of time from the assessment of hedge effectiveness. Changes in the fair value of amounts excluded from the assessment of effectiveness are recorded net of tax in accumulated other comprehensive income (loss) and recognized as a reduction to “Revenue” on the condensed consolidated statements of comprehensive income (loss) using a straight-line amortization method over the term of the instruments.

The table below presents the amount of gains and losses related to these derivative financial instruments and their location in the condensed consolidated statements of comprehensive income (loss) for the three and six months ended June 30, 2023 and 2022 (in thousands):

	Gain (Loss) Recognized in OCI		Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income	
Three Months Ended	**June 30, 2023**	**June 30, 2022**		**June 30, 2023**	**June 30, 2022**
Interest rate collars, net of tax	$ (12,393)	$ —	Revenue	$ (332)	$ —
Six Months Ended					
Interest rate collars, net of tax	$ (12,393)	$ —	Revenue	$ (332)	$ —

As of June 30, 2023, we estimate that $4.9 million of the deferred amounts recorded in accumulated other comprehensive income (loss) for our cash flow hedges will be reclassified into earnings within the next twelve months.

Gains and losses on our cash flow hedges are net of income tax benefit of $3.9 million for the three and six months ended June 30, 2023, respectively. Cash flows from these derivative instruments are included within operating activities in the condensed consolidated statements of cash flows, as our accounting policy is to present cash flows from hedging instruments in the same category as the item being hedged.

Economic Hedges of Interest Rate Risk

We also utilize interest rate cap derivatives to manage our economic exposure to interest rate movements which do not meet the hedge accounting requirements of ASC 815. During the second quarter of 2023, we sold two interest rate cap derivative contracts for a total notional value of $240.0 million. Each contract is indexed to daily simple SOFR, has a strike rate of 5.5%, and expires on May 31, 2026. These interest rate caps were sold for a total premium of $1.2 million, which have been deferred and will be settled by the counterparties through monthly straight-line cash payments over the term of the instruments. This hedging strategy enables us to offset a portion of the total cost of our interest rate collar derivatives by capping the amount of our future cash flows that may be received from our cash sweep program for the comparable notional amount hedged.

These derivative instruments are not designated for hedge accounting treatment, therefore, realized and unrealized gains or losses on the instruments are immediately recognized within “Interest expense and other, net” on the condensed consolidated statements of comprehensive income (loss). Cash flows from these derivative instruments are included within operating activities in the condensed consolidated statements of cash flows.

The table below presents the amount of gains and losses related to these derivative financial instruments and their location in the condensed consolidated statements of comprehensive income (loss) for the three and six months ended June 30, 2023 and 2022 (in thousands):

	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income	
Three Months Ended		**June 30, 2023**	**June 30, 2022**
Interest rate caps	Interest expense and other, net	$ (842)	$ —
Six Months Ended			
Interest rate caps	Interest expense and other, net	$ (842)	$ —

Accumulated Other Comprehensive Income (Loss)

The table below presents a roll forward of the amounts included in accumulated other comprehensive income (loss), net of taxes, for the three and six months ended June 30, 2023 (in thousands):

	Interest Rate Collars	Deferred Taxes	Accumulated Other Comprehensive Income (Loss)
Balance as of December 31, 2022	$ —	$ —	$ —
Balance as of March 31, 2023	—	—	—
Changes in fair value	(16,377)	3,984	(12,393)
Reclassification to earnings	439	(107)	332
Balance as of June 30, 2023	$ (15,938)	$ 3,877	$ (12,061)

There was no derivative activity to report for the three and six months ended June 30, 2022.

Note 12: Stockholders' Equity

Capital Return Program

On January 27, 2023, we commenced a modified “Dutch Auction” tender offer (the ***“Tender Offer”***) to purchase shares of our common stock for an aggregate purchase price of up to $250.0 million at a price per share not less than $27.00 and not greater than $31.00. The Tender Offer was in addition to, and separate from, the $200.0 million stock repurchase authorization discussed below. Upon the conclusion of the Tender Offer, we repurchased and subsequently retired approximately 8.3 million shares of our common stock at the purchase price of $30.00 per share, for aggregate cash consideration of $250.0 million. We incurred approximately $4.5 million for fees and expenses associated with the Tender Offer, including approximately $2.4 million for estimated excise taxes owed under the Inflation Reduction Act of 2022, which were recorded within stockholders’ equity.

Repurchased common stock that is subsequently retired is deducted from common stock for par value and from additional paid-in capital for the excess over par value. Direct costs incurred to repurchase common stock are included in the total cost of the shares.

Stock Repurchase Authorization

On December 19, 2022, we announced that our board of directors authorized the Company to repurchase up to $200.0 million of our common stock. This repurchase authorization does not obligate us to repurchase any specific number of shares, may be suspended or discontinued at any time, and does not have a specified expiration date.

For the three months ended June 30, 2023, we repurchased approximately 2.2 million shares of our common stock under the stock repurchase authorization for an aggregate purchase price of approximately $51.2 million. For the six months ended June 30, 2023, we repurchased approximately 3.2 million shares of our common stock under the stock repurchase authorization for an aggregate purchase price of approximately $76.0 million. The remaining authorized amount under the stock repurchase authorization as of June 30, 2023, was approximately $124.0 million.

For the three months ended June 30, 2022, we repurchased approximately 0.2 million shares of our common stock under our previous stock repurchase plan for an aggregate purchase price of approximately $4.5 million. For the six months ended June 30, 2022, we repurchased approximately 1.9 million shares of our common stock under our previous stock repurchase plan for an aggregate purchase price of approximately $35.0 million.

Between July 1, 2023 and August 4, 2023, we repurchased approximately 0.4 million shares of our common stock under the stock repurchase authorization for an aggregate purchase price of approximately $9.1 million. The remaining authorized amount under the stock repurchase authorization as of August 4, 2023, was approximately $115.0 million.

Note 13: Interest Expense and Other, Net

"Interest expense and other, net" on the condensed consolidated statements of comprehensive income (loss) consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Interest expense	$ 4,661	$ 57	$ 6,192	$ 81
Amortization of debt issuance costs	246	—	374	—
Amortization of debt discount	41	—	66	—
Total interest expense	4,948	57	6,632	81
Interest income and other	(49)	155	(1,024)	184
Transition services agreement income	(1,043)	—	(2,646)	—
Derivative losses - interest rate caps	842	—	842	—
Interest expense and other, net	$ 4,698	$ 212	$ 3,804	$ 265

In connection with the TaxAct Sale, we entered into a transition services agreement with the Buyer pursuant to which we will provide the Buyer with certain transition services for an initial period ending on June 19, 2023. Under the terms of the original transition services agreement, this agreement was extended to September 19, 2023. The income from this agreement is included in the table above and largely offsets the costs incurred to provide these transition services, which are included within our operating expenses.

Note 14: Income Taxes

Our provision for income taxes in interim periods is based on our estimated annual effective tax rate. We record cumulative adjustments in the quarter in which a change in the estimated annual effective rate is determined. The estimated annual effective tax rate does not include the effects of discrete events that may occur during the year. The effect of these events, if any, is recorded in the quarter in which the event occurs.

We recorded income tax expense of $2.1 million and $1.6 million for the three and six months ended June 30, 2023, respectively. Our effective income tax rate for the three and six months ended June 30, 2023 differed from the 21% statutory rate primarily due to non-deductible compensation and the effect of state taxes.

We recorded an income tax benefit of $4.1 million and $21.0 million for the three and six months ended June 30, 2022, respectively. Our effective tax rate for the three and six months ended June 30, 2022 differed from the 21% statutory rate primarily due to the release in our valuation allowance and the effect of state income taxes.

Note 15: Net Income Per Share

"Basic net income per share" is calculated using the weighted average number of common shares outstanding during the applicable period. "Diluted net income per share" is calculated using the weighted average number of common shares outstanding plus the number of dilutive potential common shares outstanding during the applicable period. Dilutive potential common shares consist of the incremental common shares issuable upon the exercise of outstanding stock options and the vesting of outstanding RSUs using the treasury stock method. Cash-settled restricted stock units are not settled in common shares and are therefore excluded from dilutive potential common shares. Dilutive potential common shares are excluded from the calculation of diluted net income per share if their effect is antidilutive, including when we report a loss from continuing operations. Performance-based RSUs are considered contingently issuable shares and are excluded from the diluted weighted average common shares outstanding computation if the related performance-based criteria are not expected to be achieved as of the end of the reporting period.

The calculation of basic and diluted net income per share is as follows (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Numerator:				
Income from continuing operations	$ 3,581	$ 847	$ 3,333	$ 4,399
Income from discontinued operations	—	38,578	1,921	69,646
Net income	$ 3,581	$ 39,425	$ 5,254	$ 74,045
Denominator:				
Basic weighted average common shares outstanding	38,349	47,582	41,497	48,048
Dilutive potential common shares (1)	852	1,108	1,018	1,172
Diluted weighted average common shares outstanding	39,201	48,690	42,515	49,220
Basic net income per share:				
Continuing operations	$ 0.09	$ 0.02	$ 0.08	$ 0.09
Discontinued operations	—	0.81	0.05	1.45
Basic net income per share:	$ 0.09	$ 0.83	$ 0.13	$ 1.54
Diluted net income per share:				
Continuing operations	$ 0.09	$ 0.02	$ 0.08	$ 0.09
Discontinued operations	—	0.79	0.04	1.41
Diluted net income per share:	$ 0.09	$ 0.81	$ 0.12	$ 1.50
Shares excluded (1)	510	960	427	935

(1) Potential common shares were excluded from the calculation of diluted net income per share for these periods because their effect would have been anti-dilutive.

Note 16: Subsequent Events

Between July 1, 2023 and August 4, 2023, we repurchased approximately 0.4 million shares of our common stock under our stock repurchase authorization for an aggregate purchase price of approximately $9.1 million. The remaining authorized amount under the stock repurchase authorization as of August 4, 2023, was approximately $115.0 million.

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

The following discussion provides an analysis of our financial condition, cash flows, and results of operations from management’s perspective and should be read in conjunction with our condensed consolidated financial statements and accompanying notes thereto included under Part I, Item 1 and the section titled “Cautionary Statement Regarding Forward-Looking Statements” in this Form 10-Q, as well as with our consolidated financial statements, accompanying notes thereto, and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Overview

Avantax, Inc. (the ***“Company,” “Avantax,” “we,” “our,”*** or ***“us”***), is a leading provider of integrated tax-intelligent wealth management services and platforms, assisting consumers, small business owners, tax professionals, financial professionals, and certified public accounting (***“CPA”***) firms. Our mission is to enable financial success by changing the way individuals and families plan and achieve their goals through tax-intelligent solutions. Our common stock is listed on the NASDAQ Global Select Market under the symbol “AVTA.” Our integrated tax-intelligent wealth management services consist of the operations of Avantax Wealth Management and Avantax Planning Partners.

Avantax Wealth Management provides tax-intelligent wealth management solutions for financial professionals, tax professionals, CPA firms, and their clients. Avantax Wealth Management offers its services through its registered broker-dealer, which is a leading U.S. tax-focused independent broker-dealer, registered investment advisor (***“RIA”***), and insurance agency subsidiaries. Avantax Wealth Management works with a nationwide network of financial professionals that operate as independent contractors. Avantax Wealth Management provides these financial professionals with an integrated platform of technical, practice, compliance, operations, sales, and product support tools that enable them to offer tax-intelligent planning, investing, and wealth management services to their clients.

Avantax Planning Partners is an in-house/employee-based RIA, insurance agency, and wealth management business that partners with CPA firms in order to provide their consumer and small business clients with holistic financial planning and advisory services, as well as retirement plan solutions through Avantax Retirement Plan Services.

Divestiture of Tax Software Business

On October 31, 2022, we entered into a Stock Purchase Agreement (the ***“Purchase Agreement”***) with TaxAct Holdings, Inc. (f/k/a Avantax Holdings, Inc.), a Delaware corporation and a direct subsidiary of Avantax, Franklin Cedar Bidco, LLC, a Delaware limited liability company (the ***“Buyer”***), and, solely for purposes of certain provisions thereof, DS Admiral Bidco, LLC, a Delaware limited liability company, pursuant to which we sold our former tax software business to Buyer for an aggregate purchase price of $720.0 million in cash, subject to customary purchase price adjustments set forth in the Purchase Agreement (the *“**TaxAct Sale**”*). This transaction subsequently closed on December 19, 2022.

In accordance with ASC 205, *Presentation of Financial Statements*, we determined that the sale of our tax software business represented a strategic shift that will have a major effect on our operations and financial results. As a result of the TaxAct Sale, the historical results of our former tax software business, and any adjustments to amounts previously reported in discontinued operations in a prior period (if applicable) have been reclassified as a discontinued operation and are excluded from continuing operations for all periods presented within the condensed consolidated financial statements.

Recent Developments

Interest Rate Hedges

During the second quarter of 2023, we entered into two interest rate collar derivative contracts for a total notional value of $1.5 billion. Each contract is indexed to daily simple secured overnight financing rates (***“SOFR”***) and is a combination of a purchased floor instrument with a strike rate of 2.5% and a sold cap instrument with a strike rate of 5.5%, both of which expire on May 31, 2026. The total cost for these interest rate collars was $15.3 million, which we have elected to defer and will settle through monthly straight-line cash payments to the counterparties over the term of the instruments. This hedging strategy enables us to limit the downside risk of significant reductions to interest rates over the term of the instruments in exchange for capping the amount of our future cash flows that may be received from our cash sweep program for the comparable notional amount hedged. We designated these derivative instruments as cash flow hedges and determined that they are highly effective at achieving offsetting changes in cash flows attributable to interest rate fluctuations associated with our cash sweep program. The changes in fair value of these derivative instruments are initially recorded net of tax in accumulated other comprehensive income (loss) as a separate component of stockholders' equity. These accumulated gains or losses are reclassified into "Revenue" (where the hedged transaction is recorded) on the condensed consolidated statements of comprehensive income (loss) when the hedged transaction affects earnings.

In addition, during the second quarter of 2023, we sold two interest rate cap derivative contracts for a total notional value of $240.0 million. Each contract is indexed to daily simple SOFR, has a strike rate of 5.5%, and expires on May 31, 2026. These interest rate caps were sold for a total premium of $1.2 million, which have been deferred and will be settled by the counterparties through monthly straight-line cash payments over the term of the instruments. This hedging strategy enables us to offset a portion of the total cost of our interest rate collar derivatives by capping the amount of our future cash flows that may be received from our cash sweep program for the comparable notional amount hedged. These derivative instruments are not designated for hedge accounting treatment, therefore, realized and unrealized gains or losses on the instruments are immediately recognized within "Interest expense and other, net" on the condensed consolidated statements of comprehensive income (loss).

