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, 2017

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

BLUCORA, 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.)**
6333 State Hwy 161, 6th Floor, Irving, Texas	**75038**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (972) 870-6000

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 ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). ☒ Yes ☐ 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	☐ (Do not check if a smaller reporting company)	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 Section13(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.

Class	Outstanding at July 20, 2017
Common Stock, Par Value $0.0001	44,931,297

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BLUCORA, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 78,312	$ 51,713
Cash segregated under federal or other regulations	799	2,355
Available-for-sale investments	—	7,101
Accounts receivable, net of allowance	7,254	10,209
Commissions receivable	15,563	16,144
Other receivables	432	4,004
Prepaid expenses and other current assets, net	7,041	6,321
Total current assets	109,401	97,847
Long-term assets:		
Property and equipment, net	8,677	10,836
Goodwill, net	548,890	548,741
Other intangible assets, net	345,521	362,178
Other long-term assets	2,677	3,057
Total long-term assets	905,765	924,812
Total assets	$ 1,015,166	$ 1,022,659
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,741	$ 4,536
Commissions and advisory fees payable	16,143	16,587
Accrued expenses and other current liabilities	21,484	18,528
Deferred revenue	4,753	12,156
Current portion of long-term debt, net	2,560	2,560
Total current liabilities	48,681	54,367
Long-term liabilities:		
Long-term debt, net	353,848	248,221
Convertible senior notes, net	—	164,176
Deferred tax liability, net	58,905	111,126
Deferred revenue	759	1,849
Other long-term liabilities	8,628	10,205
Total long-term liabilities	422,140	535,577
Total liabilities	470,821	589,944
Redeemable noncontrolling interests	15,998	15,696
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock, par $0.0001—authorized shares, 900,000; issued and outstanding shares, 44,681 and 41,845	4	4
Additional paid-in capital	1,535,858	1,510,152
Accumulated deficit	(1,007,325)	(1,092,756)
Accumulated other comprehensive loss	(190)	(381)
Total stockholders' equity	528,347	417,019
Total liabilities and stockholders' equity	$ 1,015,166	$ 1,022,659

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

BLUCORA, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenue:				
Wealth management services revenue	$ 85,296	$ 76,117	$ 167,963	$ 153,408
Tax preparation services revenue	53,866	43,991	153,574	132,465
Total revenue	139,162	120,108	321,537	285,873
Operating expenses:				
Cost of revenue:				
Wealth management services cost of revenue	56,963	51,023	112,837	103,292
Tax preparation services cost of revenue	2,411	2,023	6,229	5,230
Amortization of acquired technology	47	49	95	716
Total cost of revenue	59,421	53,095	119,161	109,238
Engineering and technology	4,242	3,959	8,990	8,254
Sales and marketing	22,296	19,913	71,294	63,750
General and administrative	13,715	11,508	27,198	24,261
Depreciation	873	963	1,813	1,938
Amortization of other acquired intangible assets	8,289	8,316	16,577	16,632
Restructuring	331	—	2,620	—
Total operating expenses	109,167	97,754	247,653	224,073
Operating income	29,995	22,354	73,884	61,800
Other loss, net	(24,200)	(10,916)	(33,908)	(18,430)
Income from continuing operations before income taxes	5,795	11,438	39,976	43,370
Income tax expense	(2,315)	(5,793)	(5,786)	(17,436)
Income from continuing operations	3,480	5,645	34,190	25,934
Discontinued operations, net of income taxes	—	(19,975)	—	(17,453)
Net income (loss)	3,480	(14,330)	34,190	8,481
Net income attributable to noncontrolling interests	(176)	(115)	(302)	(259)
Net income (loss) attributable to Blucora, Inc.	$ 3,304	$ (14,445)	$ 33,888	$ 8,222
Net income (loss) per share attributable to Blucora, Inc. - basic:				
Continuing operations	$ 0.08	$ 0.13	$ 0.79	$ 0.62
Discontinued operations	—	(0.48)	—	(0.42)
Basic net income (loss) per share	$ 0.08	$ (0.35)	$ 0.79	$ 0.20
Net income (loss) per share attributable to Blucora, Inc. - diluted:				
Continuing operations	$ 0.07	$ 0.13	$ 0.73	$ 0.61
Discontinued operations	—	(0.47)	—	(0.41)
Diluted net income (loss) per share	$ 0.07	$ (0.34)	$ 0.73	$ 0.20
Weighted average shares outstanding:				
Basic	43,644	41,405	42,895	41,288
Diluted	46,937	42,298	46,182	41,954
Other comprehensive income:				
Net income (loss)	$ 3,480	$ (14,330)	$ 34,190	$ 8,481
Unrealized gain (loss) on available-for-sale investments, net of tax	—	(1)	1	10
Foreign currency translation adjustment	147	1	190	323
Other comprehensive income	147	—	191	333
Comprehensive income (loss)	3,627	(14,330)	34,381	8,814
Comprehensive income attributable to noncontrolling interests	(176)	(115)	(302)	(259)
Comprehensive income (loss) attributable to Blucora, Inc.	$ 3,451	$ (14,445)	$ 34,079	$ 8,555

