

SOHU COM INC

FORM 8-K (Current report filing)

Filed 10/24/16 for the Period Ending 10/24/16

Telephone 011861062726666
CIK 0001104188
Symbol SOHU
SIC Code 7374 - Computer Processing and Data Preparation and Processing Services
Industry Internet Services
Sector Technology
Fiscal Year 12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): October 24, 2016

SOHU.COM INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
Of incorporation)

0-30961
(Commission
File Number)

98-0204667
(I.R.S. Employer
Identification No.)

**Level 18, SOHU.com Media Plaza
Block 3, No. 2 Kexueyuan South Road, Haidian District
Beijing 100190
People's Republic of China
(011) 8610-6272-6666**

(Address, including zip code, of registrant's principal executive offices and registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.**Loan Agreement with Subsidiary of Changyou.com Limited**

On October 24, 2016, Beijing Sohu New Media Information Technology Co., Ltd. (“Sohu Media”), a People’s Republic of China (“PRC”) company that is an indirect wholly-owned subsidiary of the registrant, entered into a loan agreement (the “Loan Agreement”) with Beijing AmazGame Age Internet Technology Co., Ltd. (“AmazGame”), a PRC company that is an indirect wholly-owned subsidiary of the registrant’s indirect majority-owned subsidiary Changyou.com Limited (“Changyou”), a Cayman Islands company, pursuant to which Sohu Media may borrow from time to time from AmazGame up to RMB1.0 billion (or approximately US\$148.64 million).

The first request for an advance under the Loan Agreement must be made on or prior to December 31, 2016, and requests for further advances may be made for one year following the initial advance. Such one-year request period may be extended for another one-year period with the consent of AmazGame. Principal amounts outstanding under the Loan Agreement will bear interest at an annual rate of 6%. The maturity date for principal and accrued interest for each advance under the Loan Agreement will be one year from the date of each such advance, subject to extension of the date for repayment of principal for one additional year with the consent of AmazGame. Interest accrued on each advance will be due on the applicable initial one-year maturity date without regard to whether the principal maturity date is extended, and interest accrued following any extension of the maturity date for an advance will be due, together with principal, upon the extended maturity date of such advance.

The Loan Agreement includes customary events of default, including Sohu Media’s failure to pay any principal or interest when due, becoming insolvent, or ceasing operations, or if there is a material adverse change in the assets, business, commitments, or prospects of Sohu Media. Upon AmazGame’s declaration of an event of default under the Loan Agreement, AmazGame may refuse to make further advances under the Loan Agreement and demand payment in full of all outstanding principal and accrued interest, and Changyou may elect to execute its right under the Share Pledge Agreement, as described below in this report, to apply the outstanding amounts of principal and interest to repurchase Class B ordinary shares of Changyou.

The registrant intends to use amounts drawn down under the Loan Agreement to finance the registrant’s operations, excluding the operations of Changyou and of the registrant’s subsidiary Sogou Inc.

The foregoing summary is not intended to be complete and is qualified in its entirety by reference to the Loan Agreement, an English translation of which is filed herewith as Exhibit 10.1 and incorporated herein by reference.

Share Pledge Agreement

Also on October 24, 2016, Sohu.com (Game) Limited (“Sohu Game”), a Cayman Islands company that is an indirect wholly-owned subsidiary of the registrant and is the direct parent of Changyou, and Changyou entered into a share pledge agreement (the “Share Pledge Agreement”) pursuant to which Sohu Game pledged to Changyou 11,386,228 Class B ordinary shares of Changyou held by Sohu Game, to secure Sohu Media’s obligations under the Loan Agreement. While any principal or interest is outstanding under the Loan Agreement, the number of Class B ordinary shares pledged by Sohu Game to Changyou under the Share Pledge Agreement is subject to upward adjustment from time to time the price of Changyou’s American depository shares (“ADSs”) on the Nasdaq Global Select Market drops for at least 10 consecutive trading days by an amount of 20% or more from such price as of the date of the Share Pledge Agreement, and is subject to further upward adjustment in the event of any additional incremental drops of 20% or more in the price of Changyou’s ADSs during 10 consecutive trading days.

If there is an event of default under the Loan Agreement, Changyou may, at its election, apply all of the unpaid principal and accrued interest under the Loan Agreement to the repurchase from Sohu Game of Class B ordinary shares of Changyou pledged under the Pledge Agreement at a price equal to the lesser of (i) one-half of the average of the closing prices of one Changyou ADS on the Nasdaq Global Select Market for the 30 trading days preceding the date of the Pledge Agreement, or (ii) one-half of the average of the closing prices of one Changyou ADS on the Nasdaq Global Select Market for the 30 trading days preceding the date of the occurrence of the event of default.

The foregoing summary is not intended to be complete and is qualified in its entirety by reference to the Share Pledge Agreement, a copy of which is filed herewith as Exhibit 10.2 and incorporated herein by reference.

Item 2.02 Results of Operations and Financial Condition.

On October 24, 2016, the registrant announced its unaudited financial results for the third quarter ended September 30, 2016. A copy of the press release issued by the registrant regarding the foregoing and regarding entry into the material agreements described in Item 1.01 of this report is filed herewith as Exhibit 99.1 and is incorporated herein by reference.

Item 8.01 Other Events.

On October 24, 2016 the registrant issued a press release announcing its unaudited financial results for the third quarter ended September 30, 2016 and the execution of the Loan Agreement and the Share Pledge Agreement. A copy of the press release is filed herewith as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

10.1 English Translation of Loan Agreement, dated as of October 24, 2016, between AmazGame and Sohu Media.

10.2 Share Pledge Agreement, dated as of October 24, 2016, between Sohu Game and Changyou.

99.1 Press release dated October 24, 2016.

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 hereunto duly authorized.

DATED: October 24, 2016

Sohu.com Inc.

By /s/ Joanna Lv

Joanna Lv
Acting Chief Financial Officer

English Translation of Loan Agreement

Loan Agreement

between

Beijing AmazGame Age Internet Technology Co., Ltd.

and

Beijing Sohu New Media Information Technology Co., Ltd.

LOAN AGREEMENT

This Loan Agreement (this “ **Agreement** ”) is made in the People’s Republic of China (the “ **PRC** ” or “ **China** ”) as of October 24, 2016

BETWEEN:

- (1) **Beijing AmazGame Age Internet Technology Co., Ltd.** , a limited liability company established and validly existing under the laws of the PRC, with its registered address at Room 1210, Building 3, No.3 Xijing Road, Badachu High-Tech Park, Shijingshan District, Beijing (the “ **Lender** ”); and
- (2) **Beijing Sohu New Media Information Technology Co., Ltd.** , a limited liability company established and validly existing under the laws of the PRC, with its registered address at Suite 802, 8/F, SOHU.com Internet Plaza, Building 9, No.1 Park, Zhongguancun East Road, Haidian District, Beijing (the “ **Borrower** ”).

Each of the Lender and the Borrower may hereinafter be referred to collectively as the “ **Parties** ” and individually as a “ **Party** .”

Article 1 Loan

1.1 Loan Amount and Purpose of Loan Proceeds

On the terms and subject to the conditions of this Agreement, the Lender agrees to grant a loan facility to the Borrower in an aggregate amount up to One Billion Renminbi (RMB 1,000,000,000.00), for the purpose of financing the working capital requirements of the Borrower and its affiliates (the “ **Loan** ”).