RESULTS OF OPERATIONS

Summary

($ in thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Change $	Change %	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Change $	Change %
Revenue	$ 186,928	$ 162,669	$ 24,259	14.9 %	$ 364,908	$ 329,072	$ 35,836	10.9 %
Operating expenses:								
Cost of revenue	110,847	114,446	(3,599)	(3.1)%	219,099	235,634	(16,535)	(7.0)%
Engineering and technology	2,191	2,302	(111)	(4.8)%	4,912	4,116	796	19.3 %
Sales and marketing	27,423	24,882	2,541	10.2 %	53,604	47,056	6,548	13.9 %
General and administrative	26,335	21,721	4,614	21.2 %	58,736	45,596	13,140	28.8 %
Acquisition and integration	(39)	(6,792)	6,753	99.4 %	83	(5,126)	5,209	101.6 %
Depreciation	3,588	2,642	946	35.8 %	7,176	5,085	2,091	41.1 %
Amortization of acquired intangible assets	6,231	6,462	(231)	(3.6)%	12,569	13,093	(524)	(4.0)%
Total operating expenses	176,576	165,663	10,913	6.6 %	356,179	345,454	10,725	3.1 %
Operating income (loss) from continuing operations	10,352	(2,994)	13,346	445.8 %	8,729	(16,382)	25,111	153.3 %
Interest expense and other, net	(4,698)	(212)	(4,486)	(2116.0)%	(3,804)	(265)	(3,539)	(1335.5)%
Income (loss) from continuing operations before income taxes	5,654	(3,206)	8,860	276.4 %	4,925	(16,647)	21,572	129.6 %
Income tax benefit (expense)	(2,073)	4,053	(6,126)	(151.1)%	(1,592)	21,046	(22,638)	(107.6)%
Income from continuing operations	3,581	847	2,734	322.8 %	3,333	4,399	(1,066)	(24.2)%
Discontinued operations								
Income from discontinued operations before gain on disposal and income taxes	—	45,874	(45,874)	(100.0)%	—	96,517	(96,517)	(100.0)%
Pre-tax gain on disposal	—	—	—	N/A	2,539	—	2,539	N/A
Income from discontinued operations before income taxes	—	45,874	(45,874)	(100.0)%	2,539	96,517	(93,978)	(97.4)%
Income tax benefit (expense)	—	(7,296)	7,296	100.0 %	(618)	(26,871)	26,253	97.7 %
Income from discontinued operations	—	38,578	(38,578)	(100.0)%	1,921	69,646	(67,725)	(97.2)%
Net income	$ 3,581	$ 39,425	$ (35,844)	(90.9)%	$ 5,254	$ 74,045	$ (68,791)	(92.9)%

For the three months ended June 30, 2023, compared to the three months ended June 30, 2022, net income decreased $35.8 million primarily due to the following factors:

- Income from continuing operations increased $2.7 million primarily due to the following factors:
    - Revenue increased $24.3 million primarily due to incremental cash sweep revenue generated from increases in the federal funds rate paired with the program's structure that increases returns in a higher interest rate environment. This incremental revenue was partially offset by lower advisory revenue due to timing of market changes and asset growth relative to when clients were billed each period, and lower commission revenue due to reduced transaction activity.
    - Total operating expenses increased $10.9 million primarily from an increase in general and administrative expense for executive transition and reorganization related costs associated with the TaxAct Sale, and higher personnel costs within sales and marketing expense. These increases were partially offset by lower financial professional commissions within cost of revenue caused by reduced advisory and commission revenues and prior period acquisition-related contingent consideration fair value adjustments that did not reoccur in the current period.
    - Income tax benefit decreased $6.1 million, primarily due to a reduction in our valuation allowance during the prior year associated with the utilization of net operating losses against prior period taxable income.
- Income from discontinued operations decreased $45.9 million primarily due to the completion of the TaxAct Sale in the prior period.

For the six months ended June 30, 2023, compared to the six months ended June 30, 2022, net income decreased $68.8 million primarily due to the following factors:

- Income from continuing operations decreased $1.1 million primarily due to the following factors:
  - Revenue increased $35.8 million primarily due to incremental cash sweep revenue, partially offset by lower advisory and commission revenues discussed in the section above.
  - Total operating expenses increased $10.7 million primarily from the incremental costs discussed in the section above, partially offset by lower financial professional commissions caused by reduced advisory and commission revenues.
  - Income tax benefit decreased $22.6 million, primarily due to a reduction in our valuation allowance during the prior year associated with the utilization of net operating losses against prior period taxable income.
- Income from discontinued operations decreased $96.5 million primarily due to the completion of the TaxAct Sale in the prior period. During the six months ended June 30, 2023 we recognized an incremental pre-tax gain on disposal of $2.5 million in connection with the finalization of our closing working capital balance.

Sources of Revenue

Our 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, our resulting financial position, and operating performance. A summary of our sources of revenue and business and financial metrics is as follows:

($ in thousands)			Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	Sources of Revenue	Primary Drivers	2023	2022	$	%	2023	2022	$	%
Financial professional-driven	Advisory	- Advisory asset levels	$ 103,316	$ 104,155	$ (839)	(0.8)%	$ 200,841	$ 211,324	$ (10,483)	(5.0)%
	Commission	- Transactions - Asset levels - Product mix	41,839	42,835	(996)	(2.3)%	83,311	90,490	(7,179)	(7.9)%
Other revenue	Asset-based	- Cash balances - Interest rates - Number of accounts - Client asset levels	33,193	6,964	26,229	376.6 %	67,080	12,627	54,453	431.2 %
	Transaction and fee	- Account activity - Number of financial professionals - Number of clients - Number of accounts	8,580	8,715	(135)	(1.5)%	13,676	14,631	(955)	(6.5)%
	Total revenue		$ 186,928	$ 162,669	$ 24,259	14.9 %	$ 364,908	$ 329,072	$ 35,836	10.9 %
	Total recurring revenue		$ 166,531	$ 141,935	$ 24,596	17.3 %	$ 324,159	$ 285,672	$ 38,487	13.5 %
	Recurring revenue rate		89.1 %	87.3 %			88.8 %	86.8 %		

Recurring revenue consists of advisory fees, trailing commissions, fees from cash sweep programs, and certain transaction and fee revenue, all as described further under the headings "Advisory revenue," "Commission revenue," "Asset-based revenue," and "Transaction and fee revenue," respectively. Certain recurring revenues are associated with asset balances and fluctuate depending on market values and current interest rates. Accordingly, our recurring revenue can be negatively impacted by adverse external market conditions. However, we believe recurring revenue is meaningful 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)	June 30,		Change	
	2023	2022	$	%
Client assets balances:				
Total client assets	$ 83,827,113	$ 76,522,066	$ 7,305,047	9.5 %
Brokerage assets	$ 41,177,502	$ 39,776,018	$ 1,401,484	3.5 %
Advisory assets	$ 42,649,611	$ 36,746,048	$ 5,903,563	16.1 %
Advisory assets as a percentage of total client assets	50.9 %	48.0 %		
Number of financial professionals (in ones):				
Independent financial professionals (1)	3,078	3,315	(237)	(7.1)%
In-house/employee financial professionals (2)	38	34	4	11.8 %
Total number of financial professionals	3,116	3,349	(233)	(7.0)%
Advisory and commission revenue per financial professional (3)	$ 46.6	$ 43.9	$ 2.7	6.2 %

____

(1) The number of independent financial professionals includes licensed financial professionals that work with Avantax Wealth Management and operate as independent contractors, as well as 179 licensed referring representatives at CPA firms that partner with Avantax Planning Partners.

(2) The number of in-house/employee financial professionals includes licensed financial planning consultants, all of which are affiliated with Avantax Planning Partners.

(3) Calculation based on advisory and commission revenue for the three months ended June 30, 2023 and 2022, respectively.

Client Assets. Historically we have calculated total client assets to include assets that we hold directly or indirectly on behalf of clients under a safekeeping or custody arrangement or for which we provide administrative services for clients. Beginning in the second quarter of 2022, the calculation of total client assets also includes assets for which financial professionals licensed with Avantax provide administrative services to clients. Because we did not have relationships with financial professionals that had clients for whom we did not provide administrative services prior to the second quarter of 2022, our calculation of total client assets for any prior period would not have changed under our current calculation. To the extent that we or they provide more than one service for a client's assets, the value of the asset is only counted once in the total amount of total client assets. Total client assets include advisory assets, non-advisory brokerage accounts, annuities, and mutual fund positions held directly with fund companies. These assets are not reported on the Company's consolidated balance sheets.

Advisory assets include client assets for which we provide investment advisory and management services as a fiduciary under the Investment Advisers Act of 1940. Our compensation for providing such services is typically a fee-based on the value of the advisory assets for each advisory client.

Brokerage assets represent total client assets other than advisory assets.

Total client assets increased $7.3 billion as of June 30, 2023 compared to June 30, 2022, primarily due to $6.5 billion of favorable market changes and net client inflows.

Advisory assets increased $5.9 billion as of June 30, 2023 compared to June 30, 2022, and advisory assets as a percentage of total client assets increased to 50.9% as of June 30, 2023, compared to 48.0% as of June 30, 2022. The increase in advisory assets was primarily caused by $3.1 billion of favorable market changes and net new advisory assets of $2.8 billion, both of which contributed to the increase in advisory assets as a percentage of total client assets.

Financial Professionals. The number of our financial professionals decreased 7.0% as of June 30, 2023 compared to June 30, 2022, with the decrease primarily due to attrition related to lower revenue-producing financial professionals. Included within this attrition of lower revenue-producing financial professionals were terminations primarily in the fourth quarter of 2022 associated with certain financial professional's failure to comply with a policy implemented to ensure regulatory compliance with certain record keeping and supervisory requirements. Advisory and commission revenue per financial professional increased 6.2% for the same period, primarily due to the attrition of lower revenue-producing financial professionals discussed above. The decrease in the number of financial professionals was partially offset by our continued recruitment and onboarding of independent financial professionals.

Advisory Revenue. Advisory revenue primarily includes fees charged to clients in advisory accounts for which we are the RIA. These fees are based on the value of assets within these advisory accounts. For advisory revenues generated by Avantax Wealth Management, advisory fees are typically billed quarterly, in advance, and the related advisory revenues are deferred and recognized ratably over the period in which our performance obligations have been completed. For advisory revenue generated by Avantax Planning Partners, advisory fees are typically billed quarterly, in arrears, and the related advisory revenues are accrued and recognized ratably over the period in which our performance obligations were completed. Because advisory fees are based on advisory assets on the last day of each quarter, our revenues are impacted, in part, by the timing of market movements relative to when clients are billed.

Advisory asset balances were as follows (in thousands):

	June 30,		Change	
	2023	2022	$	%
Advisory assets—independent financial professionals	$ 35,027,059	$ 31,073,772	$ 3,953,287	12.7 %
Advisory assets—in-house/employee financial professionals	6,134,084	4,424,316	1,709,768	38.6 %
Retirement advisory assets—in-house/employee financial professionals	1,488,468	1,247,960	240,508	19.3 %
Total advisory assets	$ 42,649,611	$ 36,746,048	$ 5,903,563	16.1 %

The activity within our advisory assets was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Balance, beginning of the period	$ 40,580,893	$ 40,921,292	$ 38,282,333	$ 42,179,051
Net new advisory assets	761,893	580,957	1,667,621	1,747,630
Market impact and other	1,306,825	(4,756,201)	2,699,657	(7,180,633)
Balance, end of the period	$ 42,649,611	$ 36,746,048	$ 42,649,611	$ 36,746,048
Advisory revenue	$ 103,316	$ 104,155	$ 200,841	$ 211,324
Average advisory fee rate (1)	26 bps	26 bps	51 bps	51 bps

____

(1) For the three months ended June 30, 2023 and June 30, 2022, average advisory fee rate equals advisory revenue for the relevant quarterly period divided by the advisory asset balance at the beginning of the relevant quarterly period. For the six months ended June 30, 2023 and June 30, 2022, average advisory fee rate equals the sum of each quarterly average advisory fee rate within the relevant year-to-date period.

Compared to June 30, 2022, advisory assets increased $5.9 billion, which included an increase of $2.1 billion and $4.4 billion during the three and six months ended June 30, 2023, respectively. These increases were driven by favorable market changes and net new advisory assets from organic growth and the recruitment of new assets.

Although ending advisory assets increased, advisory revenue declined $0.8 million and $10.5 million for the three and six months ended June 30, 2023 compared to the three and six months ended June 30, 2022, respectively. These declines were a result of the timing of market changes and asset growth relative to when clients were billed each period.

Commission Revenue. We generate two types of commissions: (1) transaction-based commissions and (2) trailing commissions. Transaction-based commissions, which occur when clients trade securities or purchase investment products, represent gross commissions generated by our financial professionals. The level of transaction-based commissions can vary from period-to-period based on the overall economic environment, number of trading days in the reporting period, market volatility, interest rate fluctuations, and investment activity of our financial professionals' clients. We earn trailing commissions (a commission or fee that is paid periodically over time) on certain 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 type of commission revenue, was as follows (in thousands):

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Change $	Change %	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Change $	Change %
By product category:								
Mutual funds	$ 15,798	$ 17,790	$ (1,992)	(11.2)%	$ 31,290	$ 37,173	$ (5,883)	(15.8)%
Variable annuities	15,101	15,772	(671)	(4.3)%	29,665	32,069	(2,404)	(7.5)%
Insurance	6,697	4,235	2,462	58.1 %	13,288	7,959	5,329	67.0 %
General securities	4,243	5,038	(795)	(15.8)%	9,068	13,289	(4,221)	(31.8)%
Total commission revenue	$ 41,839	$ 42,835	$ (996)	(2.3)%	$ 83,311	$ 90,490	$ (7,179)	(7.9)%
By type of commission:								
Transaction-based	$ 18,084	$ 17,881	$ 203	1.1 %	$ 36,885	$ 38,505	$ (1,620)	(4.2)%
Trailing	23,755	24,954	(1,199)	(4.8)%	46,426	51,985	(5,559)	(10.7)%
Total commission revenue	$ 41,839	$ 42,835	$ (996)	(2.3)%	$ 83,311	$ 90,490	$ (7,179)	(7.9)%

For the three and six months ended June 30, 2023, compared to the three and six months ended June 30, 2022, commission revenue decreased $1.0 million and $7.2 million, respectively. These decreases were primarily due to declines in trailing and transaction-based commissions for mutual funds, general securities, and variable annuities. Volatility in equity markets and the impact to asset values has negatively impacted mutual funds and variable annuities trail commissions, while the current interest rate environment has led to considerable declines in transaction volume for alternate investment vehicles linked with real estate. We expect the continued growth of assets on our fee-based advisory platform to result in commission revenue headwinds in the future.

Asset-Based Revenue. Asset-based revenue primarily includes fees from financial product manufacturer sponsorship programs, cash sweep programs, asset-based retirement plan service fees, and other asset-based revenues.

For the three months ended June 30, 2023, compared to the three months ended June 30, 2022, asset-based revenue increased $26.2 million, primarily due to incremental cash sweep revenue of $26.0 million driven by increases in the federal funds rate, partially offset by declines in client cash sweep balances relative to prior year levels.

For the six months ended June 30, 2023, compared to the six months ended June 30, 2022, asset-based revenue increased $54.5 million, primarily due to incremental cash sweep revenue of $55.5 million driven by increases in the federal funds rate, partially offset by declines in client cash sweep balances relative to prior year levels. The increases in cash sweep revenue were partially offset by reduced fees from sponsorship programs.

For the three and six months ended June 30, 2023, we recognized approximately $0.4 million of deferred premium charges for our interest rate collar derivatives which are included as a reduction to our cash sweep revenue. Under the terms of our interest rate collar derivative contracts, we expect to recognize approximately $5.1 million of deferred premium charges as a reduction to our cash sweep revenue over the next twelve months. For the remainder of the year, we expect for cash sweep revenue to continue to increase relative to comparable prior year periods driven by rate increases during 2023 and as the full benefits of rate increases during the latter half of 2022 are realized for a full annual period. Currently, the target range for the federal funds rate is below the cap of our interest rate collar derivatives. However, future increases to this range above our cap strike rate will limit our incremental cash sweep revenue on the comparable notional portion of our interest rate collars derivatives.

Transaction and Fee Revenue. Transaction and fee revenue primarily includes support fees charged to financial professionals, fees charged for executing certain transactions in client accounts, and other fees related to services provided and other account charges as generally outlined in agreements with financial professionals, clients, financial institutions, and retirement plan sponsors.

For the three and six months ended June 30, 2023, compared to the three and six months ended June 30, 2022, transaction and fee revenue remained relatively flat.

OPERATING EXPENSES

Cost of Revenue

($ in thousands)	Three Months Ended June 30,				Change		Six Months Ended June 30,				Change		
	2023		2022		$	%	2023		2022		$		%
Cost of revenue	$	110,847	$	114,446	$ (3,599)	(3.1)%	$	219,099	$	235,634	$	(16,535)	(7.0)%
Percentage of revenue		59.3 %		70.4 %				60.0 %		71.6 %			

Cost of revenue includes commissions and advisory fees paid to independent financial professionals, payments made to CPA firms under fee sharing arrangements, amortization of forgivable loans issued to our financial professionals, and stock-based compensation for awards granted to our financial professionals. Cost of revenue does not include compensation paid to in-house/employee financial professionals. The compensation of our in-house/employee financial professionals is reflected in "Sales and marketing" expense.

For the three months ended June 30, 2023, compared to the three months ended June 30, 2022, cost of revenue decreased $3.6 million. Commissions to financial professionals declined $2.9 million primarily due to reductions in advisory and commissions revenue discussed above. The remaining change was primarily due to reduced personnel costs, partially offset by incremental financial professional forgivable loan amortization.

For the six months ended June 30, 2023, compared to the six months ended June 30, 2022, cost of revenue decreased $16.5 million. Commissions to financial professionals declined $15.1 million primarily due to reductions in advisory and commissions revenue caused by the volatility in global financial markets discussed above. The remaining change was primarily due to reduced personnel costs, partially offset by incremental financial professional forgivable loan amortization.

Payout ratios to independent financial professionals declined approximately 1% for both comparable periods. These declines were primarily caused by equity market volatility during the trailing twelve-month period, coupled with continued growth in our in-house/employee-based advisory model, which has lower payout rates as compared to our independent model. The decrease in cost of revenue as a percentage of revenue is reflective of the benefits of incremental cash sweep revenue for the three and six months ended June 30, 2023, compared to the three and six months ended June 30, 2022.

Engineering and Technology

($ in thousands)	Three Months Ended June 30,				Change		Six Months Ended June 30,				Change		
	2023		2022		$	%	2023		2022		$		%
Engineering and technology	$	2,191	$	2,302	$ (111)	(4.8)%	$	4,912	$	4,116	$	796	19.3 %
Percentage of revenue		1.2 %		1.4 %				1.3 %		1.3 %			

Engineering and technology expenses are associated with the research, development, support, and ongoing enhancements of our platforms, which include personnel expenses (including stock-based compensation), the cost of temporary help and contractors, software support and maintenance, and professional services fees. Engineering and technology expenses do not include the costs of computer hardware and software that are capitalized, depreciated over their useful lives, and recognized on the consolidated statements of comprehensive income (loss) as "Depreciation." For more information, see the "*Depreciation and Amortization of Acquired Intangible Assets*" sections contained within this discussion of "*Operating Expenses*."

For the three and six months ended June 30, 2023, compared to the three and six months ended June 30, 2022, engineering and technology expenses did not materially change.

Sales and Marketing

($ in thousands)	Three Months Ended June 30,				Change		Six Months Ended June 30,				Change		
	2023		2022		$	%	2023		2022		$		%
Sales and marketing	$	27,423	$	24,882	$ 2,541	10.2 %	$	53,604	$	47,056	$	6,548	13.9 %
Percentage of revenue		14.7 %		15.3 %				14.7 %		14.3 %			

Sales and marketing expenses primarily consist of the costs to support our financial professionals and drive growth. This includes personnel costs (including stock-based compensation) for operational and back-office processing support, investment and portfolio strategy support, compliance, and compensation paid to Avantax

Planning Partners in-house/employee financial professionals. These costs also include business development costs related to advisor recruitment and retention, costs related to hosting certain advisor conferences that serve as training, sales and marketing events, and other costs that support advisor business growth.

For the three and six months ended June 30, 2023, compared to the three and six months ended June 30, 2022, sales and marketing expenses increased $2.5 million and $6.5 million, respectively, primarily due to incremental personnel costs. The increase in personnel costs is associated with higher employee benefit costs and growth in our Avantax Planning Partners business and investments to enhance our sales and service capabilities that support our financial professionals.

General and Administrative

($ in thousands)	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2023	2022	$	%	2023	2022	$	%
General and administrative	$ 26,335	$ 21,721	$ 4,614	21.2 %	$ 58,736	$ 45,596	$ 13,140	28.8 %
Percentage of revenue	14.1 %	13.4 %			16.1 %	13.9 %		

General and administrative (***"G&A"***) expenses primarily consist of personnel expenses (including stock-based compensation), the cost of temporary help and contractors, professional services fees, general business development and management expenses, occupancy and general office expenses, business taxes, and insurance expenses.

For the three months ended June 30, 2023, compared to the three months ended June 30, 2022, G&A expenses increased $4.6 million, primarily due to the following:

- Executive transition costs of $1.2 million associated with certain executives that departed the company.
- Legal, consulting, and other professional costs of $4.8 million associated with the TaxAct Sale and our reorganization activities.

These increases were partially offset by a $1.1 million reduction in contested proxy and other legal and consulting costs and lower rent and facilities charges associated with the sublease of a portion of our corporate headquarters.

For the six months ended June 30, 2023, compared to the six months ended June 30, 2022, G&A expenses increased $13.1 million, primarily due to the following:

- Executive transition costs of $6.4 million associated with certain executives that departed the company.
- Legal, consulting, and other professional costs of $9.1 million associated with the TaxAct Sale and our reorganization activities.
- Incremental personnel costs of $0.9 million primarily due to increased stock-based compensation for certain executive awards that were accelerated under the Company's Executive Change of Control Severance Plan.

These increases were partially offset by a $3.4 million reduction in contested proxy and other legal and consulting costs and lower rent and facilities charges associated with the sublease of a portion of our corporate headquarters.

Acquisition and Integration

($ in thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Change $	Change %	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Change $	Change %
Professional services and other expenses	$ (39)	$ 228	$ (267)	(117.1)%	$ 83	$ 194	$ (111)	(57.2)%
Change in the fair value of acquisition-related contingent consideration	—	(7,020)	7,020	100.0 %	—	(5,320)	5,320	100.0 %
Total	$ (39)	$ (6,792)	$ 6,753	99.4 %	$ 83	$ (5,126)	$ 5,209	101.6 %
Percentage of revenue	— %	(4.2)%			— %	(1.6)%		

Acquisition and integration expenses primarily relate to costs incurred for the acquisitions of Avantax Planning Partners and 1st Global and consist of employee-related expenses, professional services fees, changes in the fair value of contingent consideration, and other expenses.

For the three and six months ended June 30, 2023, compared to the three and six months ended June 30, 2022, acquisition and integration expenses increased $6.8 million and $5.2 million, respectively, primarily due to prior period acquisition-related contingent consideration fair value adjustments.

Depreciation and Amortization of Acquired Intangible Assets

($ in thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Change $	Change %	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Change $	Change %
Depreciation	$ 3,588	$ 2,642	$ 946	35.8 %	$ 7,176	$ 5,085	$ 2,091	41.1 %
Amortization of acquired intangible assets	6,231	6,462	(231)	(3.6)%	12,569	13,093	(524)	(4.0)%
Total	$ 9,819	$ 9,104	$ 715	7.9 %	$ 19,745	$ 18,178	$ 1,567	8.6 %
Percentage of revenue	5.3 %	5.6 %			5.4 %	5.5 %		

Depreciation of property, equipment, and software, net includes depreciation of computer equipment and software (including internally developed software), office equipment and furniture, and leasehold improvements. Amortization of acquired intangible assets primarily includes the amortization of financial professional, sponsor, and client relationships, which are amortized over their estimated lives.

For the three and six months ended June 30, 2023, compared to the three and six months ended June 30, 2022, depreciation expense increased $0.9 million and $2.1 million, respectively, primarily due to increased capital expenditures for internally developed software. Amortization expense did not materially change.

INTEREST EXPENSE AND OTHER, NET

($ in thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Change $	Change %	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Change $	Change %
Interest expense	$ 4,661	$ 57	$ 4,604	8,077.2 %	$ 6,192	$ 81	$ 6,111	7544.4 %
Amortization of debt issuance costs	246	—	246	N/A	374	—	374	N/A
Amortization of debt discount	41	—	41	N/A	66	—	66	N/A
Total interest expense	4,948	57	4,891	8,580.7 %	6,632	81	6,551	8087.7 %
Interest income and other	(49)	155	(204)	(131.6)%	(1,024)	184	(1,208)	(656.5)%
Transition services agreement income	(1,043)	—	(1,043)	N/A	(2,646)	—	(2,646)	N/A
Derivative losses - interest rate caps	842	—	842	N/A	842	—	842	N/A
Interest expense and other, net	$ 4,698	$ 212	$ 4,486	2,116.0 %	$ 3,804	$ 265	$ 3,539	1335.5 %

For the three months ended June 30, 2023, compared to the three months ended June 30, 2022, interest expense and other, net, increased $4.5 million. Total interest expense increased $4.9 million, due to borrowings on our Delayed Draw Term Loan Facility, which was partially offset by income received from the transition services agreement initiated in connection with the TaxAct Sale.

For the six months ended June 30, 2023, compared to the six months ended June 30, 2022, interest expense and other, net, increased $3.5 million. Total interest expense increased $6.6 million, due to borrowings on our Delayed Draw Term Loan Facility, which was partially offset by income received from the transition services agreement initiated in connection with the TaxAct Sale, and incremental other income associated with the settlement of escrow funds from a previous acquisition.

INCOME TAXES

Our provision for income taxes in interim periods is based on our estimated annual effective tax rate. We record cumulative adjustments in the quarter in which a change in the estimated annual effective rate is determined. The estimated annual effective tax rate does not include the effects of discrete events that may occur during the year. The effect of these events, if any, is recorded in the quarter in which the event occurs.

We recorded income tax expense of $2.1 million and $1.6 million for the three and six months ended June 30, 2023, respectively. Our effective income tax rate for the three and six months ended June 30, 2023 differed from the 21% statutory rate primarily due to non-deductible compensation and the effect of state taxes.

We recorded an income tax benefit of $4.1 million and $21.0 million for the three and six months ended June 30, 2022, respectively. Our effective tax rate for the three and six months ended June 30, 2022 differed from the 21% statutory rate primarily due to the release in our valuation allowance and the effect of state income taxes.

DISCONTINUED OPERATIONS

On October 31, 2022, we entered into the Purchase Agreement with the Buyer to sell our former tax software business for an aggregate purchase price of $720.0 million in cash, subject to customary purchase price adjustments set forth in the Purchase Agreement. The TaxAct Sale subsequently closed on December 19, 2022. This divestiture was considered part of our strategic shift to become a pure-play wealth management company and was determined to meet discontinued operations accounting criteria under ASC 205.

During the six months ended June 30, 2023, we finalized our previously estimated closing date working capital balance, resulting in an incremental pre-tax gain of $2.5 million which is included within “Pre-tax gain on disposal” in the condensed consolidated statements of comprehensive income (loss).

NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss), determined in accordance with GAAP, excluding the effects of discontinued operations, stock-based compensation, depreciation and amortization of acquired intangible assets, interest expense and other, net, acquisition and integration costs, contested proxy and other legal and consulting costs, executive transition costs, TaxAct transaction related costs, reorganization costs, hedging program start-up costs, and income tax (benefit) expense. Interest expense and other, net primarily consists of interest expense, net, unrealized mark-to-market (***“MTM”***) derivative losses (gains) for our interest rate cap derivative instruments, and other non-operating income. It does not include the income associated with the transition services agreement signed in connection with the TaxAct Sale as this income offsets costs included within income from continuing operations, or realized income or loss associated with our interest rate cap derivative instruments. Acquisition and integration costs primarily relate to the acquisitions of Avantax Planning Partners and 1st Global. Hedging program start-up costs include consulting and accounting costs incurred for the implementation of our cash sweep interest rate hedging program.

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 GAAP net income (loss), which we believe to be the most comparable GAAP measure, to Adjusted EBITDA, is presented below:

($ in thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net income	$ 3,581	$ 39,425	$ 5,254	$ 74,045
Less: Income from discontinued operations, net of income taxes	—	38,578	1,921	69,646
Income from continuing operations, net of income taxes	3,581	847	3,333	4,399
Stock-based compensation	3,291	4,438	11,093	9,818
Depreciation and amortization of acquired intangible assets	9,819	9,104	19,745	18,178
Interest expense and other, net	5,774	212	6,483	265
Acquisition and integration—Excluding change in the fair value of acquisition-related contingent consideration	(39)	228	83	194
Acquisition and integration—Change in the fair value of acquisition-related contingent consideration	—	(7,020)	—	(5,320)
Contested proxy and other legal and consulting costs	48	1,195	694	4,115
Executive transition costs	1,185	—	6,412	—
TaxAct transaction related costs	1,528	202	4,159	202
Reorganization costs	3,227	—	4,966	—
Hedging program start-up costs	583	—	583	—
Income tax (benefit) expense	2,073	(4,053)	1,592	(21,046)
Adjusted EBITDA	$ 31,070	$ 5,153	$ 59,143	$ 10,805

Non-GAAP Net Income (Loss) and Non-GAAP Net Income (Loss) Per Share

We define Non-GAAP Net Income (Loss) as net income (loss), determined in accordance with GAAP, excluding the effects of discontinued operations, amortization of acquired intangible assets, acquisition and integration costs, contested proxy and other legal and consulting costs, executive transition costs, TaxAct transaction related costs, reorganization costs, hedging program start-up costs, unrealized MTM derivative losses (gains) for our interest rate cap derivative instruments, and the related tax impact of those adjustments. Unrealized MTM derivative losses (gains) include the unrealized portion of gains and losses that are caused by changes in the fair values of derivatives which do not qualify for hedge accounting treatment under GAAP. It does not include realized income or loss associated with these instruments. The tax impact of these adjustments is determined using the income tax rates in effect for the applicable period, adjusted for any potentially non-deductible amounts.

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 comprehensive income (loss) that we do not consider part of our ongoing operations or that 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) and Non-GAAP Net Income (Loss) per share 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) and GAAP net income (loss) per share. Other companies may calculate Non-GAAP Net Income (Loss) and Non-GAAP Net Income (Loss) per share differently, and, therefore, these measures may not be comparable to similarly titled measures of other companies.