1.2 Term of Loan

The Borrower shall make the initial utilization from the date of this Agreement to 31 December 2016. The Loan hereunder shall have a term of one (1) year commencing on the date of the Borrower's initial utilization of the Loan hereunder, and may be extended for an additional period of one (1) year by the written consent of the Lender at the written request of the Borrower therefor. During such term of the Loan, the Borrower may utilize the Loan in separate drawdowns. The term for each drawdown of the Loan made hereunder is one (1) year, which will start from the drawdown date of such Loan and may be extended for one (1) year by the written consent of the Lender at the written request of the Borrower therefor (the "Term of the Loan"). The request for extension of the Term of the Loan shall be submitted by the Borrower no later than one month before the expiry of the term of such Loan

1.3 Drawdown

1.3.1 Subject to the satisfaction of the conditions set out in Article 1.3.2, the Loan may be utilized by the Borrower in separate drawdowns. The Borrower shall submit to the Lender a drawdown request in writing prior to each proposed drawdown of the Loan, specifying the amount to be utilized and the details of the account which the loan proceeds will be credited to. Within ten (10) business days after receipt of such written request from the Borrower, the Lender shall advance the Loan to the Borrower in the amount and to the account as specified in such written request.

1.3.2 The conditions for utilization of each Loan hereunder include:

- (i) the representations made by the Borrower in Article 2 are true, accurate and complete; and
- (ii) the Pledge Agreement referred to in Article 1.5.5 has been executed and entered into effect.

1.4 Interest

The Borrower shall pay to the Lender accrued interest on the Loan at the fixed rate of 6% per annum based on a year of 360 days. Interest on the Loan shall accrue annually from the date of each drawdown and be payable on each anniversary of the drawdown date for the Loan hereunder (or if not a business day, the next business day). The amount of interest shall be calculated in accordance with the following formula:

Interest = the outstanding principal amount of the Loan × the actual number of days the principal of the Loan is outstanding × (interest rate / 360 days)

1.5 Repayment and Prepayment

- 1.5.1 To the extent that the Loan is not accelerated or prepaid in accordance with the other provisions of this Article, the Borrower shall repay the then outstanding principal of the Loan, together with any accrued interest due and payable thereon on the expiry date of the Term of the Loan (“**Maturity Date**”).
- 1.5.2 The Borrower may, if it gives the Lender a written request for prepayment prior to the Maturity Date and such request is approved by the Lender in writing, prepay the whole or any part of the principal amount of the Loan, together with all accrued interest on the principal amount being prepaid. The written request for prepayment shall be submitted by the Borrower no later than one (1) month before the Maturity Date.
- 1.5.3 In the case of the occurrence of any of the following events (each an “**Event of Default**”):
- (i) the Borrower fails to pay the principal of any Loan or interest thereon as and when due and payable;
 - (ii) the Borrower: (a) is insolvent or becomes unable to pay its debts when due; (b) declares its inability to pay its debts when due; or (c) becomes subject to bankruptcy, liquidation or restructuring proceedings;

(iii) the Borrower ceases to carry on its business; or

(iv) in the opinion of the Lender, there is a material adverse change in the assets, business, commitments or prospects of the Borrower,

then, the Lender may, in its discretion, declare the occurrence of an Event of Default, cancel further disbursements of any amount of the Loan, and demand full repayment of the Loan from the Borrower whereupon all of the outstanding principal of the Loan and any accrued interest thereon shall be forthwith due and payable in full.

1.5.4 No fees or penalties shall be charged by the Lender on any prepayment made hereunder.

1.5.5 Changyou.com Limited as the pledgee (“**Changyou**”) and Sohu.com (Game) Limited as the pledgor (“**Sohu**”) enter into a share pledge agreement with respect to the shares of Changyou held by Sohu on the date hereof (the “**Pledge Agreement**”). If any Event of Default occurs, the Lender will have the right to instruct Changyou to enforce the pledge created under the Pledge Agreement and to acquire the shares of Changyou held by Sohu in the amount equal to the outstanding principal and interest of the Loan (the “**Transferred Shares**”). After Changyou acquires the Transferred Shares, the principal and interest of the Loan owed by the Borrower to the Lender in the amount equal to the value of the Transferred Shares shall be discharged. For the purpose of this Article 1.5.5, the price per share of the Transferred Shares shall be calculated at the lesser of (1) the average of the closing prices of Changyou stocks over 30 trading days prior to the date of execution of the Pledge Agreement or (2) the average of the closing prices of Changyou stocks over 30 trading days prior to the date of the occurrence of the Event of Default. For the avoidance of doubt, the exchange rate of Reminbi to US Dollar shall be the mid-rate of Reminbi to US Dollar published by the People’s Bank of China on the date of the occurrence of the Event of Default. For the avoidance of doubt, the Lender is entitled to (but not obliged to) exercise the rights under this Article 1.5.5.

Article 2 Representations and Warranties

The Borrower represents and warrants to the Lender as follows, which representations and warranties shall be deemed to be repeated on each drawdown date:

2.1 Corporate Status and Power

The Borrower is a company duly organized, validly existing and in good standing under the laws of the PRC. The Borrower has full corporate power, authority and legal rights to execute, deliver and perform this Agreement.

2.2 Corporate Authorization

The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of the Borrower.

2.3 No Conflict

The execution, delivery and performance by it of this Agreement do not conflict with:

- (i) its constitutional documents or any agreement, instrument or understanding binding upon it;
- (ii) any third party rights; or
- (iii) any law or regulation applicable to it.

2.4 Compliance with Law

The Borrower is in compliance in material respects with all applicable laws of the PRC.

2.5 Books and Records

All the books and records of the Borrower have been completely, adequately and accurately kept, and there are no material discrepancies or inaccuracies contained therein.

2.6 Litigation

There is no material litigation initiated against the Borrower.

2.7 Material Adverse Change

There is no material adverse change in its assets, business, commitments or prospects.

Article 3 Miscellaneous

3.1 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the PRC.

3.2 Records

The accounting records maintained by the Lender as to the Borrower's indebtedness hereunder shall constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower hereunder.

3.3 Dispute Resolution

Any dispute arising out of or in connection with this Agreement shall be settled by the Parties through amicable negotiation. If the Parties fail to settle the dispute through such negotiation within thirty (30) calendar days of delivery by a Party of the written notice to the other Party of such dispute, the dispute shall be submitted to arbitration by the China International Economic and Trade Arbitration Commission (the "**Arbitration Commission**") in Beijing, in accordance with the Arbitration Rules of the Arbitration Commission in effect. The arbitration shall be conducted in Chinese. The arbitration award of the Arbitration Commission shall be final and shall be binding on both Parties. Each Party agrees to be bound by and carry out such arbitration award.

3.4 Counterparts

This Agreement may be executed in four counterparts, with each Party holding two copies, each of which shall have equal legal effect.

3.5 Language

This Agreement is made in Chinese.

3.6 Effectiveness

This Agreement shall take effect when it is duly executed by the authorized representative of each Party and affixed with the company seal of each Party.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective duly authorized representatives as of the date first written above.

Lender: Beijing AmazGame Age Internet Technology Co., Ltd. (Company Seal)

By: /s/ Dewen Chen

Name: Dewen Chen

Title: Chief Executive Officer

Borrower: Beijing Sohu New Media Information Technology Co., Ltd. (Company Seal)

By: /s/ Charles Zhang

Name: Charles Zhang

Title: Chairman and Chief Executive Officer

Share Pledge Agreement

THIS SHARE PLEDGE AGREEMENT (this “**Agreement**”) dated as of October 24, 2016, is entered into by and between Sohu.com (Game) Limited, an exempted company incorporated in the Cayman Islands (the “**Pledgor**”), and Changyou.com Limited, an exempted company incorporated in the Cayman Islands (the “**Secured Party**”).

RECITALS:

A. Beijing Sohu New Media Information Technology Co., Ltd. (北京搜狐新媒体信息技术有限公司) (the “**Borrower**”), a company organized and existing under the laws of the People’s Republic of China (the “**PRC**”) and an affiliate of the Pledgor, and Beijing AmazGame Age Internet Technology Co., Ltd. (北京畅游天下网络技术有限公司) (the “**Lender**”), a company organized and existing under the laws of the PRC and an indirect wholly-owned subsidiary of the Secured Party, have entered into a loan agreement, dated as of the date hereof (as amended or supplemented from time to time, the “**Loan Agreement**”), pursuant to which the Borrower may borrow from time to time from the Lender up to an aggregate principal amount of RMB1,000,000,000 under the Loan Agreement (the “**Loan**”).

B. It is a condition to the obligations of the Lender to extend the Loan under the Loan Agreement that the Pledgor execute and deliver to the Secured Party this Agreement.

C. The Pledgor has directly and indirectly benefited and will directly and indirectly benefit from the transactions evidenced by and contemplated in the Loan Agreement.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the adequacy, receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I. Definitions

Section 1.1 Definitions. The following terms have the meanings indicated below:

“**Changyou ADS**” means an American depository share of the Secured Party, which represents two Class A ordinary shares, par value \$0.01 per share, of the Secured Party.

“**Collateral**” has the meaning specified in **Section 2.1** of this Agreement.

“**Default**” or “**Event of Default**” means the occurrence of any of the events of default set forth in Section 1.5.3 of the Loan Agreement.

“ **Governmental Authority** ” shall mean any nation or government, any state, province or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

“ **Person** ” means any natural person, firm, company, governmental authority, joint venture, partnership, association or other entity (whether or not having separate legal status).

“ **Pledged Interests** ” means any or all of the Pledged Shares, all certificates, instruments, or electronic entries representing or evidencing any or all of the Pledged Shares, and all dividends, cash, instruments, rights and other property from time to time received, receivable or otherwise distributed or distributable in respect of or in exchange for any or all of the Pledged Shares.

“ **Pledged Shares** ” means initially 11,386,228 Class B ordinary shares, par value \$0.01 per share, of the Secured Party held by the Pledgor; *provided that* such number of the Pledged Shares shall be reviewed by the Secured Party from time to time and adjusted to such number as is equal to the quotient of (i) the Pledged Share Determination Amount divided by (ii) the Adjustment Determination Price, in case and if, during any 10 consecutive trading days, the average closing price of Changyou ADS on the Nasdaq Global Select Market (the “ **Decreased Price** ”) is equal to or less than (x) 80% of the closing price of Changyou ADS as of the date of this Agreement, for effecting the first adjustment to the number of the Pledged Shares, or (y) 80% of the closing price of Changyou ADS as of the date of the immediately preceding adjustment, for effecting any further adjustments to the number of the Pledged Shares. The “ **Pledged Share Determination Amount** ” means RMB1,060,000,000 (or approximately US\$158.2 million). The “ **Adjustment Determination Price** ” means one-half of the Decreased Price. For the purpose of calculating the adjusted number of the Pledged Shares hereunder, the RMB to U.S. dollar exchange rate published as the “parity rate” by the People’s Bank of China that is in effect on the 10th trading day of such applicable 10-trading day period shall be used.

“ **RMB** ” means Renminbi or Yuan, the legal currency of the PRC.

“ **UCC** ” means the Uniform Commercial Code.

ARTICLE II. **Security Interest**

Section 2.1 Grant of Security Interest. As collateral security for the prompt payment and performance in full when due of the Loan (whether at stated maturity, by acceleration or otherwise) the Pledgor hereby pledges, assigns, transfers and conveys to the Secured Party as collateral, and grants the Secured Party a continuing lien on and security interest in, all of the Pledgor’s right, title and interest in, to and under the Pledged Interests, whether now owned or hereafter arising or acquired and wherever located (collectively, the “ **Collateral** ”).

Section 2.2 Recording of Security Interest. The Pledgor will make an entry in the register of mortgages and charges of the Pledgor in respect of the Collateral created under this Agreement in accordance with the Companies Law (as amended) of the Cayman Islands, and deliver to the Secured Party a copy of the updated register of mortgages and charges of the Pledgor certified by the registered office of the Pledgor, within ten (10) business days following the date of the execution of this Agreement. The Pledgor will, from time to time, promptly make an entry in the register of mortgages and charges of the Pledgor to reflect any adjustment in the number of the Pledged Shares.

ARTICLE III.
Representations and Warranties

To induce the Lender to enter into the Loan Agreement, the Pledgor represents and warrants to the Secured Party as follows, each such representation and warranty being a continuing representation and warranty, surviving until termination of this Agreement in accordance with the provisions of **Section 6.11** of this Agreement:

Section 3.1 Title. The Pledgor is, and with respect to any of the Collateral acquired after the date hereof, the Pledgor will be, the legal and beneficial owner of the Collateral free and clear of all claims, liens and encumbrances, except as provided under this Agreement.

Section 3.2 Organization. The Pledgor is duly organized and validly existing as a corporation (or other business organization) under the laws of Cayman Islands.

Section 3.3 No Contradiction. The execution, delivery and performance of this Agreement will not conflict with any organizational or constitutional documents of the Pledgor or any agreement, instrument or understanding to which the Pledgor is bound, nor will they violate or conflict with the rights of any third party or any applicable laws or regulations.

Section 3.4 Pledged Interests.

(a) Duly Authorized and Validly Issued. The Pledged Shares have been validly issued under the laws of the Cayman Islands, and are fully paid and non-assessable.

(b) Valid Title; No Liens; No Restrictions. The Pledgor has not sold, granted any option with respect to, assigned, transferred or otherwise disposed of any of its rights or interest in or to the Pledged Interests. None of the Pledged Interests are subject to any contractual or other restrictions upon the pledge or other transfer of such Pledged Interests, other than those imposed by the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or securities laws generally.

Section 3.5 Priority. No financing statement, security agreement or other lien instrument covering any part of the Collateral is on file in any public office with respect to any outstanding obligation of the Pledgor, except as may have been filed in favor of the Secured Party pursuant to this Agreement.

ARTICLE IV.

Covenants

The Pledgor covenants and agrees with the Secured Party, until termination of this Agreement in accordance with the provisions of **Section 6.11** hereof, as follows:

Section 4.1 Pledged Interests. All certificates or instruments representing or evidencing the Pledged Interests (including any share certificate representing the Pledged Shares) or the Pledgor's rights therein shall be delivered to the Secured Party promptly upon the Pledgor gaining any rights therein, in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignments in blank, all in form and substance reasonably acceptable to the Secured Party.

Section 4.2 Sale or Encumbrance. The Pledgor shall not sell, convey, transfer or dispose of, or create, permit or suffer to exist, and shall defend the Collateral against, any lien or any restriction upon the pledge or other transfer thereof, and shall defend the Pledgor's title to and other rights in the Collateral and the Secured Party's pledge and collateral assignment of and security interest in the Collateral against the claims and demands of all Persons. The Pledgor shall do nothing to impair the rights of the Secured Party in the Collateral.

Section 4.3 Notification of Lien; Continuing Disclosure. The Pledgor shall promptly notify the Secured Party in writing of any lien, encumbrance or claim that has attached to or been made or asserted against any of the Collateral upon becoming aware of the existence of such lien, encumbrance or claim.

Section 4.4 Covenants Regarding Pledged Interests

(a) Voting Rights and Distributions.

(i) So long as no Default or Event of Default has occurred or is continuing (both before and after giving effect to any of the actions or other matters described in clauses (A) or (B) of this sub-paragraph):

(A) The Pledgor shall be entitled to exercise all voting and other consensual rights (including, without limitation, the right to give consents, waivers and ratifications) pertaining to any of the Pledged Interests (including the Pledged Shares) or any part thereof; *provided, however*, that no vote may be cast, or consent, waiver, or ratification given or action taken, that would violate any provision of this Agreement or of the Loan Agreement, without the prior written consent of the Secured Party; and

(B) The Pledgor shall be entitled to receive and retain all dividends, distributions and interest paid in respect to any of the Pledged Interests (including the Pledged Shares).