A reconciliation of GAAP net income (loss) and GAAP net income (loss) per share, which we believe to be the most comparable GAAP measures, to Non-GAAP Net Income (Loss) and Non-GAAP Net Income (Loss) per share, respectively, is presented below:

($ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	$ 3,581	$ 39,425	$ 5,254	$ 74,045
Less: Income from discontinued operations, net of income taxes	—	38,578	1,921	69,646
Income from continuing operations, net of income taxes	3,581	847	3,333	4,399
Amortization of acquired intangible assets	6,231	6,462	12,569	13,093
Acquisition and integration—Excluding change in the fair value of acquisition-related contingent consideration	(39)	228	83	194
Acquisition and integration—Change in the fair value of acquisition-related contingent consideration	—	(7,020)	—	(5,320)
Contested proxy and other legal and consulting costs	48	1,195	694	4,115
Executive transition costs	1,185	—	6,412	—
TaxAct transaction related costs	1,528	202	4,159	202
Reorganization costs	3,227	—	4,966	—
Hedging program start-up costs	583	—	583	—
Unrealized MTM derivative losses	876	—	876	—
Tax impact of adjustments to GAAP net income	(3,277)	(254)	(6,778)	(2,919)
Non-GAAP Net Income	$ 13,943	$ 1,660	$ 26,897	$ 13,764
Per diluted share:				
Net income (1)	$ 0.09	$ 0.81	$ 0.12	$ 1.50
Less: Income from discontinued operations, net of income taxes	—	(0.79)	(0.04)	(1.41)
Income from continuing operations, net of income taxes	0.09	0.02	0.08	0.09
Amortization of acquired intangible assets	0.17	0.14	0.29	0.28
Acquisition and integration—Excluding change in the fair value of acquisition-related contingent consideration	—	—	—	—
Acquisition and integration—Change in the fair value of acquisition-related contingent consideration	—	(0.14)	—	(0.11)
Contested proxy and other legal and consulting costs	—	0.02	0.02	0.08
Executive transition costs	0.03	—	0.15	—
TaxAct transaction related costs	0.04	—	0.10	—
Reorganization costs	0.08	—	0.12	—
Hedging program start-up costs	0.01	—	0.01	—
Unrealized MTM derivative losses	0.02	—	0.02	—
Tax impact of adjustments to GAAP net income	(0.08)	(0.01)	(0.16)	(0.06)
Non-GAAP Net Income per share — Diluted	$ 0.36	$ 0.03	$ 0.63	$ 0.28
Diluted weighted average shares outstanding	39,201	48,690	42,515	49,220

(1) Any difference in the “per diluted share” amounts between this table and the condensed consolidated statements of comprehensive income (loss) is due to using different diluted weighted average shares outstanding in the event that there is GAAP net loss but Non-GAAP Net Income and vice versa.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

Our principal source of liquidity is our cash and cash equivalents. As of June 30, 2023, we had cash and cash equivalents of $109.8 million. We generally invest our excess cash in money market funds that are made up of securities issued by agencies of the U.S. government. From time-to-time, we may invest, in other vehicles, such as debt instruments issued by the U.S. federal government and its agencies, international governments, municipalities, and publicly held corporations, as well as commercial paper and insured time deposits with commercial banks. Specific holdings can vary from period to period depending upon our cash requirements. Our financial instrument investments held as of June 30, 2023 had minimal default risk and short-term maturities.

Our Avantax Wealth Management broker-dealer subsidiary operates in a highly regulated industry and is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have substantial monetary and non-monetary impacts on Avantax Wealth Management's operations. As of June 30, 2023, Avantax Wealth Management met all capital adequacy requirements to which it was subject.

Historically, we have financed our operations primarily from cash provided by operating activities and access to credit markets. Our historical uses of cash have been funding our operations, servicing our debt obligations, capital expenditures, acquisitions that enhance our strategic position, financial professional loans, contingent consideration associated with our acquisitions, and stock repurchases. Execution of our growth strategies through strategic asset acquisitions is expected to remain a capital allocation priority during the next twelve months. For at least the next twelve months, we plan to finance these cash needs, and our regulatory capital requirements at our broker-dealer subsidiary largely through our cash and cash equivalents on hand and cash provided by operating activities, and access to capital under our Revolving Credit Facility (as defined below), subject to customary terms and conditions. Our future investments in our business through capital expenditures or acquisitions, prepayment of debt to achieve desired leverage ratios, or our return of capital to stockholders through stock repurchases, will be determined after considering the best interests of our stockholders.

Indebtedness

On January 24, 2023 (the ***"Closing Date")***, we entered into a restatement agreement (the **"*Amended and Restated Credit Agreement"***), which amended and restated in its entirety our previous Credit Agreement. The Amended and Restated Credit Agreement provides for a new delayed draw term loan facility up to a maximum principal amount of $270.0 million (the ***"Delayed Draw Term Loan Facility"***) and a revolving credit facility with a commitment amount of $50.0 million (the ***"Revolving Credit Facility"***). We may borrow term loans under the Delayed Draw Term Loan Facility (the ***"Term Loans")*** until January 24, 2024. The stated maturity date of the Delayed Draw Term Loan Facility and the Revolving Credit Facility is January 24, 2028 (the ***"Maturity Date"***). The proceeds of any Term Loans may be used to fund shareholder distributions and for general corporate purposes. The proceeds of any loans under the Revolving Credit Facility may be used to finance working capital needs and for general corporate purposes. On February 24, 2023, we borrowed $170.0 million under the Delayed Draw Term Loan Facility. During the second quarter of 2023, we borrowed the remaining $100.0 million available under the Delayed Draw Term Loan Facility.

As of June 30, 2023, we had $268.3 million in principal amount outstanding under the Delayed Draw Term Loan Facility and no amounts outstanding under the Revolving Credit Facility. As of June 30, 2023, $50.0 million was available for future borrowings under the Revolving Credit Facility, subject to customary terms and conditions.
The obligations of the Company under the Amended and Restated Credit Agreement are secured by a first-priority security interest in substantially all of the existing and future personal property of the Company and certain of its subsidiaries.

We are required to make quarterly principal amortization payments on the Delayed Draw Term Loan Facility on the last business day of each fiscal quarter, beginning with the last business day of June 2023. These payments will amortize in equal quarterly installments based on the following aggregate annual amounts (expressed as a percentage of the principal amount of Term Loans borrowed): 2.5% during the first year ended December 31, 2023, 5% during years two and three, 7.5% during year four, and 10% during year five. Any remaining Term Loans outstanding are due on the Maturity Date.

Commencing with the first year ending December 31, 2023, we may be required to make annual prepayments on the Term Loans in an amount equal to a percentage of Excess Cash Flow (as defined in the Amended and Restated Credit Agreement). The percentage of Excess Cash Flow ranges from 0% to 50% depending on our Consolidated First Lien Net Leverage Ratio (as defined in the Amended and Restated Credit Agreement). We may voluntarily prepay the Term Loans in whole or in part without premium or penalty.

Subject to customary reference rate availability provisions, the borrowings under the Amended and Restated Credit Agreement will bear interest at a rate per annum equal to (i) the Term SOFR Rate (as defined in the Amended and Restated Credit Agreement, and which includes a 0.10% credit spread adjustment) plus a margin ranging from 2.25% to 2.75% (which margin would be 2.75% as of the Closing Date), or (ii) a base rate based on the highest of the Wall Street Journal prime rate, the federal funds rate plus 0.50% and the Term SOFR (as defined in the Amended and Restated Credit Agreement, and which includes a 0.10% credit spread adjustment) rate plus 1.00%, in each case plus a margin ranging from 1.25% to 1.75% (which margin would be 1.75% as of the Closing

Date). The margin is determined based on the Company’s Consolidated First Lien Net Leverage Ratio (as defined in the Amended and Restated Credit Agreement). We are required to pay a quarterly commitment fee on the daily amount of the undrawn portion of the revolving commitments under the Revolving Credit Facility ranging from 0.35% to 0.45%. Interest is payable at the end of each interest period, typically quarterly.

Pursuant to the Amended and Restated Credit Agreement, we shall not permit (i) the Consolidated Total Net Leverage Ratio (as defined in the Amended and Restated Credit Agreement) to exceed 4.00 to 1.00 between March 31, 2023 and June 30, 2024, or 3.75 to 1.00 between July 1, 2024 and the Maturity Date, (ii) the Consolidated Fixed Charge Coverage Ratio (as defined in the Amended and Restated Credit Agreement) to be less than 1.25 to 1.00 or (iii) Liquidity (as defined in the Amended and Restated Credit Agreement) on the last day of any fiscal quarter to be less than $50 million. The Company was in compliance with the debt covenants of the Amended and Restated Credit Agreement as of June 30, 2023.

Capital Return Program

On January 27, 2023, we commenced a modified “Dutch Auction” tender offer (the ***“Tender Offer”***) to purchase shares of our common stock for an aggregate purchase price of up to $250.0 million at a price per share not less than $27.00 and not greater than $31.00. The Tender Offer was in addition to, and separate from, the $200.0 million stock repurchase authorization discussed below. Upon the conclusion of the Tender Offer, we repurchased and subsequently retired approximately 8.3 million shares of our common stock at the purchase price of $30.00 per share, for aggregate cash consideration of $250.0 million. We incurred approximately $4.5 million for fees and expenses associated with the Tender Offer, including approximately $2.4 million for estimated excise taxes owed under the Inflation Reduction Act of 2022, which were recorded within stockholders’ equity.

Repurchased common stock that is subsequently retired is deducted from common stock for par value and from additional paid-in capital for the excess over par value. Direct costs incurred to repurchase common stock are included in the total cost of the shares.

Stock Repurchase Authorization

On December 19, 2022, we announced that our board of directors authorized the Company to repurchase up to $200.0 million of our common stock. Our repurchase authorization does not obligate us to repurchase any specific number of shares, may be suspended or discontinued at any time, and does not have a specified expiration date. Any repurchases of our stock pursuant to the stock repurchase authorization may materially reduce the amount of cash we have available and may not materially enhance the long-term value of our business or our stock.

For the three months ended June 30, 2023, we repurchased approximately 2.2 million shares of our common stock under the stock repurchase authorization for an aggregate purchase price of approximately $51.2 million. For the six months ended June 30, 2023, we repurchased approximately 3.2 million shares of our common stock under the stock repurchase authorization for an aggregate purchase price of approximately $76.0 million. The remaining authorized amount under the stock repurchase authorization as of June 30, 2023, was approximately $124.0 million.

For the three months ended June 30, 2022, we repurchased approximately 0.2 million shares of our common stock under our previous stock repurchase plan for an aggregate purchase price of approximately $4.5 million. For the six months ended June 30, 2022, we repurchased approximately 1.9 million shares of our common stock under our previous stock repurchase plan for an aggregate purchase price of approximately $35.0 million.

Between July 1, 2023 and August 4, 2023, we repurchased approximately 0.4 million shares of our common stock under the stock repurchase authorization for an aggregate purchase price of approximately $9.1 million. The remaining authorized amount under the stock repurchase authorization as of August 4, 2023, was approximately $115.0 million.

Contractual Obligations and Commitments

Asset Acquisitions

We have entered into several asset purchase agreements that are accounted for as asset acquisitions. These acquisitions may include up-front cash consideration, fixed deferred cash consideration, and contingent consideration arrangements. Future fixed payments are recognized as client relationship intangible assets on the date of acquisition. Contingent consideration arrangements encompass obligations to make future payments to the previous sellers contingent upon the achievement of future financial targets. These contingent payments are not recognized until all contingencies are resolved and the consideration is payable. As of June 30, 2023, the maximum future fixed and contingent payments associated with these asset acquisitions was $27.5 million, with specified payment dates from 2023 through 2027.

Interest Rate Hedges

During the second quarter of 2023, we entered into two interest rate collar derivative contracts for a total notional value of $1.5 billion. Each contract is indexed to daily simple SOFR and is a combination of a purchased floor instrument with a strike rate of 2.5% and a sold cap instrument with a strike rate of 5.5%, both of which expire on May 31, 2026. The total cost for these interest rate collars was $15.3 million, which we have elected to defer and will settle through monthly straight-line cash payments to the counterparties over the term of the instruments. This hedging strategy enables us to limit the downside risk of significant reductions to interest rates over the term of the instruments in exchange for capping the amount of our future cash flows that may be received from our cash sweep program for the comparable notional amount hedged.

In addition, during the second quarter of 2023, we sold two interest rate cap derivative contracts for a total notional value of $240.0 million. Each contract is indexed to daily simple SOFR, has a strike rate of 5.5%, and expires on May 31, 2026. These interest rate caps were sold for a total premium of $1.2 million, which have been deferred and will be settled by the counterparties through monthly straight-line cash payments over the term of the instruments. This hedging strategy enables us to offset a portion of the total cost of our interest rate collar derivatives by capping the amount of our future cash flows that may be received from our cash sweep program for the comparable notional amount hedged.

None of our derivative financial instruments are subject to collateral or other security arrangements, nor do they contain provisions that are dependent on our credit ratings from any credit rating agency.

Cash Flows

Our cash flows were comprised of the following (in thousands):

	Six Months Ended June 30,		
	2023	2022	$ Change
Net cash provided (used) by operating activities from continuing operations	$ (75,219)	$ 14,908	$ (90,127)
Net cash used by investing activities from continuing operations	(10,950)	(10,877)	(73)
Net cash used by financing activities from continuing operations	(70,180)	(35,542)	(34,638)
Net cash provided by discontinued operations	2,212	30,209	(27,997)
Net decrease in cash and cash equivalents	$ (154,137)	$ (1,302)	$ (152,835)

Net Cash from Operating Activities from Continuing Operations

Net cash provided by operating activities from continuing operations consists of Income from continuing operations, offset by certain non-cash adjustments, and changes in operating assets and liabilities, which were as follows (in thousands):

	Six Months Ended June 30,		
	2023	2022	$ Change
Net income	$ 5,254	$ 74,045	$ (68,791)
Less: Income from discontinued operations, net of income taxes	1,921	69,646	(67,725)
Income from continuing operations	3,333	4,399	(1,066)
Non-cash adjustments to net income	34,912	25,963	8,949
Operating cash flows before changes in operating assets and liabilities	38,245	30,362	7,883
Changes in operating assets and liabilities, net of acquisitions and disposals	(113,464)	(15,454)	(98,010)
Net cash provided (used) by operating activities from continuing operations	$ (75,219)	$ 14,908	$ (90,127)

Net cash provided by operating activities from continuing operations for the six months ended June 30, 2023, included $38.2 million of operating cash flows before changes in operating assets and liabilities and $113.5 million of changes in operating assets and liabilities. Non-cash adjustments to net income for the six months ended June 30, 2023 primarily related to depreciation and amortization costs of $19.7 million, stock-based compensation of $11.1 million, and $2.9 million of amortization related to payments made to financial professionals in support of ongoing growth programs. Changes in operating assets and liabilities were primarily impacted by $97.4 million of federal and state income tax payments for prior year accrued taxes and current year estimated quarterly payments, a $4.4 million decrease in accrued bonuses primarily for payments relating to the prior fiscal period, and $3.3 million in payments made to financial professionals in support of ongoing growth programs. The remaining changes in operating assets and liabilities were for normal activity within our working capital accounts.

Net Cash from Investing Activities from Continuing Operations

Net cash used by investing activities from continuing operations consists of acquisitions, purchases of property, equipment, and software, net, and were as follows (in thousands):

	Six Months Ended June 30,		
	2023	2022	$ Change
Purchases of property, equipment, and software	$ (5,499)	$ (9,019)	$ 3,520
Asset acquisitions	(5,451)	(1,858)	(3,593)
Net cash used by investing activities from continuing operations	$ (10,950)	$ (10,877)	$ (73)

For the six months ended June 30, 2023, compared to the six months ended June 30, 2022, net cash used by investing activities from continuing operations was flat as reduced capital expenditures were offset by increased outflows for asset acquisitions.