(ii) Upon the occurrence and during the continuance of a Default or an Event of Default:

(A) the Secured Party may elect to repurchase from the Pledgor pursuant to, and register in the name of the Secured Party such number of the Pledged Shares as is determined in accordance with **Section 5.1** hereof.

(B) All rights of the Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to **Section 4.4(a)(i)(A)** and to receive the dividends, interest and other distributions which it would otherwise be authorized to receive and retain pursuant to **Section 4.4(a)(i)(B)** with respect to such number of the Pledged Shares shall be suspended until such Default or Event of Default no longer exists.

(C) All dividends, interest and other distributions which are received by the Pledgor contrary to the provisions of this **Section 4.4(a)(ii)** shall be received in trust for the benefit of the Secured Party, shall be segregated from other funds of the Pledgor and shall be forthwith paid over to the Secured Party as Collateral in the same form as so received (with any necessary endorsement).

Section 4.5 Further Assurances.

At any time and from time to time, upon the request of the Secured Party, and at the sole expense of the Pledgor, the Pledgor shall promptly execute and deliver all such further agreements, documents and instruments and take such further action as the Secured Party may reasonably deem necessary or appropriate to (i) record, preserve, ensure the priority, effectiveness and validity of the Secured Party's security interest in and pledge and collateral assignment of the Collateral, including but not limited to assistance with respect to the UCC filing of the Collateral, (ii) carry out the provisions and purposes of this Agreement and (iii) to enable the Secured Party to exercise and enforce its rights and remedies hereunder with respect to any of the Collateral. The Pledgor agrees to maintain and preserve the Secured Party's security interest in and pledge and collateral assignment of the Collateral hereunder and the priority thereof.

ARTICLE V.
Rights of Secured Party

Section 5.1 Repurchase of Pledge Shares. Effective only upon the occurrence and during the continuance of an Event of Default, the Pledgor hereby gives the Secured Party the power and right on behalf of the Pledgor and in its own name to repurchase from the Pledgor, after the occurrence and during the continuance of such Event of Default, upon receipt by the Secured Party of the request of the Lender and without notice to or the consent of Pledgor, such number of the Pledged Shares (the “**Repurchased Shares**”) as is equal to the quotient of (i) the total amount of the then outstanding balance (including all unpaid principal and accrued interest thereon) of the Loan which is then due and payable by the Borrower to the Lender (such total amount, the “**Default Loan Amount**”), divided by (ii) the Repurchase Price. The “**Repurchase Price**” means the lesser of (x) one-half of the numerical average of the closing prices of one Changyou ADS on the Nasdaq Global Select Market for the 30 trading days preceding the date of the execution of this Agreement, or (y) one-half of the numerical average of the closing prices of one Changyou ADS on the Nasdaq Global Select Market for the 30 trading days preceding the date of such Event of Default. The aggregate Repurchase Price for the Repurchased Shares shall be made by the Secured Party to the Pledgor by way of the Secured Party causing the Lender to cancel in full the Default Loan Amount owed by the Borrower to the Lender. In connection with such repurchase of the Repurchased Shares, the Pledgor and the Secured Party hereby acknowledge and agree that the Secured Party will have the right, without any further action of the Pledgor, to update the register of members of the Secured Party to reflect such repurchase. For the purpose of calculating the number of the Repurchased Shares under this **Section 5.1**, the RMB to U.S. dollar exchange rate published as the “parity rate” by the People’s Bank of China that is in effect at the close of the date of such Event of Default shall be used. For the avoidance of doubt, the Secured Party has the right, but not the obligation, to repurchase from the Pledgor the Repurchased Shares under this Section 5.1.

Section 5.2 Performance by the Secured Party. If the Pledgor fails to perform any covenant or agreement contained in this Agreement, the Secured Party may (but shall not be obligated to) perform or attempt to perform such covenant or agreement on behalf of the Pledgor, in which case the Secured Party shall exercise good faith and make diligent efforts to give the Pledgor prompt prior written notice of such performance or attempted performance. In such event, the Pledgor shall, at the request of the Secured Party, promptly pay any reasonable amount expended by the Secured Party in connection with such performance or attempted performance to the Secured Party. Notwithstanding the foregoing, it is expressly agreed that the Secured Party shall not have any liability or responsibility for the performance (or nonperformance) of any obligation of the Pledgor under this Agreement.

ARTICLE VI.

Miscellaneous

Section 6.1 No Waiver; Cumulative Remedies. No failure on the part of the Secured Party to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power, or privilege.

Section 6.2 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Pledgor and the Secured Party and their respective heirs, successors and assigns, except that neither Pledgor nor the Secured Party may assign any of its rights or obligations under this Agreement without the prior written consent of the other party.

Section 6.3 Amendment; Entire Agreement. This Agreement and the Loan Agreement embody the final, entire agreement among the parties hereto and supersede all prior commitments, agreements, representations and understandings, whether written or oral, relating to the subject matter hereof and may not be contradicted or varied by evidence of prior, contemporaneous or subsequent oral agreements or discussions of the parties hereto. There are no unwritten oral agreements among the parties hereto. The provisions of this Agreement may be amended or waived only by an instrument in writing signed by the parties hereto.

Section 6.4 Notices. All notices, requests, demands, consents and other communications (the “**Notices**”) required to be given by any party to the other party shall be in writing and delivered by hand delivery express courier or email to the applicable party at the physical or email address stated below:

if to the Pledgor: Sohu.com (Game) Limited
 Address: SOHU.com Media Plaza
 Block 3, No.2 Kexueyuan South Road
 Haidian District, Beijing 100190, P.R. China
 Email: Joannalu@sohu-inc.com

if to the Secured Party: Changyou.com Limited
 Address: Changyou Creative Industrial Park
 65 Bajiao East Road, Shijingshan District
 Beijing 100043, P.R. China
 Email: jasminezhou@cyou-inc.com

or, as to each party hereto, at such other physical or email address as is designated by such party in a notice to the other party containing the new information in the same format as the information set out above and complying as to delivery with the terms of this **Section 6.4** .

Section 6.5 Governing Law; Dispute Resolution.

(a) The validity of this Agreement, the construction, interpretation, and enforcement hereof, and the rights of the parties hereto with respect to all matters arising hereunder or related hereto shall be determined under, governed by, and construed in accordance with the laws of the Cayman Islands, without regard for principles of conflicts of laws.

(b) **Arbitration.**

(i) Any dispute, controversy or claim arising out of, in connection with or relating to this Agreement (or the interpretation, breach, termination or validity thereof) shall be resolved through arbitration. A dispute may be submitted to arbitration upon the request of any party hereto with written notice to the other party (the “**Arbitration Notice**”).

(ii) The arbitration shall be conducted in Hong Kong and administered by the Hong Kong International Arbitration Centre (the “**HKIAC**”) under the UNCITRAL Arbitration Rules in force at the time of the initiation of the arbitration. There shall be three arbitrators. The claimant to the dispute shall collectively choose one arbitrator, and the respondent shall collectively choose one arbitrator, within 30 days after the delivery of the Arbitration Notice to the other party. Both arbitrators shall agree on the third arbitrator within 30 days of their appointment. If any of the members of the arbitral tribunal have not been appointed within 30 days after the Arbitration Notice is given, the relevant appointment shall be made by the Secretary General of the HKIAC. The arbitration shall be conducted in English.