Net Cash from Financing Activities from Continuing Operations

Net cash used by financing activities from continuing operations primarily consists of debt issuance and repayments, common stock and stock-based awards transactions, and acquisition-related contingent consideration payments. Financing cash flows from continuing operations were as follows (in thousands):

	Six Months Ended June 30,		
	2023	2022	$ Change
Proceeds from credit facilities, net of debt discount and issuance costs	$ 261,543	$ —	$ 261,543
Payments on credit facilities	(1,688)	(906)	(782)
Acquisition-related fixed and contingent consideration payments	(287)	(98)	(189)
Stock repurchases	(328,119)	(35,000)	(293,119)
Proceeds from issuance of stock through employee stock purchase plan	1,584	2,324	(740)
Proceeds from stock option exercises	1,057	174	883
Tax payments from shares withheld for equity awards	(4,270)	(2,036)	(2,234)
Net cash used by financing activities from continuing operations	$ (70,180)	$ (35,542)	$ (34,638)

For the six months ended June 30, 2023, compared to the six months ended June 30, 2022, we used $34.6 million more cash for financing activities, primarily for incremental stock repurchases associated with our Tender Offer and stock repurchase authorization. These repurchases were funded in part by net borrowings under our Amended and Restated Credit Agreement.

Net Cash Flows from Discontinued Operations

Net cash flows provided by discontinued operations were comprised of the following (in thousands):

	Six Months Ended June 30,		
	2023	2022	$ Change
Net cash provided by operating activities from discontinued operations	$ —	$ 32,980	$ (32,980)
Net cash provided (used) by investing activities from discontinued operations	2,212	(2,771)	4,983
Net cash provided by financing activities from discontinued operations	—	—	—
Net cash provided by discontinued operations	$ 2,212	$ 30,209	$ (27,997)

For the six months ended June 30, 2023, compared to the six months ended June 30, 2022, net cash provided by discontinued operations decreased $28.0 million. During the six months ended June 30, 2023, we finalized our previously estimated closing date working capital balance for the TaxAct Sale, resulting in incremental purchase consideration of $2.2 million and an incremental pre-tax gain on disposal of $2.5 million. Net cash provided by discontinued operations declined compared to the prior period due to the completion of the TaxAct Sale in the prior period.

Critical Accounting Estimates

This Management's Discussion and Analysis of Financial Condition and Results of Operations and the disclosures included elsewhere in this Quarterly Report on Form 10-Q are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and disclosure of contingencies. In some cases, we could have reasonably used different accounting policies and estimates.

We have identified certain accounting estimates which involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. On an ongoing basis, we evaluate the estimates used. We base our estimates on historical experience, current conditions, and on various other assumptions that we believe to be reasonable under the circumstances and, based on information available to us at that time, we make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources, as well as identify and assess our accounting treatment with respect to commitments and contingencies. Actual results may differ significantly from these estimates under different assumptions, judgments, or conditions. The critical accounting estimates which we believe to be the most critical in the preparation of our condensed consolidated financial statements involve business combinations, goodwill impairment, and income taxes. We continually update and assess the facts, circumstances, and assumptions used in making both our critical accounting estimates and judgments related to our other significant accounting matters.

There have been no material changes in our critical accounting policies as disclosed under "Critical Accounting Estimates" in Part II, Item 7 and in Note 2 to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Other than for our Amended and Restated Credit Agreement discussed in "Item 1. Financial Statements—Note 6", and our interest rate derivative contracts discussed in "Item 1. Financial Statements—Note 11" and further below, there have been no material changes to the financial instruments for which we are exposed to market risk, as disclosed within our Annual Report on Form 10-K for the year ended December 31, 2022, during the six months ended June 30, 2023.

As of June 30, 2023, we had $268.3 million in principal amount of debt outstanding under the Delayed Draw Term Loan Facility, which carries a degree of interest rate risk. For further information on our outstanding debt, see "Item 1. Financial Statements—Note 6" and the section "*Liquidity and Capital Resources*" of "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" under the subheading "Indebtedness." A hypothetical 100 basis point increase in the interest rates under the Delayed Draw Term Loan Facility on June 30, 2023 would result in a $11.1 million increase in our interest expense until the scheduled maturity date in 2028. For additional information, see Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2022.

During the second quarter of 2023, we entered into two interest rate collar derivative contracts for a total notional value of $1.5 billion. Each contract is indexed to daily simple secured overnight financing rates (***"SOFR"***) and is a combination of a purchased floor instrument with a strike rate of 2.5% and a sold cap instrument with a strike rate of 5.5%, both of which expire on May 31, 2026. The total cost for these interest rate collars was $15.3 million, which we have elected to defer and will settle through monthly straight-line cash payments to the counterparties over the term of the instruments. This hedging strategy enables us to limit the downside risk of significant reductions to interest rates over the term of the instruments in exchange for capping the amount of our future cash flows that may be received from our cash sweep program for the comparable notional amount hedged.

In addition, during the second quarter of 2023, we sold two interest rate cap derivative contracts for a total notional value of $240.0 million. Each contract is indexed to daily simple SOFR, has a strike rate of 5.5%, and expires on May 31, 2026. These interest rate caps were sold for a total premium of $1.2 million, which have been deferred and will be settled by the counterparties through monthly straight-line cash payments over the term of the instruments. This hedging strategy enables us to offset a portion of the total cost of our interest rate collar derivatives by capping the amount of our future cash flows that may be received from our cash sweep program for the comparable notional amount hedged.

We are exposed to credit risk in the event of nonperformance of counterparties for our derivative financial instruments. We manage concentration of counterparty credit risk by limiting acceptable counterparties to major financial institutions with investment grade credit ratings, limiting the amount of credit exposure to individual counterparties and actively monitoring counterparty credit ratings. We also employ master netting arrangements which allow us to net settle positive and negative positions (assets and liabilities) arising from different transactions with the same counterparty. Although not completely eliminated, we do not consider the risk of counterparty default to be significant as a result of these protections. Further, none of our derivative financial instruments are subject to collateral or other security arrangements, nor do they contain provisions that are dependent on our credit ratings from any credit rating agency.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated (pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934) the effectiveness of our disclosure controls and procedures as of June 30, 2023. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e)) were effective as of June 30, 2023.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting during the six months ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

See “Item 1. Financial Statements—Note 9” for information regarding legal proceedings.

Item 1A. Risk Factors

Our business and future results may be affected by a number of risks and uncertainties that should be considered carefully. In addition, this Form 10-Q also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022.

Except as follows, we believe that there have been no material changes in our risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

We are exposed to credit risk in the event of nonperformance of counterparties for our derivative financial instruments.

The Company recently implemented a hedging policy to mitigate and manage risks caused by yield curve, duration and interest rate fluctuations, and other macroeconomic factors upon our business and financing arrangements. The hedging policy will be managed by our Chief Financial Officer in consultation with our Chief Executive Officer and subject to oversight by our Chief Legal Officer, Chief Compliance Officer, Chief Accounting Officer, and Accounting Director as well as our board of directors. However, we cannot assure you of the financial stability or viability of our counterparties and by engaging in derivative transactions, we are exposed to counterparty credit risk. If the counterparty fails to perform, credit risk exists to the extent of the fair value gain in the derivative. The existence of credit risk associated with our hedging policy over time could adversely affect our profitability and, therefore, could have a materially adverse effect on our business, results of operations, and financial condition.

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

The following table details our repurchases of common stock for the six months ended June 30, 2023 (in thousands, except the average price paid per share data):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet be Purchased under the Plans or Programs
January 1-31, 2023 (1)	460	$ 27.20	460	$ 187,483
February 1-28, 2023 (2)	8,333	$ 30.00	—	$ 187,483
March 1-31, 2023 (1)	498	$ 24.66	498	$ 175,212
April 1-30, 2023 (1)	484	$ 26.39	484	$ 162,446
May 1-31, 2023 (1)	882	$ 22.15	882	$ 142,914
June 1-30, 2023 (1)	840	$ 22.45	840	$ 124,046
Total (3)	11,497	$ 24.01	3,164	

____

(1) Represents shares repurchased through the Company's $200.0 million stock repurchase authorization, which was originally announced on December 19, 2022. This repurchase authorization does not obligate us to repurchase any specific number of shares, may be suspended or discontinued at any time, and does not have a specified expiration date. See "Item 1. Financial Statements—Note 12" for further information.

(2) Represents shares repurchased through the Tender Offer, which was fully subscribed. See "Item 1. Financial Statements—Note 12" for further information.

(3) "Average Price Paid per Share" represents the average price paid per share through the Company's stock repurchase authorization from January 1, 2023 through June 30, 2023, but does not include the price paid per share pursuant to the Tender Offer discussed in note (2) above.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended June 30, 2023, none of our officers or directors adopted or terminated any contract, instruction, or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

Item 6. Exhibits

Exhibit Number	Exhibit Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
2.1	Stock Purchase Agreement, dated as of March 18, 2019, by and among 1G Acquisitions, LLC, 1st Global, Inc., 1st Global Insurance Services, Inc., the sellers named therein and joinder sellers, SAB Representative, LLC, as the sellers' representative, and Avantax, Inc. (f/k/a Blucora, Inc.), as guarantor	8-K	March 19, 2019	2.1	
2.2	Stock Purchase Agreement, dated as of January 6, 2020, by and among Avantax, Inc. (f/k/a Blucora, Inc.), Honkamp Krueger Financial Services, Inc., the sellers named therein, and JRD Seller Representative, LLC, as the sellers' representative, as amended by First Amendment to Stock Purchase Agreement, dated April 7, 2020 and Second Amendment to Stock Purchase Agreement, dated June 30, 2020	8-K	July 1, 2020	2.1	
2.3	Third Amendment to Stock Purchase Agreement, dated June 29, 2021, by and among Spirit Acquisitions, LLC, Honkamp Krueger Financial Services, Inc., the sellers named therein, and JRD Seller Representative, LLC, as the sellers' representative	8-K	July 2, 2021	2.1	
2.4	Stock Purchase Agreement, dated as of October 31, 2022, by and among Avantax, Inc. (f/k/a Blucora, Inc.), TaxAct Holdings, Inc., Franklin Cedar Bidco, LLC and DS Admiral Bidco, LLC	8-K	November 1, 2022	2.1	
3.1	Restated Certificate of Incorporation, as filed with the Secretary of the State of Delaware on August 10, 2012	8-K	August 13, 2012	3.1	
3.2	Certificate of Amendment to the Restated Certificate of Incorporation filed with the Secretary of State of Delaware on June 1, 2017	8-K	June 5, 2017	3.1	
3.3	Certificate of Amendment No. 2 to the Restated Certificate of Incorporation filed with the Secretary of State of Delaware on June 8, 2018	8-K	June 8, 2018	3.1	
3.4	Certificate of Amendment No. 3 to the Restated Certificate of Incorporation, effective January 26, 2023	8-K	January 26, 2023	3.1	
3.5	Certificate of Amendment No. 4 to the Restated Certificate of Incorporation of Avantax, Inc., effective May 4, 2023	8-K	May 5, 2023	3.1	
3.6	Amended and Restated Bylaws of Avantax, Inc. dated as of January 26, 2023	8-K	January 26, 2023	3.2	
10.1	Avantax, Inc. (f/k/a Blucora, Inc.) Non-Employee Director Compensation Policy				X
10.2	Form of Performance-Based Restricted Stock Grant Notice and Award Agreement for Executive Officers under the Avantax, Inc. (f/k/a/ Blucora, Inc.) 2018 Long-Term Incentive Plan (2021)				X
10.3	Form of Performance-Based Restricted Stock Grant Notice and Award Agreement for Executive Officers under the Avantax, Inc. (f/k/a/ Blucora, Inc.) 2018 Long-Term Incentive Plan (2022; 2023)				X
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Exchange Act rules 13a-14(a) and 15d-14(a))				X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Exchange Act rules 13a-14(a) and 15d-14(a))				X
32.1*	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. section 1350)				X
32.2*	Certification of Principal Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. section 1350)				X
101	The following financial statements from the Company's Form 10-Q for the fiscal quarter ended June 30, 2023, formatted in Inline XBRL: (i) Unaudited Condensed Consolidated Balance Sheets, (ii) Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss), (iii) Unaudited Condensed Consolidated Statements of Stockholders' Equity; (iv) Unaudited Condensed Consolidated Statements of Cash Flows, and (v) Notes to Unaudited Condensed Consolidated Financial Statements				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				X

* The certifications attached as Exhibits 32.1 and 32.2 are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Avantax, Inc. under the Securities Act of 1933, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

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.

AVANTAX, INC.

By: /s/ Marc Mehlman

Marc Mehlman
Chief Financial Officer and Treasurer
(On behalf of the registrant and as
Principal Financial Officer)

Date: August 9, 2023

Exhibit 10.1

BLUCORA, INC.

NONEMPLOYEE DIRECTOR COMPENSATION POLICY

(Amended effective as of May 18, 2022)

The directors of Blucora, Inc. (the "**Company**") who are not employees of the Company or its affiliates (each, an "**Eligible Director**" and collectively, "**Eligible Directors**") shall be entitled to receive the following cash and equity compensation in consideration of the services provided by them as members of the Board of Directors of the Company (the "**Board**") and its committees commencing effective May 18, 2022.

A. CASH COMPENSATION

The following provisions set forth the terms of the Company's cash compensation program for Eligible Directors (the "**Cash Compensation Program**").

1. Retainers

Eligible Directors shall be paid cash retainers as follows (the "**Retainers**"):

- All Eligible Directors shall receive an annual cash retainer of $70,000 (payable in equal quarterly installments of $17,500) for their services on the Board.
- The Chairperson of the Board shall receive an additional annual cash retainer of $60,000 (payable in equal quarterly installments of $15,000).
- The Chairperson of the Audit Committee shall receive an additional annual cash retainer of $25,000 (payable in equal quarterly installments of $6,250).
- Each of the other members of the Audit Committee shall receive an additional annual cash retainer of $10,000 (payable in equal quarterly installments of $2,500).
- The Chairperson of the Compensation Committee shall receive an additional annual cash retainer of $18,500 (payable in equal quarterly installments of $4,625).
- Each of the other members of the Compensation Committee shall receive an additional annual cash retainer of $9,000 (payable in equal quarterly installments of $2,250).
- The Chairperson of the Nominating and Governance Committee shall receive an additional annual cash retainer of $13,000 (payable in equal quarterly installments of $3,250).
- Each of the other members of the Nominating and Governance Committee shall receive an additional annual cash retainer of $6,250 (payable in equal quarterly installments of $1,562.50).

The Retainers shall be paid in advance for services rendered during each quarter of the calendar year and shall be due and payable as soon as practicable after the first day of the quarter in which such services are to be rendered (*i.e.*, as soon as practicable after

January 1, April 1, July 1 and October 1). Eligible Directors shall be entitled to full payment for each quarter of service so long as such Eligible Directors are serving in the capacities for which they receive such payments on the first day of each such quarter. In the event that new directors or committee chairs or members who are Eligible Directors are appointed or elected during the course of any quarter, payments to any such newly elected Eligible Directors shall be pro-rated to reflect the actual number of days served during the quarter in which they were elected or appointed.

2. Expenses

Eligible Directors shall also be reimbursed, as has been customary, for reasonable expenses incurred in connection with travel to and from Board or committee meetings or other functions for the benefit of the Company, including continuing director education.