(iii) Each party shall cooperate with the other in making full disclosure of and providing complete access to all information and documents requested by the other in connection with such arbitration proceedings, subject only to any doctrine of legal privilege or any confidentiality obligations binding on such party.

(iv) The costs of arbitration shall be borne by the losing party, unless otherwise determined by the arbitration tribunal.

(v) When any dispute occurs and when any dispute is under arbitration, except for the matters in dispute, the parties shall continue to fulfill their respective obligations and shall be entitled to exercise their rights under this Agreement.

(vi) The award of the arbitration tribunal shall be final and binding upon the parties, and the prevailing party may apply to a court of competent jurisdiction for enforcement of such award.

(vii) Any party shall be entitled to seek preliminary injunctive relief from any court of competent jurisdiction pending the constitution of the arbitration tribunal.

Section 6.6 Headings. The headings, captions, and arrangements used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

Section 6.7 Survival of Representations and Warranties. All representations and warranties made in this Agreement or in any certificate delivered pursuant hereto shall survive the execution and delivery of this Agreement, and no investigation by Secured Party shall affect the representations and warranties or the right of Secured Party to rely upon them.

Section 6.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 6.9 Severability. Any provision of this Agreement which is determined by a court of competent jurisdiction to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 6.10 Construction. The Pledgor and the Secured Party acknowledge that each of them has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review this Agreement with its legal counsel and that this Agreement shall be construed as if jointly drafted by the Pledgor and the Secured Party.

Section 6.11 Termination. If all of the Loan has been paid and performed in full and all commitments to extend credit or other credit accommodations under the Loan Agreement have been terminated, the Secured Party shall execute and deliver to the Pledgor a proper instrument or instruments acknowledging the release and termination of the security interests created by this Agreement, and shall duly assign and deliver to the Pledgor (without recourse and without any representation or warranty) any of the Collateral as may be in the possession of Secured Party and has not previously been applied pursuant to this Agreement.

Section 6.12 Consistent Application. The rights and duties created by this Agreement shall, in all cases, be interpreted consistently with, and shall be in addition to (and not in lieu of), the rights and duties created by the Loan Agreement.

Section 6.13 Continuing Lien. The security interest in the Collateral granted under this Agreement shall be a continuing security interest in every respect (whether or not the outstanding balance of the Loan is from time to time temporarily reduced to zero) and the Secured Party's security interest in the Collateral as granted herein shall continue in full force and effect for the entire duration that the Loan Agreement remains in effect and until all of the Loan is repaid and discharged in full, and no commitment (whether optional or obligatory) to extend any credit under the Loan Agreement remains outstanding.

[Signature Page follows.]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first written above.

PLEDGOR:

SOHU.COM (GAME) LIMITED

By: Sohu.com Limited, its sole Director

By: /s/ Charles Zhang

Name: Charles Zhang

Title: Director

SECURED PARTY:

CHANGYOU.COM LIMITED

By: /s/ Dewen Chen

Name: Dewen Chen

Title: Chief Executive Officer

SOHU.COM REPORTS THIRD QUARTER 2016 UNAUDITED FINANCIAL RESULTS

BEIJING, CHINA, October 24, 2016 –Sohu.com Inc. (NASDAQ: SOHU), China’s leading online media, video, search and gaming business group, today reported unaudited financial results for the third quarter ended September 30, 2016.

Third Quarter Highlights

- Total revenues were US\$411 million ¹, down 21% year-over-year and 2% quarter-over-quarter.
- Brand advertising revenues were US\$111 million, down 27% year-over-year and 2% quarter-over-quarter.
- Sogou ² revenues were US\$166 million, up 2% year-over-year and down 6% quarter-over-quarter.
- Online game revenues were US\$99 million, down 35% year-over-year and largely flat quarter-over-quarter.
- GAAP net loss attributable to Sohu.com Inc. was US\$75 million, or US\$1.94 loss per fully-diluted share.
Non-GAAP ³ net loss attributable to Sohu.com Inc. was US\$65 million, or US\$1.68 loss per fully-diluted share.

Dr. Charles Zhang, Chairman and CEO of Sohu.com Inc., commented, “In the third quarter, the Group total revenues reached our prior guidance amid challenging operating climate that mainly affected our online advertising businesses. By business unit, for Sohu Media Portal, we strived to bring users high quality and enriched content while continued to optimize Sohu News App design. Sohu Video accelerated investment in self-developed content that would benefit our subscription business and help improve the cost structure. For Sogou, it continued to enhance its vertical search capability while the mobile search traffic maintained strong momentum. Changyou delivered better-than-expected results as its existing games performed steadily while the development of new mobile games was well on track.”

Mr. Xiaochuan Wang, CEO of Sogou, commented, “In the third quarter, Sogou continued its efforts in product differentiation and focused on AI-powered technology innovation. Traffic share and revenue were trending higher. Mobile search traffic more than doubled from a year ago and grew 16% sequentially. Financially, quarterly total revenues reached US\$166 million, or RMB1.11 billion, up 9% year-over-year in RMB terms.”

Third Quarter Financial Results

Revenues

Total revenues for the third quarter of 2016 were US\$411 million, down 21% year-over-year and 2% quarter-over-quarter.

Total online advertising revenues, which include revenues from the brand advertising and search and search-related businesses, for the third quarter of 2016 were US\$262 million, down 13% year-over-year and 4% quarter-over-quarter.

Brand advertising revenues for the third quarter of 2016 totaled US\$111 million, down 27% year-over-year and 2% quarter-over-quarter. The year-over-year decrease was mainly attributable to the decrease in the video advertising businesses. Revenues of Sohu Media Portal, or Sohu.com excluding Sohu Video, were US\$48 million, down 6% year-over-year and up 2% quarter-over-quarter. Revenues of Sohu Video were US\$25 million, down 54% year-over-year and 20% quarter-over-quarter.

- ¹ For the third quarter of 2016, on yearly basis, depreciation of the RMB against the U.S. dollar impacted our reported financial results. Should the exchange rate of RMB6.26=US\$1.00 be used as the same of the third quarter of 2015, total revenues in the third quarter of 2016 would have been US\$437 million, or US\$26 million higher than the GAAP total revenue, or down 16% year-over-year.
- ² Sogou operates the search and search-related business and offers Internet value-added services (“IVAS”) with respect to Web games developed by third-party developers. In the statements of operations, revenues from search and search-related services are recorded as “Search and search-related” revenue, and revenues from IVAS are recorded as “Others” revenue.
- ³ Non-GAAP results exclude share-based compensation expense, non-cash tax benefits from excess tax deductions related to share-based awards, income/expense from the adjustment of contingent consideration previously recorded for acquisitions and dividend and deemed dividend to non-controlling preferred shareholders of Sogou. Explanation of the Company’s non-GAAP financial measures and related reconciliations to GAAP financial measures are included in the accompanying “Non-GAAP Disclosure” and “Reconciliations of Non-GAAP Results of Operation Measures to the Nearest Comparable GAAP Measures.”

Search and search-related revenues for the third quarter of 2016 were US\$151 million, up 2% year-over-year and down 6% quarter-over-quarter. The quarter-over-quarter decrease was largely due to a negative impact from new regulations with respect to search advertising.

Online game revenues for the third quarter of 2016 were US\$99 million, down 35% year-over-year and largely flat quarter-over-quarter. The year-over-year decrease was mainly due to the natural decline in revenues of older games, such as TLBB and TLBB 3D, and a decrease in Web game revenues upon the completion of the sale of the 7Road business during the third quarter of 2015.

Gross Margin

Both GAAP and non-GAAP gross margin was 46% for the third quarter of 2016, compared with 59% in the third quarter of 2015 and 49% in the second quarter of 2016.

Both GAAP and non-GAAP gross margin for the online advertising business for the third quarter of 2016 was 32%, compared with 49% in the third quarter of 2015 and 39% in the second quarter of 2016.

Both GAAP and non-GAAP gross margin for the brand advertising business in the third quarter of 2016 was 8%, compared with 40% in the third quarter of 2015 and 17% in the second quarter of 2016. The year-over-year decrease was mainly due to decreased video revenues. The quarter-over-quarter decrease was mainly due to an increase in video content costs.

Both GAAP and non-GAAP gross margin for the search and search-related business in the third quarter of 2016 was 49%, compared with 58% in the third quarter of 2015 and 55% in the second quarter of 2016. The decreases were mainly due to higher traffic acquisition cost as a percentage of search and search-related revenues.

Both GAAP and non-GAAP gross margin for online games in the third quarter of 2016 was 76%, compared with 77% in the third quarter of 2015 and 74% in the second quarter of 2016. The quarter-over-quarter increase was due to a smaller revenue contribution from mobile games, which typically require additional revenue-sharing payments.

Operating Expenses

For the third quarter of 2016, GAAP operating expenses totaled US\$239 million, down 10% year-over-year and up 1% quarter-over-quarter. Non-GAAP operating expenses were US\$226 million, down 15% year-over-year and 3% quarter-over-quarter. The year-over-year decrease was mainly due to US\$40 million of impairments to goodwill and intangibles via acquisitions of businesses the Company recognized in the third quarter of 2015.

Operating Loss

GAAP operating loss for the third quarter of 2016 was US\$52 million, compared with an operating profit of US\$43 million in the third quarter of 2015 and an operating loss of US\$29 million in the second quarter of 2016.

Non-GAAP operating loss for the third quarter of 2016 was US\$38 million, compared with an operating profit of US\$41 million in the third quarter of 2015 and an operating loss of US\$26 million in the second quarter of 2016.

Other Income

Other income for the third quarter of 2016 was US\$4 million, compared with other income of US\$70 million which included gain recognized from the divestment of 7Road in the third quarter of 2015 and other expense of US\$25 million in the second quarter of 2016, which was mainly related to a donation by Sogou to Tsinghua University.

Income Tax Expense

Both GAAP and non-GAAP income tax expense was US\$1 million for the third quarter of 2016, compared with income tax expense of US\$29 million in the third quarter of 2015 and income tax expense of US\$2 million in the second quarter of 2016.

Net Loss

Before deducting the share of net income pertaining to non-controlling interest, GAAP net loss for the third quarter of 2016 was US\$42 million, compared with a net income of US\$93 million in the third quarter of 2015 and net loss of US\$47 million in the second quarter of 2016. Before deducting the share of net income pertaining to non-controlling interest, non-GAAP net loss for the third quarter of 2016 was US\$29 million, compared with a net income of US\$91 million in the third quarter of 2015 and net loss of US\$44 million in the second quarter of 2016.

GAAP net loss attributable to Sohu.com Inc. for the third quarter of 2016 was US\$75 million, or US\$1.94 loss per fully-diluted share, compared with a net income of US\$39 million in the third quarter of 2015 and net loss of US\$63 million in the second quarter of 2016. Non-GAAP net loss attributable to Sohu.com Inc. for the third quarter of 2016 was US\$65 million, or US\$1.68 loss per fully-diluted share, compared with a net income of US\$49 million in the third quarter of 2015 and net loss of US\$63 million in the second quarter of 2016.

Liquidity

As of September 30, 2016, the Sohu Group had cash and cash equivalents and short-term investments of US\$1.36 billion compared with US\$1.42 billion as of December 31, 2015.

Recent Development

Loan Agreement and Share Pledge Agreement with Changyou

On October 24, 2016, Sohu entered into a loan agreement with Changyou pursuant to which a PRC subsidiary of Sohu may borrow up to RMB1 billion (or approximately US\$148.64 million) from a PRC subsidiary of Changyou from time to time, with the first advance request to occur prior to December 31, 2016 and Sohu's right to request advances continuing for one year after the first advance, subject to extension for an additional year with Changyou's consent. Principal amounts outstanding under the loan agreement will bear interest at an annual rate of 6%, accruing and payable on each one-year anniversary of each advance. The outstanding principal of each advance will be due one year from the date of the advance, subject to extension for an additional year with Changyou's consent. Advances under the loan agreement will be secured by a pledge to Changyou under a share pledge agreement of an agreed-upon number of Changyou Class B ordinary shares of Changyou held by Sohu. The share pledge agreement will give Changyou the right to apply the outstanding principal and accrued interest on the loan to the repurchase of Changyou Class B ordinary shares from Sohu in the event such principal and interest are not paid when due. Sohu intends to use amounts drawn down under the loan agreement to finance Sohu's operations, excluding the operations of Changyou and of Sogou.

Business Outlook

For the fourth quarter of 2016, Sohu estimates:

- Total revenues to be between US\$370 million and US\$400 million.
- Brand advertising revenues to be between US\$95 million and US\$105 million; this implies an annual decrease of 25% to 33% and a sequential decrease of 5% to 14%. Sohu Media Portal revenues to be between US\$42 million and US\$45 million. Sohu Video revenues to be between US\$25 million and US\$28 million.
- Sogou revenues to be between US\$155 million and US\$165 million; this implies annual and sequential decreases of 1% to 7%.
- Online game revenues to be between US\$85 million and US\$95 million; this implies an annual decrease of 25% to 33% and a sequential decrease of 4% to 14%.
- Before deducting the share of non-GAAP net income pertaining to non-controlling interest, non-GAAP net loss to be between US\$75 million and US\$85 million. Assuming no new grants of share-based awards and that the market price of our shares is unchanged; we estimate that compensation expense relating to share-based awards will be around US\$12 million. Considering the impact of these share-based awards, **GAAP net loss before non-controlling interest to be between US\$87 million and US\$97 million**.
- Non-GAAP net loss attributable to Sohu.com Inc. to be between US\$85 million and US\$95 million, and non-GAAP loss per fully-diluted share to be between US\$2.20 and US\$2.45. Considering the impact of the aforementioned share-based awards, and netting off approximately US\$5 million of Sohu's economic interests in Changyou and Sogou, **GAAP net loss attributable to Sohu.com Inc. to be between US\$92 million and US\$102 million, and GAAP loss per fully-diluted share to be between US\$2.38 and US\$2.63.**

For the fourth quarter 2016 guidance, the Company has adopted a presumed exchange rate of RMB6.7=US\$1.00, as compared with the actual exchange rate of approximately RMB6.39=US\$1.00 for the fourth quarter of 2015, and RMB6.66=US\$1.00 for the third quarter of 2016.

Non-GAAP Disclosure

To supplement the unaudited consolidated financial statements presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”), Sohu’s management uses non-GAAP measures of gross profit, operating profit, net income, net income attributable to Sohu.com Inc. and diluted net income attributable to Sohu.com Inc. per share, which are adjusted from results based on GAAP to exclude the impact of the share-based awards, which consist mainly of share-based compensation expenses and non-cash tax benefits from excess tax deductions related to share-based awards, income/expense from the adjustment of contingent consideration previously recorded for acquisitions, and dividend and deemed dividend to non-controlling preferred shareholders. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results.