B. EQUITY COMPENSATION

The following provisions set forth the terms of the Company's equity compensation program for Eligible Directors (the "**Equity Compensation Program**"). The awards set forth below may be granted under the Blucora, Inc. 2018 Long-Term Incentive Plan or any future equity plan that may be adopted by the Company's stockholders from time to time (the "**Plan**"). In the event of any inconsistency between the terms of the Equity Compensation Program and the terms of the Plan, the Plan shall govern.

1. Initial Awards

a. On the date of each Eligible Director's initial election or appointment to the Board (the "**Initial Appointment Date**"), such Eligible Director shall automatically receive the following initial award:

- restricted stock units ("**RSUs**") having an initial value of **$150,000** (the "**Initial RSUs**").

b. On the Initial Appointment Date, the values of the Initial RSUs, as set forth above, shall be converted as follows:

- The value of the Initial RSUs shall be converted into the appropriate equivalent number of Initial RSUs, with each unit (a "**Unit**") of the Initial RSUs representing the right to receive one share of the Company's common stock (the "**Common Stock**"), by dividing the value of the Initial RSUs by the closing selling price of the Common Stock, as reported on the NASDAQ Global Select Market ("**NASDAQ**") on the Initial Appointment Date, or if there is no such reported price for the Common Stock on the Initial Appointment Date, then such price on the last preceding date for which such price exists, with any resulting fractional Unit rounded down to the nearest whole Unit.

c. The Initial RSUs shall vest according to the following schedule and be subject to the other terms and conditions described below:

- The Initial RSUs shall vest annually over three years on the anniversary of the Initial Appointment Date, provided that the Eligible Director is a member of the Board on such dates.

- The Initial RSUs shall be subject to the terms and conditions of the Plan and shall have such other terms as are set forth in the Company's standard forms of Eligible Director equity agreements in use at such time and as appropriately modified to reflect the Initial RSUs.

2. Annual Awards

a. Each year on the date (the "**Annual Meeting Date**") of the annual meeting of stockholders (the "**Annual Meeting**"), each Eligible Director who is a duly elected or appointed member of the Board immediately following the conclusion of the Annual Meeting shall automatically receive the following annual awards (the "**Annual Awards**"):

i. All Eligible Directors, including any Eligible Director who is Chairperson of the Board and any Eligible Director who may initially have been elected or appointed to the Board on the Annual Meeting Date, shall automatically receive:

- RSUs having an initial value of **$145,000** (the "**Annual Eligible Director RSUs**").

ii. In addition, any Eligible Director who is also Chairperson of the Board immediately following the conclusion of the Annual Meeting shall also automatically receive:

- RSUs having an initial value of **$60,000** (the "**Annual Chairperson RSUs**").

b. On the Annual Meeting Date, the values of the Annual Awards, as set forth above, shall be converted as follows:

- The values of the Annual Awards shall be converted into the appropriate equivalent number of RSUs, with each Unit of the Annual Awards representing the right to receive one share of Common Stock, by dividing the value of the Annual Awards by the closing selling price of the Common Stock, as reported on NASDAQ on the Annual Meeting Date, or if there is no such reported price for the Common Stock on the Annual Meeting Date, then such price on the last preceding date for which such price exists, with any resulting fractional Unit rounded down to the nearest whole Unit.

c. The Annual Awards shall vest according to the following schedule and be subject to the other terms and conditions described below:

- The Annual Awards shall vest in full on the one-year anniversary of the Annual Meeting Date, provided that, with respect to the Annual Eligible Director RSUs, the Eligible Director is a member of the Board on the date of vesting, and with respect to the Annual Chairperson RSUs, the Eligible Director is Chairperson of the Board on each date of vesting.

- The Annual Awards shall be subject to the terms and conditions of the Plan and shall have such other terms as are set forth in the Company’s standard forms of Eligible Director equity agreements in use at such time and as appropriately modified to reflect the Annual Awards.

d. In the event that an Eligible Director is initially elected or appointed to the Board on any date other than the Annual Meeting Date, such Eligible Director shall, instead, automatically receive the Annual Eligible Director RSUs on the Initial Appointment Date; provided, however, that (i) the values of the Annual Eligible Director RSUs, as set forth above, shall be prorated to reflect the number of days that such Eligible Director will serve on the Board based on a period of time commencing as of the Initial Appointment Date and ending on the one-year anniversary of the last preceding Annual Meeting Date (the “**Prorated Annual Awards**”); and (ii) the values of the Prorated Annual Awards shall be converted on the Initial Appointment Date in the same manner as the Initial Awards. The Prorated Annual Awards shall vest in full on the one-year anniversary of the date of grant. In all other respects, the terms and conditions of the Prorated Annual Awards shall be the same as the Annual Awards granted on the last preceding Annual Meeting Date.

BLUCORA, INC.
2018 LONG-TERM INCENTIVE PLAN

RESTRICTED STOCK UNIT GRANT NOTICE

(PERFORMANCE-BASED RESTRICTED STOCK UNITS)

TO: (the "***Participant***" or "***you***")

FROM: Blucora, Inc., a Delaware corporation (the "***Company***")

You are hereby granted by the Company a Restricted Stock Unit Award (the "***Award***") under the Blucora, Inc. 2018 Long-Term Incentive Plan (the "***Incentive Plan***"). Each restricted stock unit (an "***RSU***") subject to the Award has a notional value equivalent to one share of the Company's Common Stock for purposes of determining the number of shares of Common Stock (the "***Shares***") subject to the Award.

The Award is subject to all the terms and conditions set forth in this Restricted Stock Unit Grant Notice (the "***Notice of Grant***") and in the Restricted Stock Unit Agreement attached hereto as **Exhibit A** (the "***Agreement***") and the Incentive Plan, each of which are incorporated by reference into this Notice of Grant. Capitalized terms that are not defined in the Notice of Grant shall have the meanings given to them in the Agreement, and if not defined in the Agreement, the meanings given to them in the Incentive Plan.

Date of Grant:

Award Number:

Target Number of RSUs

Subject to the Award: (the "***Target RSUs***"); provided that the actual number of RSUs that are granted and may be earned is up to 200% of the Target RSUs

Vesting Schedule: Except as specifically provided in the Agreement and subject to the restrictions and conditions set forth in the Incentive Plan, the RSUs shall vest on the Vesting Date (as defined on **Schedule 1** to this Notice of Grant, attached hereto, which is incorporated by reference into this Notice of Grant), based upon the achievement of the performance goals set forth on Schedule 1 (the "***Performance Vesting Conditions***").

Additional Terms/Acknowledgment: You acknowledge and agree that the Notice of Grant and the vesting schedule set forth herein do not constitute an express or implied promise of your continued engagement as an employee, officer, director or other service provider for the vesting period, for any period, or at all, and shall not interfere with your right or the Company's right to terminate your employment or service relationship with the Company or its Related Companies at any time, with or without Cause. For purposes of this Award, the term "***Cause***" shall have the meaning set forth in your Employment Agreement (as defined below), provided that, if such Employment Agreement does not define such term or no such agreement is then in effect, then it shall mean dishonesty, fraud, serious or willful misconduct, unauthorized use or disclosure of confidential information or trade secrets, or conduct prohibited by law (except minor violations), in each case as determined by the Committee, whose determination shall be conclusive and binding.

Employment Agreement: If there is a written employment agreement in effect between you and the Company (the "***Employment Agreement***"), then the Award shall be subject to the terms of such Employment Agreement, so long as such Employment Agreement remains in effect (as it may be amended, supplemented or restated from time to time) and the terms set forth in the Employment Agreement are applicable to the Award.

Committee Decisions/Interpretations: You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Incentive Plan and the Award.

* * * * * * *

[*Remainder of Page Intentionally Left Blank*
Signature Page Follows.]

By your signature below or electronic acceptance, you agree that the Notice of Grant, the Agreement, the Incentive Plan, and the Employment Agreement (if applicable), constitute your entire agreement with respect to the Award, and except as set forth therein, may not be modified except by means of a writing signed by the Company and you. This Notice of Grant and Agreement may be executed and/or accepted electronically and/or executed in duplicate counterparts, the production of either of which (including a signature or proof of electronic acceptance) shall be sufficient for all purposes for the proof of the binding terms of this Award.

BLUCORA, INC.		**PARTICIPANT**
By:	______________________________	______________________________
Its:	Chief Legal, Development, and Administration Officer	

Attachments:
1. Performance Vesting Conditions
2. Restricted Stock Unit Agreement
3. 2018 Incentive Plan
4. 2018 Plan Prospectus
5. 2020 Proxy/2019 10-K

SCHEDULE 1

BLUCORA, INC.
2018 LONG-TERM INCENTIVE PLAN

PERFORMANCE VESTING CONDITIONS

Performance Period: [INSERT PERFORMANCE PERIOD]

Performance Goals: For the Performance Period, there are two separate Performance Goals: (i) [INSERT PERFORMANCE GOAL 1] during the performance period; and (ii) [INSERT PERFORMANCE GOAL 2] over the Performance Period.

Vesting Date: The "***Vesting Date***" shall be the date on which the Committee determines for the Performance Period (i) the actual achievement of [INSERT PERFORMANCE GOAL 1] and (ii) the actual achievement of [INSERT PERFORMANCE GOAL 2], in each case, which shall occur in [INSERT YEAR] but no later than sixty (60) days following the end of the Performance Period, provided that you are employed by or providing services to the Company or a Related Company on such date.

Vesting Schedule: [INSERT VESTING SCHEDULE]

Forfeiture: Except as otherwise provided herein or in the Employment Agreement (if applicable), vesting will cease upon your Termination of Service prior to the Vesting Date and the unvested portion of the Award will immediately terminate and be forfeited.

Death / Total and
Permanent Disability: Notwithstanding the foregoing, upon the occurrence of a Termination of Service due to your death or Total and Permanent Disability prior to the Vesting Date, the Target RSUs (both [INSERT PERFORMANCE GOAL 1] Target RSUs and [INSERT PERFORMANCE GOAL 2] Target RSUs) shall become fully vested as of the date of such Termination of Service at the Target performance level for the [INSERT PERFORMANCE GOAL 1] Targets (*i.e.*, 100% of INSERT PERFORMANCE GOAL 1] Target RSUs) and the 50th Percentile for INSERT PERFORMANCE GOAL 2] (*i.e.*, 100% of INSERT PERFORMANCE GOAL 2] Target RSUs).

Retirement: Notwithstanding the foregoing, in the event of your Termination of Service due to your Retirement on or after the first anniversary of the Date of Grant but prior to the Vesting Date, the RSUs shall remain outstanding and eligible for vesting on the Vesting Date based on the actual achievement of the Performance Goals, and pro-rated based on a fraction, determined by the number of completed days of service from the Date of Grant through the date of your Retirement over the total number of days in the Performance Period. Any RSUs that do not vest on the Vesting Date shall terminate and be forfeited as of the Vesting Date. For purposes of this Award, the term "***Retirement***" shall mean your voluntary Termination of Service on or after your attainment of (i) age sixty (60) and five (5) years of service with the Company or any Related Company, (ii) age fifty-five (55) and ten (10) years of service with the Company or any Related Company, or (iii) any age with twenty (20) years of service with the Company or any Related Company; *provided, however*, that if at any time the Committee determines that your Termination of Service should be a Termination of Service for Cause, then your Termination of Service will no longer be due to your Retirement and all RSUs shall immediately be forfeited, and no longer eligible for vesting on the Vesting Date.

Change of Control: For purposes of the [INSERT PERFORMANCE GOAL 1] Target RSUs, upon the occurrence of a Change of Control, the [INSERT PERFORMANCE GOAL 1] shall be fixed as of the date of such Change of Control at the applicable [INSERT PERFORMANCE GOAL 1] Target. Notwithstanding anything herein to the contrary, in the event of your Termination of Service by the Company without Cause or by you for Good Reason (as defined in your Employment Agreement, provided that your Employment Agreement provides for a Termination of Service for Good Reason): (i) on the day of or during the 12-month period immediately following the consummation of a Change of Control (as defined in the Employment Agreement), or (ii) during the 2-month period prior to the consummation of a Change of Control but at the request of any third party participating in or causing the Change of Control or otherwise in connection with the Change of Control, then the RSUs shall vest, effective as of the date of your Termination of Service, as follows: (A) with respect to the [INSERT PERFORMANCE GOAL 1] Target RSUs, at the Target performance level for the [INSERT PERFORMANCE GOAL 1] Targets (*i.e.*, 100% of [INSERT PERFORMANCE GOAL 1] Target RSUs), pro-rated based on the number of days you were employed during the Performance Period through the date of your Termination of Service, over the total number of days in the Performance Period, and (B) with respect to the [INSERT PERFORMANCE GOAL 2] Target RSUs, based on the [INSERT PERFORMANCE GOAL 2] of the Company against the [INSERT PERFORMANCE GOAL 2] Peer Group through the date of such Change of Control.

Example #1: [INSERT EXAMPLE CALCULATION]

Example #2: [INSERT EXAMPLE CALCULATION]

Example #3: [INSERT EXAMPLE CALCULATION]

EXHIBIT A

BLUCORA, INC.
2018 LONG-TERM INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

1. **Grant.** The Company hereby grants to the Participant listed on the Notice of Grant (the "***Participant***") an Award of RSUs, as set forth in the Notice of Grant and subject to the terms and conditions in this Restricted Stock Unit Agreement (this "***Agreement***") and the Incentive Plan. Unless otherwise defined herein, the capitalized terms used herein shall have the meanings given to them in the Notice of Grant, and if not defined in the Notice of Grant, the meanings given to them in the Incentive Plan.

2. **Company's Obligation.** Each RSU represents the right to receive a Share on the vesting date. Unless and until the RSUs vest, the Participant will have no right to receive Shares under such RSUs. Prior to actual distribution of Shares pursuant to any vested RSUs, such RSUs will represent an unsecured obligation of the Company.

3. **Vesting Schedule.** Subject to Paragraph 4 hereof and to any other relevant Incentive Plan provisions, the RSUs awarded by this Agreement will vest according to the vesting schedule specified in the Notice of Grant. The effect of a Company approved unpaid leave of absence on the terms and conditions of the RSUs will be determined by the Committee, subject to applicable laws.

4. **Forfeiture upon Termination of Service.** Except as provided in the Notice of Grant, if the Participant has a Termination of Service for any or no reason prior to vesting, the unvested RSUs awarded by this Agreement will thereupon be terminated and forfeited at no cost to the Company.

5. **Payment After Vesting.** Subject to Paragraph 21 hereof, any RSUs that vest in accordance with Paragraph 3 will be paid to the Participant (or in the event of the Participant's death, to his or her estate) in Shares on, or as soon as practicable after, the applicable vesting date (but in any event, within sixty (60) days of the date on which the RSUs vest).

6. **Withholding Taxes.** As a condition to the payment of any vested RSUs, the Participant must make such arrangements as the Company may require for the satisfaction of any federal, state or local withholding tax obligations that may arise in connection with such payment. The Company may permit or require the Participant to satisfy all or part of the Participant's tax withholding obligations by (a) paying cash to the Company or a Related Company, as applicable; (b) having the Company or a Related Company, as applicable, withhold an amount from any cash amounts otherwise due or to become due from the Company or a Related Company, as applicable, to the Participant; (c) having the Company withhold a number of Shares that would otherwise be issued to the Participant having a Fair Market Value equal to the tax withholding obligations; (d) surrendering a number of Shares the Participant already owns having a Fair Market Value equal to the tax withholding obligations; or (e) any combination of (a), (b), (c) or (d) above. The value of the Shares so withheld or tendered may not exceed the employer's minimum required tax withholding rate.