Sohu’s management believes excluding the share-based compensation expense, non-cash tax benefits from excess tax deductions related to share-based awards, income/expense from the adjustment of contingent consideration previously recorded for acquisitions and dividend and deemed dividend to non-controlling preferred shareholders from its non-GAAP financial measure is useful for itself and investors. Further, the impact of share-based compensation expense, non-cash tax benefits from excess tax deductions related to share-based awards, income/expense from the adjustment of contingent consideration previously recorded for acquisitions, and dividend and deemed dividend to non-controlling preferred shareholders cannot be anticipated by management and business line leaders and these expenses were not built into the annual budgets and quarterly forecasts, which have been the basis for information Sohu provides to analysts and investors as guidance for future operating performance. As the impact of share-based compensation expense, non-cash tax benefits from excess tax deductions related to share-based awards, income/expense from the adjustment of contingent consideration previously recorded for acquisitions, and dividend and deemed dividend to non-controlling preferred shareholders does not involve subsequent cash outflow or is reflected in the cash flows at the equity transaction level, Sohu does not factor this impact in when evaluating and approving expenditures or when determining the allocation of its resources to its business segments. As a result, in general, the monthly financial results for internal reporting and any performance measures for commissions and bonuses are based on non-GAAP financial measures that exclude the share-based compensation expense, non-cash tax benefits from excess tax deductions related to share-based awards, income/expense from the adjustment of contingent consideration previously recorded for acquisitions, and dividend and deemed dividend to non-controlling preferred shareholders.

The non-GAAP financial measures are provided to enhance investors’ overall understanding of Sohu’s current financial performance and prospects for the future. A limitation of using non-GAAP gross profit, operating profit, net income, net income attributable to Sohu.com Inc. and diluted net income attributable to Sohu.com Inc. per share, excluding share-based compensation expense, non-cash tax benefits from excess tax deductions related to share-based awards, income/expense from the adjustment of contingent consideration previously recorded for acquisitions, and dividend and deemed dividend to non-controlling preferred shareholders is that the impact of share-based awards and non-cash tax benefits from excess tax deductions related to share-based awards has been and will continue to be a significant recurring expense in Sohu’s business for the foreseeable future, income/expense from the adjustment of contingent consideration previously recorded for acquisitions may recur in the future, and dividend and deemed dividend to non-controlling preferred shareholders may recur when Sohu and its affiliates enter into equity transactions. In order to mitigate these limitations Sohu has provided specific information regarding the GAAP amounts excluded from each non-GAAP measure. The accompanying tables include details on the reconciliation between the GAAP financial measures that are most directly comparable to the non-GAAP financial measures that have been presented.

Notes to Financial Information

Financial information in this press release other than the information indicated as being non-GAAP is derived from Sohu’s unaudited interim financial statements prepared in accordance with GAAP.

Safe Harbor Statement

This announcement contains forward-looking statements. It is currently expected that the Business Outlook will not be updated until release of Sohu's next quarterly earnings announcement; however, Sohu reserves right to update its Business Outlook at any time for any reason. Statements that are not historical facts, including statements about Sohu's beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Potential risks and uncertainties include, but are not limited to, instability in global financial and credit markets and its potential impact on the Chinese economy; exchange rate fluctuations, including their potential impact on the Chinese economy and on Sohu's reported US dollar results; recent slow-downs in the growth of the Chinese economy; the uncertain regulatory landscape in the People's Republic of China; fluctuations in Sohu's quarterly operating results; Sohu's current and projected future losses due to increased spending by Sohu for video content; the possibilities that Sohu will be unable to recoup its investment in video content and that Changyou will be unable to develop a series of successful games for mobile platforms or successfully monetize mobile games it develops or acquires; and Sohu's reliance on online advertising sales, online games and mobile services for its revenues. Further information regarding these and other risks is included in Sohu's annual report on Form 10-K for the year ended December 31, 2015, and other filings with the Securities and Exchange Commission.

Conference Call and Webcast

Sohu's management team will host a conference call at 8:30 a.m. U.S. Eastern Time, October 24, 2016 (8:30 p.m. Beijing/Hong Kong time, October 24, 2016) following the quarterly results announcement.

The dial-in details for the live conference call are:

US Toll-Free:	+1-866-519-4004
International:	+65-6713-5090
Hong Kong:	+852-3018-6771
China Mainland	+86-800-819-0121 / +86-400-620-8038
Passcode:	SOHU

Please dial in 10 minutes before the call is scheduled to begin and provide the passcode to join the call.

A telephone replay of the call will be available after the conclusion of the conference call at 11:30 a.m. Eastern Time on October 24 through October 31, 2016. The dial-in details for the telephone replay are:

International:	+1-646-254-3697
Passcode:	92227550

The live Webcast and archive of the conference call will be available on the Investor Relations section of Sohu's Website at <http://investors.sohu.com/>.

About Sohu.com

Sohu.com Inc. (NASDAQ: SOHU) is China's premier online brand and indispensable to the daily life of millions of Chinese, providing a network of Web properties and community based/Web 2.0 products which offer the vast Sohu user community a broad array of choices regarding information, entertainment and communication. Sohu has built one of the most comprehensive matrices of Chinese language web properties and proprietary search engines, consisting of the mass portal and leading online media destination www.sohu.com; the interactive search engine www.sogou.com; the developer and operator of online games www.changyou.com/en/ and the leading online video Website tv.sohu.com.

Sohu corporate services consist of online brand advertising on its matrix of websites as well as bid listing and home page on its in-house developed search directory and engine. Sohu also provides multiple news and information service on mobile platforms, including Sohu News App and mobile news portal m.sohu.com. Sohu's online game subsidiary, Changyou.com (NASDAQ: CYOU) has a diverse portfolio of popular online games, such as Tian Long Ba Bu ("TLBB"), one of the most popular PC games in China, as well as a number of mobile games. Changyou also owns and operates the 17173.com Website, a leading game information portal in China. Sohu.com, established by Dr. Charles Zhang, one of China's internet pioneers, is in its twentieth year of operation.

For investor and media inquiries, please contact:

In China:

Mr. Eric Yuan
Sohu.com Inc.
Tel: +86 (10) 6272-6593
E-mail: ir@contact.sohu.com

In the United States:

Ms. Linda Bergkamp
Christensen
Tel: +1 (480) 614-3004
E-mail: lbergkamp@christensenir.com

SOHU.COM INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Three Months Ended		
	Sep. 30, 2016	Jun. 30, 2016	Sep. 30, 2015
Revenues:			
Online advertising			
Brand advertising	\$ 110,871	\$ 112,887	\$ 151,517
Search and search-related	150,667	160,152	147,938
Subtotal	<u>261,538</u>	<u>273,039</u>	<u>299,455</u>
Online games	98,553	99,227	152,501
Others	50,491	47,872	70,134
Total revenues	<u>410,582</u>	<u>420,138</u>	<u>522,090</u>
Cost of revenues:			
Online advertising			
Brand advertising (includes stock-based compensation expense of \$265, \$-73 and \$184, respectively)	102,137	93,654	91,163
Search and search-related (includes stock-based compensation expense of \$4, \$0 and \$12, respectively)	76,457	71,998	62,365
Subtotal	<u>178,594</u>	<u>165,652</u>	<u>153,528</u>
Online games (includes stock-based compensation expense of \$26, \$17 and \$-96, respectively)	23,719	25,380	34,635
Others	20,571	21,226	25,996
Total cost of revenues	<u>222,884</u>	<u>212,258</u>	<u>214,159</u>
Gross profit	187,698	207,880	307,931
Operating expenses:			
Product development (includes stock-based compensation expense of \$4,105, \$1,699 and \$-1,332, respectively)	90,007	88,959	92,779
Sales and marketing (includes stock-based compensation expense of \$752, \$161 and \$466, respectively)	110,584	117,966	98,596
General and administrative (includes stock-based compensation expense of \$8,018, \$740 and \$-1,536, respectively)	38,670	29,650	33,330
Goodwill impairment and impairment of intangibles via acquisitions of businesses	—	—	40,324
Total operating expenses	<u>239,261</u>	<u>236,575</u>	<u>265,029</u>
Operating (loss) /profit	(51,563)	(28,695)	42,902
Other income /(expense)	3,678	(24,573)	70,219
Net interest income	6,118	5,040	5,192
Exchange difference	702	3,866	4,322
(Loss) /income before income tax expense	(41,065)	(44,362)	122,635
Income tax expense	974	2,430	29,461
Net (loss) /income	<u>(42,039)</u>	<u>(46,792)</u>	<u>93,174</u>
Less: Net income attributable to the noncontrolling interest shareholders	<u>32,775</u>	<u>16,232</u>	<u>42,142</u>
Deemed dividend to non-controlling Sogou series A preferred shareholders	—	—	11,911
Net (loss) /income attributable to Sohu.com Inc.	<u>(74,814)</u>	<u>(63,024)</u>	<u>39,121</u>
Basic net (loss) /income per share attributable to Sohu.com Inc.	<u>\$ (1.93)</u>	<u>\$ (1.63)</u>	<u>\$ 1.01</u>
Shares used in computing basic net (loss) /income per share attributable to Sohu.com Inc.	<u>38,728</u>	<u>38,691</u>	<u>38,633</u>
Diluted net (loss) /income per share attributable to Sohu.com Inc.	<u>\$ (1.94)</u>	<u>\$ (1.64)</u>	<u>\$ 1.00</u>
Shares used in computing diluted net (loss) /income per share attributable to Sohu.com Inc.	<u>38,728</u>	<u>38,691</u>	<u>38,665</u>

SOHU.COM INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED, IN THOUSANDS)

	As of Sep. 30, 2016	As of Dec. 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,092,085	\$ 1,245,205
Restricted time deposits (a)	—	227,285
Short-term investments	264,109	174,515
Accounts receivable, net	204,748	273,617
Prepaid and other current assets	274,701	158,890
Assets held for sale (b)	101,786	—
Total current assets	<u>1,937,429</u>	<u>2,079,512</u>
Long-term investments	68,861	62,093
Fixed assets, net	525,899	508,692
Goodwill	69,688	154,219
Intangible assets, net	33,593	55,415
Restricted time deposits (a)	9,270	136,694
Prepaid non-current assets	5,167	6,254
Other assets	25,546	39,315
Total assets	<u>\$ 2,675,453</u>	<u>\$ 3,042,194</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 163,843	\$ 129,025
Accrued liabilities	335,046	309,657
Receipts in advance and deferred revenue	128,943	135,385
Accrued salary and benefits	84,783	99,631
Taxes payable	38,764	67,480
Deferred tax liability	26,247	24,884
Short-term bank loans (a)	—	344,500
Other short-term liabilities	198,171	154,017
Liabilities held for sale (b)	3,236	—
Total current liabilities	<u>\$ 979,033</u>	<u>\$ 1,264,579</u>
Long-term accounts payable	17,272	4,600
Long-term tax payable	33,199	24,732
Deferred tax liabilities	14,037	17,531
Total long-term liabilities	<u>\$ 64,508</u>	<u>\$ 46,863</u>
Total liabilities	<u>\$ 1,043,541</u>	<u>\$ 1,311,442</u>
SHAREHOLDERS' EQUITY:		
Sohu.com Inc. shareholders' equity	1,084,273	1,241,022
Noncontrolling Interest	547,639	489,730
Total shareholders' equity	<u>\$ 1,631,912</u>	<u>\$ 1,730,752</u>
Total liabilities and shareholders' equity	<u>\$ 2,675,453</u>	<u>\$ 3,042,194</u>

Note:

- (a) Changyou had repaid all of the remaining bank loans of \$344.5 million, and restricted time deposits of \$354.7 million that secured these loans had been released during the first quarter of 2016.
- (b) Changyou's management had an intention to divest its interest in MoboTap during the third quarter of 2016. Therefore, the assets and liabilities of MoboTap were recognized as "Assets held for sale" and "Liabilities held for sale," respectively, in the third quarter of 2016.

SOHU.COM INC.

RECONCILIATIONS OF NON-GAAP RESULTS OF OPERATION MEASURES TO THE NEAREST COMPARABLE GAAP MEASURES
(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Three Months Ended Sep. 30, 2016			Three Months Ended Jun. 30, 2016			Three Months Ended Sep. 30, 2015		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
		265 (a)			(73) (a)			184 (a)	
Brand advertising gross profit	\$ 8,734	\$ 265	\$ 8,999	\$ 19,233	\$ (73)	\$ 19,160	\$ 60,354	\$ 184	\$ 60,538
Brand advertising gross margin	8%		8%	17%		17%	40%		40%
		4						12 (a)	
Search and search-related gross profit	\$ 74,210	\$ 4 (a)	\$ 74,214	\$ 88,154	\$ — (a)	\$ 88,154	\$ 85,573	\$ 12	\$ 85,585
Search and search-related gross margin	49%		49%	55%		55%	58%		58%
		269 (a)			(73) (a)			196 (a)	
Online advertising gross profit	\$ 82,944	\$ 269	\$ 83,213	\$ 107,387	\$ (73)	\$ 107,314	\$ 145,927	\$ 196	\$ 146,123
Online advertising gross margin	32%		32%	39%		39%	49%		49%
		26 (a)			17 (a)			(96) (a)	
Online games gross profit	\$ 74,834	\$ 26	\$ 74,860	\$ 73,847	\$ 17	\$ 73,864	\$ 117,866	\$ (96)	\$ 117,770
Online games gross margin	76%		76%	74%		74%	77%		77%
Others gross profit	\$ 29,920	\$ — (a)	\$ 29,920	\$ 26,646	\$ — (a)	\$ 26,646	\$ 44,138	\$ —	\$ 44,138
Others gross margin	59%		59%	56%		56%	63%		63%
		295 (a)			(56) (a)			100 (a)	
Gross profit	\$ 187,698	\$ 295	\$ 187,993	\$ 207,880	\$ (56)	\$ 207,824	\$ 307,931	\$ 100	\$ 308,031
Gross margin	46%		46%	49%		49%	59%		59%
		13,170 (a)			2,544 (a)			(2,302) (a)	
Operating (loss) /profit	\$ (51,563)	\$ 13,170	\$ (38,393)	\$ (28,695)	\$ 2,544	\$ (26,151)	\$ 42,902	\$ (2,302)	\$ 40,600
Operating margin	-13%		-9%	-7%		-6%	8%		8%
		13,147 (a)			2,550 (a)			(2,302) (a)	
Net (loss) /income before non-controlling interest	\$ (42,039)	\$ 13,147	\$ (28,892)	\$ (46,792)	\$ 2,550	\$ (44,242)	\$ 93,174	\$ (2,302)	\$ 90,872
								(2,302) (a)	
		13,147 (a)			2,550 (a)			725 (b)	
		(2,806) (b)			(2,001) (b)			11,911 (c)	
Net (loss) /income attributable to Sohu.com Inc. for diluted net (loss) /income per share	\$ (75,286)	\$ 10,341	\$ (64,945)	\$ (63,386)	\$ 549	\$ (62,837)	\$ 38,796	\$ 10,334	\$ 49,130
Diluted net (loss) /income per share attributable to Sohu.com Inc.	\$ (1.94)		\$ (1.68)	\$ (1.64)		\$ (1.62)	\$ 1.00		\$ 1.27
Shares used in computing diluted net (loss) /income per share attributable to Sohu.com Inc.	38,728		38,728	38,691		38,691	38,665		38,701

Note:

- (a) To eliminate the impact of share-based awards as measured using the fair value method.
- (b) To adjust Sohu's economic interests in Changyou and Sogou under the treasury stock method.
- (c) Deemed dividend to non-controlling Sogou series A preferred shareholders.