7. **Payments After Death.** Any distribution or delivery to be made to the Participant under this Agreement will, if the Participant is then deceased, be made to the administrator or executor of the Participant's estate. Any such administrator or executor must furnish the Company with (a) written notice of his or her status as transferee and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

8. **Rights as Stockholder.** Neither the Participant nor any person claiming under or through the Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until the date of issuance of any such Shares under the Incentive Plan. Except as otherwise provided in Paragraph 9, no adjustment shall be made for dividends or other rights for which the record date is prior to the issuance of any Shares subject to the Award. The Participant agrees to execute any documents requested by the Company in connection with the issuance of any Shares.

9. **Adjustments.** The number of Shares covered by the Award shall be subject to adjustment in accordance with Article 11 of the Incentive Plan.

10. **No Effect on Employment or Service Relationship.** Nothing in the Incentive Plan or any Award granted under the Incentive Plan will be deemed to constitute an employment or service contract or confer or be deemed to confer any right for the Participant to continue in the employ or service of, or to continue any other relationship with, the Company or any Related Company or limit in any way the right of the Company or any Related Company to terminate the Participant's employment or other service relationship at any time, with or without Cause.

11. **Notices.** Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by interoffice mail, by fax, by electronic mail or other electronic means, or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as the Company may notify the Participant from time to time; and to the Participant at the Participant's electronic mail or postal address as shown on the records of the Company from time to time, or at such other electronic mail or postal address as the Participant, by notice to the Company, may designate in writing from time to time.

12. **Award Is Not Transferable.** Except to the limited extent provided in Paragraph 7, the Award and the rights and privileges conferred hereby may not be transferred, assigned, pledged (as collateral for a loan or as security for the performance of an obligation or for any other purpose) or hypothecated in any way (whether by operation of law or otherwise) and may not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the Award, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, the Award and the rights and privileges conferred hereby immediately will become null and void.

13. **Binding Agreement.** Subject to the limitation on the transferability of the Award contained herein, this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective heirs, legatees, legal representatives, successors and assigns.

14. **Regulatory Restrictions on Issuance of Shares.** Notwithstanding the other provisions of this Agreement, if at any time the Company determines, in its sole discretion, that the listing, registration or qualification of Shares upon any securities exchange or under any state

or federal law, or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to the Participant (or his or her estate), such issuance will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. The Company shall be under no obligation to the Participant to register for offering or resale or to qualify for exemption under the Securities Act, or to register or qualify under the laws of any state or foreign jurisdiction, any Shares, security or interest in a security paid or issued under, or created by, the Incentive Plan, or to continue in effect any such registrations or qualifications if made.

15. **Participant's Representations**. Notwithstanding any of the provisions hereof, the Participant hereby agrees that the Company will not be obligated to issue any Shares to the Participant if the issuance of such Shares shall constitute a violation by the Participant or the Company of any provision of any law or regulation of any governmental authority. Any determination in this connection by the Committee shall be final, binding, and conclusive. The obligations of the Company and the rights of the Participant are subject to all applicable laws, rules, and regulations.

16. **Investment Representation**. Unless the Shares are issued to the Participant in a transaction registered under applicable federal and state securities laws, the Participant represents and warrants to the Company that all Shares which may be issued hereunder will be acquired by the Participant for investment purposes for his or her own account and not with any intent for resale or distribution in violation of federal or state securities laws. Unless the Shares are issued to the Participant in a transaction registered under the applicable federal and state securities laws, at the option of the Company, a stop-transfer order against the Shares may be placed on the official stock books and records of the Company, and a legend indicating that such Shares may not be pledged, sold or otherwise transferred, unless an opinion of counsel is provided (concurred in by counsel for the Company) stating that such transfer is not in violation of any applicable law or regulation, may be stamped on stock certificates to ensure exemption from registration. The Company may require such other action or agreement by the Participant as may from time to time be necessary to comply with the federal, state and foreign securities laws.

17. **Conflicting Terms; Incentive Plan Governs.** This Agreement and the Notice of Grant are subject to all terms and provisions of the Incentive Plan. In the event of a conflict between one or more provisions of this Agreement or the Notice of Grant and one or more provisions of the Incentive Plan, the provisions of the Incentive Plan will govern.

18. **Committee Authority; Decisions Conclusive and Binding.** The Participant acknowledges that a copy of the Incentive Plan has been made available for his or her review by the Company, and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all the terms and provisions thereof. The Committee will have the power to interpret this Agreement, the Notice of Grant and the Incentive Plan, and to adopt such rules for the administration, interpretation and application of the Incentive Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any RSUs have vested). The Participant hereby agrees to accept as binding, conclusive, and final all decisions of the Committee upon any questions arising under the Incentive Plan, this Agreement or the Notice of Grant. No member of the Committee will be personally liable for any action, determination or interpretation made in good faith with respect to the Incentive Plan, this Agreement or the Notice of Grant.

19. **Claims.** The Participant's sole remedy for any Claim shall be against the Company, and the Participant shall not have any claim or right of any nature against any Related Company (including, without limitation, any parent, subsidiary or affiliate of the Company) or any stockholder or existing or former director, officer or employee of the Company or any Related Company. The foregoing individuals and entities (other than the Company) shall be third-party beneficiaries of this Agreement for purposes of enforcing the terms of this Paragraph 19.

20. **Covenants and Agreements as Independent Agreements**. Each of the covenants and agreements that is set forth in this Agreement shall be construed as a covenant and agreement independent of any other provision of this Agreement. The existence of any claim or cause of action of the Participant against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the covenants and agreements that are set forth in this Agreement.

21. **Section 409A.** The Award is intended to be exempt from or comply with the requirements of Section 409A, and shall be construed accordingly. Notwithstanding any other provision of this Agreement, the Notice of Grant, the Incentive Plan or the Employment Agreement to the contrary, with respect to any payments and benefits to which Section 409A applies, if the Participant is a "specified employee," within the meaning of Section 409A, then to the extent necessary to avoid subjecting the Participant to the imposition of any additional tax under Section 409A, amounts that would otherwise be payable during the six-month period immediately following the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i), shall not be paid to the Participant during such period, but shall instead be accumulated and paid to the Participant (or, in the event of the Participant's death, the Participant's estate) in a lump sum on the first business day after the earlier of the date that is six months following the Participant's separation from service or the Participant's death.

22. **Governing Law; Venue.** The validity, interpretation, construction and performance of this Agreement shall be governed by the internal substantive laws of the State of Delaware, without reference to any choice-of-law rules. The Participant irrevocably consents to the nonexclusive jurisdiction and venue of the state and federal courts located in Dallas County, the State of Texas.

23. **Recovery of Compensation.** In accordance with Section 6.13 of the Incentive Plan, the Company may recoup all or any portion of any Shares or cash paid to the Participant in connection with the Award, as set forth in the Company's clawback policy, if any, approved by the Board from time to time.

24. **Entire Agreement; Employment Agreement**. This Agreement, together with the Notice of Grant and the Incentive Plan supersede any and all other prior understandings and agreements, either oral or in writing, between the parties with respect to the subject matter hereof and constitute the sole and only agreements between the parties with respect to the said subject matter. All prior negotiations and agreements between the parties with respect to the subject matter hereof are merged into this Agreement and the Notice of Grant. Each party to this Agreement and the Notice of Grant acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made by any party or by anyone acting on behalf of any party, which are not embodied in this Agreement, the Notice of Grant or the Incentive Plan and that any agreement, statement, or promise that is not contained in this Agreement, the Notice of Grant or the Incentive Plan shall not be valid or binding or of any force or effect. Notwithstanding anything to the contrary contained in the Notice of Grant, this

Agreement or in the Incentive Plan, in the event of any conflict between the terms and conditions of the Award as set forth in the Notice of Grant, this Agreement and in the Incentive Plan, as the case may be, and the terms and conditions of the Employment Agreement, the terms and conditions of the Employment Agreement shall govern unless the conflicting provision in the Notice of Grant, this Agreement or in the Incentive Plan, as the case may be, is more favorable to the Participant; in which case, the provision more favorable to the Participant shall govern.

25. **Legal Construction**. In the event that any one or more of the terms, provisions, or agreements that are contained in this Agreement shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect for any reason, the invalid, illegal, or unenforceable term, provision, or agreement shall not affect any other term, provision, or agreement that is contained in this Agreement, and this Agreement shall be construed in all respects as if the invalid, illegal, or unenforceable term, provision, or agreement had never been contained herein.

26. **Headings**. The headings that are used in this Agreement are used for reference and convenience purposes only and do not constitute substantive matters to be considered in construing the terms and provisions of this Agreement.

27. **Gender and Number**. Words of any gender used in this Agreement shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, and vice versa, unless the context requires otherwise.

28. **Modification**. No change or modification of this Agreement or the Notice of Grant shall be valid or binding upon the parties unless the change or modification is in writing and signed by the parties; provided, however, that the Company may change or modify this Agreement or the Notice of Grant without the Participant’s consent or signature if the Company determines, in its sole discretion, that such change or modification is necessary for purposes of compliance with any Applicable Laws, including, without limitation (i) compliance with or exemption from the requirements of Section 409A of the Code or any regulations or other guidance issued thereunder, (ii) compliance with any federal or state securities laws, or (iii) compliance with the rules of any exchange or inter-dealer quotation system on which the Company’s Shares are listed or quoted. Notwithstanding the preceding sentence, the Company may amend the Incentive Plan to the extent permitted by the Incentive Plan.

BLUCORA, INC.
2018 LONG-TERM INCENTIVE PLAN

RESTRICTED STOCK UNIT GRANT NOTICE

(PERFORMANCE-BASED RESTRICTED STOCK UNITS)

TO: (the “***Participant***” or “***you***”)

FROM: Blucora, Inc., a Delaware corporation (the “***Company***”)

You are hereby granted by the Company a Restricted Stock Unit Award (the “***Award***”) under the Blucora, Inc. 2018 Long-Term Incentive Plan (the “***Incentive Plan***”). Each restricted stock unit (an “***RSU***”) subject to the Award has a notional value equivalent to one share of the Company’s Common Stock for purposes of determining the number of shares of Common Stock (the “***Shares***”) subject to the Award.

The Award is subject to all the terms and conditions set forth in this Restricted Stock Unit Grant Notice (the "***Notice of Grant***") and in the Restricted Stock Unit Agreement attached hereto as **Exhibit A** (the “***Agreement***”) and the Incentive Plan, each of which are incorporated by reference into this Notice of Grant. Capitalized terms that are not defined in the Notice of Grant shall have the meanings given to them in the Agreement, and if not defined in the Agreement, the meanings given to them in the Incentive Plan.

Date of Grant:

Award Number:

Target Number of RSUs
Subject to the Award: (the “***Target RSUs***”); provided that the actual number of RSUs that are granted and may be earned is up to 200% of the Target RSUs

Vesting Schedule: Except as specifically provided in the Agreement and subject to the restrictions and conditions set forth in the Incentive Plan, the RSUs shall vest on the Vesting Date (as defined on **Schedule 1** to this Notice of Grant, attached hereto, which is incorporated by reference into this Notice of Grant), based upon the achievement of the performance goals set forth on Schedule 1 (the “***Performance Vesting Conditions***”).

Additional Terms/Acknowledgment: You acknowledge and agree that the Notice of Grant and the vesting schedule set forth herein do not constitute an express or implied promise of your continued engagement as an employee, officer, director or other service provider for the vesting period, for any period, or at all, and shall not interfere with your right or the Company’s right to terminate your employment or service relationship with the Company or its Related Companies at any time, with or without Cause. For purposes of this Award, the term “***Cause***” shall have the meaning set forth in your Employment Agreement (as defined below), provided that, if such Employment Agreement does not define such term or no such agreement is then in effect, then it shall mean dishonesty, fraud, serious or willful misconduct, unauthorized use or disclosure of confidential information or trade secrets, or conduct prohibited by law (except minor violations), in each case as determined by the Committee, whose determination shall be conclusive and binding.

Employment Agreement: If there is a written employment agreement in effect between you and the Company (the "***Employment Agreement***"), then the Award shall be subject to the terms of such Employment Agreement, so long as such Employment Agreement remains in effect (as it may be amended, supplemented or restated from time to time) and the terms set forth in the Employment Agreement are applicable to the Award.

Committee Decisions/Interpretations: You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Incentive Plan and the Award.

* * * * * * *

[*Remainder of Page Intentionally Left Blank*
Signature Page Follows.]

By your signature below or electronic acceptance, you agree that the Notice of Grant, the Agreement, the Incentive Plan, and the Employment Agreement (if applicable), constitute your entire agreement with respect to the Award, and except as set forth therein, may not be modified except by means of a writing signed by the Company and you. This Notice of Grant and Agreement may be executed and/or accepted electronically and/or executed in duplicate counterparts, the production of either of which (including a signature or proof of electronic acceptance) shall be sufficient for all purposes for the proof of the binding terms of this Award.

BLUCORA, INC.		**PARTICIPANT**
By:	______________________	* ______________________
Its:	Chief Legal, Development, and Administration Officer	*Electronic acceptance of this Award shall bind the Participant.

Attachments:
1. Performance Vesting Conditions
2. Restricted Stock Unit Agreement
3. 2018 Incentive Plan
4. 2018 Plan Prospectus
5. 2021 Proxy/2020 10-K

<u>SCHEDULE 1</u>

BLUCORA, INC.
2018 LONG-TERM INCENTIVE PLAN

<u>PERFORMANCE VESTING CONDITIONS</u>

Performance Period: [INSERT PERFORMANCE PERIOD]

Performance Goals: For the Performance Period, there are two separate Performance Goals: (i) [INSERT PERFORMANCE GOAL 1] during the performance period; and (ii) [INSERT PERFORMANCE GOAL 2] over the Performance Period.

Vesting Date: The "***Vesting Date***" shall be the date on which the Committee determines for the Performance Period (i) the actual achievement of [INSERT PERFORMANCE GOAL 1] and (ii) the actual achievement of [INSERT PERFORMANCE GOAL 2], in each case, which shall occur in [INSERT YEAR] but no later than sixty (60) days following the end of the Performance Period, provided that you are employed by or providing services to the Company or a Related Company on such date.

Vesting Schedule: [INSERT VESTING SCHEDULE]

Forfeiture: Except as otherwise provided herein or in the Employment Agreement (if applicable), vesting will cease upon your Termination of Service prior to the Vesting Date and the unvested portion of the Award will immediately terminate and be forfeited.

Death / Total and Permanent Disability: Notwithstanding the foregoing, upon the occurrence of a Termination of Service due to your death or Total and Permanent Disability prior to the Vesting Date, the Target RSUs (both [INSERT PERFORMANCE GOAL 1] Target RSUs and [INSERT PERFORMANCE GOAL 2] Target RSUs) shall become fully vested as of the date of such Termination of Service at the Target performance level for the [INSERT PERFORMANCE GOAL 1] Targets (*i.e.*, 100% of INSERT PERFORMANCE GOAL 1] Target RSUs) and the 50th Percentile for INSERT PERFORMANCE GOAL 2] (*i.e.*, 100% of INSERT PERFORMANCE GOAL 2] Target RSUs).

Retirement: Notwithstanding the foregoing, in the event of your Termination of Service due to your Retirement on or after the first anniversary of the Date of Grant but prior to the Vesting Date, the RSUs shall remain outstanding and eligible for vesting on the Vesting Date based on the actual achievement of the Performance Goals, and pro-rated based on a fraction, determined by the number of completed days of service from the Date of Grant through the date of your Retirement over the total number of days in the Performance Period. Any RSUs that do not vest on the Vesting Date shall terminate and be forfeited as of the Vesting Date. For purposes of this Award, the term "***Retirement***" shall mean your voluntary Termination of Service on or after your attainment of (i) age sixty (60) and five (5) years of service with the Company or any Related Company, (ii) age fifty-five (55) and ten (10) years of service with the Company or any Related Company, or (iii) any age with twenty (20) years of service with the Company or any Related Company; *provided, however*, that if at any time the Committee determines that your Termination of Service should be a Termination of Service for Cause, then your Termination of Service will no longer be due to your Retirement and all RSUs shall immediately be forfeited, and no longer eligible for vesting on the Vesting Date.

Change of Control: Notwithstanding anything herein to the contrary, in the event of your Termination of Service by the Company without Cause or by you for Good Reason (as defined in your Employment Agreement, provided that your Employment Agreement provides for a Termination of Service for Good Reason): (i) on the day of or during the 12-month period immediately following the consummation of a Change of Control (as defined in the Employment Agreement), or (ii) during the 2-month period prior to the consummation of a Change of Control but at the request of any third party participating in or causing the Change of Control or otherwise in connection with the Change of Control, then the RSUs shall vest, effective as of the date of your Termination of Service, as follows: (A) with respect to the [INSERT PERFORMANCE GOAL 1] Target RSUs, at the greater of (1) the percentage that would vest based upon actual performance measured as of the Change of Control and (2) the percentage that would vest at the Target performance level for the [INSERT PERFORMANCE GOAL 1] Targets (i.e., 100% of [INSERT PERFORMANCE GOAL 1]), and (B) with respect to the [INSERT PERFORMANCE GOAL 2] Target RSUs, at the greater of (1) the percentage that would vest based on the [INSERT PERFORMANCE GOAL 2] of the Company against the [INSERT PERFORMANCE GOAL 2] through the date of such Change of Control and (2) the percentage that would vest at the Target performance level (i.e., 100% of the [INSERT PERFORMANCE GOAL 2] Target RSUs).

Example #1: [INSERT EXAMPLE CALCULATION]

Example #2: [INSERT EXAMPLE CALCULATION]

Example #3: [INSERT EXAMPLE CALCULATION]

EXHIBIT A

BLUCORA, INC.
2018 LONG-TERM INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

1. **Grant.** The Company hereby grants to the Participant listed on the Notice of Grant (the "***Participant***") an Award of RSUs, as set forth in the Notice of Grant and subject to the terms and conditions in this Restricted Stock Unit Agreement (this "***Agreement***") and the Incentive Plan. Unless otherwise defined herein, the capitalized terms used herein shall have the meanings given to them in the Notice of Grant, and if not defined in the Notice of Grant, the meanings given to them in the Incentive Plan.

2. **Company's Obligation.** Each RSU represents the right to receive a Share on the vesting date. Unless and until the RSUs vest, the Participant will have no right to receive Shares under such RSUs. Prior to actual distribution of Shares pursuant to any vested RSUs, such RSUs will represent an unsecured obligation of the Company.

3. **Vesting Schedule.** Subject to Paragraph 4 hereof and to any other relevant Incentive Plan provisions, the RSUs awarded by this Agreement will vest according to the vesting schedule specified in the Notice of Grant. The effect of a Company approved unpaid leave of absence on the terms and conditions of the RSUs will be determined by the Committee, subject to applicable laws.

4. **Forfeiture upon Termination of Service.** Except as provided in the Notice of Grant, if the Participant has a Termination of Service for any or no reason prior to vesting, the unvested RSUs awarded by this Agreement will thereupon be terminated and forfeited at no cost to the Company.

5. **Payment After Vesting.** Subject to Paragraph 21 hereof, any RSUs that vest in accordance with Paragraph 3 will be paid to the Participant (or in the event of the Participant's death, to his or her estate) in Shares on, or as soon as practicable after, the applicable vesting date (but in any event, within sixty (60) days of the date on which the RSUs vest).

6. **Withholding Taxes.** As a condition to the payment of any vested RSUs, the Participant must make such arrangements as the Company may require for the satisfaction of any federal, state or local withholding tax obligations that may arise in connection with such payment. The Company may permit or require the Participant to satisfy all or part of the Participant's tax withholding obligations by (a) paying cash to the Company or a Related Company, as applicable; (b) having the Company or a Related Company, as applicable, withhold an amount from any cash amounts otherwise due or to become due from the Company or a Related Company, as applicable, to the Participant; (c) having the Company withhold a number of Shares that would otherwise be issued to the Participant having a Fair Market Value equal to the tax withholding obligations; (d) surrendering a number of Shares the Participant already owns having a Fair Market Value equal to the tax withholding obligations; or (e) any combination of (a), (b), (c) or (d) above. The value of the Shares so withheld or tendered may not exceed the employer's minimum required tax withholding rate.

7. **Payments After Death.** Any distribution or delivery to be made to the Participant under this Agreement will, if the Participant is then deceased, be made to the administrator or executor of the Participant's estate. Any such administrator or executor must furnish the Company with (a) written notice of his or her status as transferee and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

8. **Rights as Stockholder.** Neither the Participant nor any person claiming under or through the Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until the date of issuance of any such Shares under the Incentive Plan. Except as otherwise provided in Paragraph 9, no adjustment shall be made for dividends or other rights for which the record date is prior to the issuance of any Shares subject to the Award. The Participant agrees to execute any documents requested by the Company in connection with the issuance of any Shares.

9. **Adjustments.** The number of Shares covered by the Award shall be subject to adjustment in accordance with Article 11 of the Incentive Plan.

10. **No Effect on Employment or Service Relationship.** Nothing in the Incentive Plan or any Award granted under the Incentive Plan will be deemed to constitute an employment or service contract or confer or be deemed to confer any right for the Participant to continue in the employ or service of, or to continue any other relationship with, the Company or any Related Company or limit in any way the right of the Company or any Related Company to terminate the Participant's employment or other service relationship at any time, with or without Cause.

11. **Notices.** Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by interoffice mail, by fax, by electronic mail or other electronic means, or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as the Company may notify the Participant from time to time; and to the Participant at the Participant's electronic mail or postal address as shown on the records of the Company from time to time, or at such other electronic mail or postal address as the Participant, by notice to the Company, may designate in writing from time to time.

12. **Award Is Not Transferable.** Except to the limited extent provided in Paragraph 7, the Award and the rights and privileges conferred hereby may not be transferred, assigned, pledged (as collateral for a loan or as security for the performance of an obligation or for any other purpose) or hypothecated in any way (whether by operation of law or otherwise) and may not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the Award, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, the Award and the rights and privileges conferred hereby immediately will become null and void.

13. **Binding Agreement.** Subject to the limitation on the transferability of the Award contained herein, this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective heirs, legatees, legal representatives, successors and assigns.

14. **Regulatory Restrictions on Issuance of Shares.** Notwithstanding the other provisions of this Agreement, if at any time the Company determines, in its sole discretion, that

the listing, registration or qualification of Shares upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to the Participant (or his or her estate), such issuance will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. The Company shall be under no obligation to the Participant to register for offering or resale or to qualify for exemption under the Securities Act, or to register or qualify under the laws of any state or foreign jurisdiction, any Shares, security or interest in a security paid or issued under, or created by, the Incentive Plan, or to continue in effect any such registrations or qualifications if made.

15. **Participant's Representations**. Notwithstanding any of the provisions hereof, the Participant hereby agrees that the Company will not be obligated to issue any Shares to the Participant if the issuance of such Shares shall constitute a violation by the Participant or the Company of any provision of any law or regulation of any governmental authority. Any determination in this connection by the Committee shall be final, binding, and conclusive. The obligations of the Company and the rights of the Participant are subject to all applicable laws, rules, and regulations.

16. **Investment Representation**. Unless the Shares are issued to the Participant in a transaction registered under applicable federal and state securities laws, the Participant represents and warrants to the Company that all Shares which may be issued hereunder will be acquired by the Participant for investment purposes for his or her own account and not with any intent for resale or distribution in violation of federal or state securities laws. Unless the Shares are issued to the Participant in a transaction registered under the applicable federal and state securities laws, at the option of the Company, a stop-transfer order against the Shares may be placed on the official stock books and records of the Company, and a legend indicating that such Shares may not be pledged, sold or otherwise transferred, unless an opinion of counsel is provided (concurred in by counsel for the Company) stating that such transfer is not in violation of any applicable law or regulation, may be stamped on stock certificates to ensure exemption from registration. The Company may require such other action or agreement by the Participant as may from time to time be necessary to comply with the federal, state and foreign securities laws.

17. **Conflicting Terms; Incentive Plan Governs.** This Agreement and the Notice of Grant are subject to all terms and provisions of the Incentive Plan. In the event of a conflict between one or more provisions of this Agreement or the Notice of Grant and one or more provisions of the Incentive Plan, the provisions of the Incentive Plan will govern.

18. **Committee Authority; Decisions Conclusive and Binding.** The Participant acknowledges that a copy of the Incentive Plan has been made available for his or her review by the Company, and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all the terms and provisions thereof. The Committee will have the power to interpret this Agreement, the Notice of Grant and the Incentive Plan, and to adopt such rules for the administration, interpretation and application of the Incentive Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any RSUs have vested). The Participant hereby agrees to accept as binding, conclusive, and final all decisions of the Committee upon any questions arising under the Incentive Plan, this Agreement or the Notice of Grant. No member of the

Committee will be personally liable for any action, determination or interpretation made in good faith with respect to the Incentive Plan, this Agreement or the Notice of Grant.

19. **Claims.** The Participant's sole remedy for any Claim shall be against the Company, and the Participant shall not have any claim or right of any nature against any Related Company (including, without limitation, any parent, subsidiary or affiliate of the Company) or any stockholder or existing or former director, officer or employee of the Company or any Related Company. The foregoing individuals and entities (other than the Company) shall be third-party beneficiaries of this Agreement for purposes of enforcing the terms of this Paragraph 19.

20. **Covenants and Agreements as Independent Agreements**. Each of the covenants and agreements that is set forth in this Agreement shall be construed as a covenant and agreement independent of any other provision of this Agreement. The existence of any claim or cause of action of the Participant against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the covenants and agreements that are set forth in this Agreement.

21. **Section 409A.** The Award is intended to be exempt from or comply with the requirements of Section 409A, and shall be construed accordingly. Notwithstanding any other provision of this Agreement, the Notice of Grant, the Incentive Plan or the Employment Agreement to the contrary, with respect to any payments and benefits to which Section 409A applies, if the Participant is a "specified employee," within the meaning of Section 409A, then to the extent necessary to avoid subjecting the Participant to the imposition of any additional tax under Section 409A, amounts that would otherwise be payable during the six-month period immediately following the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i), shall not be paid to the Participant during such period, but shall instead be accumulated and paid to the Participant (or, in the event of the Participant's death, the Participant's estate) in a lump sum on the first business day after the earlier of the date that is six months following the Participant's separation from service or the Participant's death.

22. **Governing Law; Venue.** The validity, interpretation, construction and performance of this Agreement shall be governed by the internal substantive laws of the State of Delaware, without reference to any choice-of-law rules. The Participant irrevocably consents to the nonexclusive jurisdiction and venue of the state and federal courts located in Dallas County, the State of Texas.

23. **Recovery of Compensation.** In accordance with Section 6.13 of the Incentive Plan, the Company may recoup all or any portion of any Shares or cash paid to the Participant in connection with the Award, as set forth in the Company's clawback policy, if any, approved by the Board from time to time.

24. **Entire Agreement; Employment Agreement**. This Agreement, together with the Notice of Grant and the Incentive Plan supersede any and all other prior understandings and agreements, either oral or in writing, between the parties with respect to the subject matter hereof and constitute the sole and only agreements between the parties with respect to the said subject matter. All prior negotiations and agreements between the parties with respect to the subject matter hereof are merged into this Agreement and the Notice of Grant. Each party to this Agreement and the Notice of Grant acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made by any party or by anyone acting

on behalf of any party, which are not embodied in this Agreement, the Notice of Grant or the Incentive Plan and that any agreement, statement, or promise that is not contained in this Agreement, the Notice of Grant or the Incentive Plan shall not be valid or binding or of any force or effect. Notwithstanding anything to the contrary contained in the Notice of Grant, this Agreement or in the Incentive Plan, in the event of any conflict between the terms and conditions of the Award as set forth in the Notice of Grant, this Agreement and in the Incentive Plan, as the case may be, and the terms and conditions of the Employment Agreement, the terms and conditions of the Employment Agreement shall govern unless the conflicting provision in the Notice of Grant, this Agreement or in the Incentive Plan, as the case may be, is more favorable to the Participant; in which case, the provision more favorable to the Participant shall govern.

25. **Legal Construction**. In the event that any one or more of the terms, provisions, or agreements that are contained in this Agreement shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect for any reason, the invalid, illegal, or unenforceable term, provision, or agreement shall not affect any other term, provision, or agreement that is contained in this Agreement, and this Agreement shall be construed in all respects as if the invalid, illegal, or unenforceable term, provision, or agreement had never been contained herein.

26. **Headings**. The headings that are used in this Agreement are used for reference and convenience purposes only and do not constitute substantive matters to be considered in construing the terms and provisions of this Agreement.

27. **Gender and Number**. Words of any gender used in this Agreement shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, and vice versa, unless the context requires otherwise.

28. **Modification**. No change or modification of this Agreement or the Notice of Grant shall be valid or binding upon the parties unless the change or modification is in writing and signed by the parties; provided, however, that the Company may change or modify this Agreement or the Notice of Grant without the Participant’s consent or signature if the Company determines, in its sole discretion, that such change or modification is necessary for purposes of compliance with any Applicable Laws, including, without limitation (i) compliance with or exemption from the requirements of Section 409A of the Code or any regulations or other guidance issued thereunder, (ii) compliance with any federal or state securities laws, or (iii) compliance with the rules of any exchange or inter-dealer quotation system on which the Company’s Shares are listed or quoted. Notwithstanding the preceding sentence, the Company may amend the Incentive Plan to the extent permitted by the Incentive Plan.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(EXCHANGE ACT RULES 13a-14(a) and 15d-14(a))

I, Christopher W. Walters, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avantax, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 9, 2023

/s/ Christopher W. Walters
Christopher W. Walters
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(EXCHANGE ACT RULES 13a-14(a) and 15d-14(a))

I, Marc Mehlman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avantax, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 9, 2023

/s/ Marc Mehlman
Marc Mehlman
Chief Financial Officer and Treasurer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, Christopher W. Walters, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Avantax, Inc. for the quarter ended June 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Avantax, Inc.

Dated: August 9, 2023

By:	/s/ Christopher W. Walters
Name:	Christopher W. Walters
Title:	Chief Executive Officer and President (Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, Marc Mehlman, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Avantax, Inc. for the quarter ended June 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Avantax, Inc.

Dated: August 9, 2023

By:	/s/ Marc Mehlman
Name:	Marc Mehlman
Title:	Chief Financial Officer and Treasurer (Principal Financial Officer)