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

BLUCORA, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six months ended June 30,	
	2017	**2016**
Operating Activities:		
Net income	$ 34,190	$ 8,481
Less: Discontinued operations, net of income taxes	—	(17,453)
Net income from continuing operations	34,190	25,934
Adjustments to reconcile net income from continuing operations to net cash from operating activities:		
Stock-based compensation	5,302	7,252
Depreciation and amortization of acquired intangible assets	18,865	19,597
Restructuring (non-cash)	1,402	—
Deferred income taxes	(681)	(8,806)
Amortization of premium on investments, net	10	155
Amortization of debt issuance costs	714	1,027
Accretion of debt discounts	1,840	2,500
(Gain) loss on debt extinguishment	19,581	(2,846)
Revaluation of acquisition-related contingent consideration liability	—	391
Other	—	13
Cash provided (used) by changes in operating assets and liabilities:		
Accounts receivable	2,956	1,395
Commissions receivable	581	1,520
Other receivables	2,544	19,460
Prepaid expenses and other current assets	(545)	4,870
Other long-term assets	341	95
Accounts payable	(795)	(1,491)
Commissions and advisory fees payable	(444)	(1,980)
Deferred revenue	(8,493)	(4,257)
Accrued expenses and other current and long-term liabilities	3,768	26,057
Net cash provided by operating activities from continuing operations	81,136	90,886
Investing Activities:		
Business acquisition, net of cash acquired	—	(1,788)
Purchases of property and equipment	(1,911)	(1,528)
Proceeds from sales of investments	249	—
Proceeds from maturities of investments	7,252	4,000
Purchases of investments	(409)	(659)
Net cash provided by investing activities from continuing operations	5,181	25
Financing Activities:		
Proceeds from credit facilities, net of debt issuance costs and debt discount of $5,913 and $1,875	367,212	—
Payments on convertible notes	(172,827)	(20,667)
Payments on credit facilities	(275,000)	(60,000)
Proceeds from stock option exercises	23,996	1,142
Proceeds from issuance of stock through employee stock purchase plan	662	562
Tax payments from shares withheld for equity awards	(5,267)	(901)
Contingent consideration payments for business acquisition	(946)	—
Net cash used by financing activities from continuing operations	(62,170)	(79,864)
Net cash provided by continuing operations	24,147	11,047
Net cash provided by operating activities from discontinued operations	—	14,198
Net cash provided (used) by investing activities from discontinued operations	1,028	(970)
Net cash used by financing activities from discontinued operations	—	(7,000)
Net cash provided by discontinued operations	1,028	6,228
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	43	(7)
Net increase in cash, cash equivalents, and restricted cash	25,218	17,268
Cash, cash equivalents, and restricted cash, beginning of period	54,868	59,830
Cash, cash equivalents, and restricted cash, end of period	$ 80,086	$ 77,098

Cash paid for income taxes from continuing operations	$	719	$	1,198
Cash paid for interest from continuing operations	$	9,478	$	17,616

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

BLUCORA, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: The Company and Basis of Presentation

Description of the business: Blucora, Inc. (the ***"Company"*** or ***"Blucora"***) operates two businesses: a Wealth Management business and an online Tax Preparation business. The Wealth Management business consists of the operations of HDV Holdings, Inc. and its subsidiaries (***"HD Vest"***). HDV Holdings, Inc. is the parent company of the Wealth Management business and owns all outstanding shares of HD Vest, Inc., which serves as a holding company for the various financial services subsidiaries. Those subsidiaries include HD Vest Investment Securities, Inc. (an introducing broker-dealer), HD Vest Advisory Services, Inc. (a registered investment advisor), and HD Vest Insurance Agency, LLC (an insurance broker) (collectively referred to as the ***"Wealth Management business"*** or the ***"Wealth Management segment"***). The Tax Preparation business consists of the operations of TaxAct, Inc. (***"TaxAct"***) and provides digital tax preparation solutions for consumers, small business owners, and tax professionals through its website www.TaxAct.com (collectively referred to as the ***"Tax Preparation business"*** or the ***"Tax Preparation segment"***).

The Company also operated an internet Search and Content business and an E-Commerce business through 2016. The Search and Content business operated through the InfoSpace LLC subsidiary (***"InfoSpace"***), and the E-Commerce business consisted of the operations of Monoprice, Inc. (***"Monoprice"***).

On October 14, 2015, the Company announced its plans to focus on the technology-enabled financial solutions market (the ***"Strategic Transformation"***). Strategic Transformation refers to the Company's transformation into a technology-enabled financial solutions company comprised of TaxAct and HD Vest (see "Note 3: Business Combinations") and the divestitures of the Search and Content and E-Commerce businesses in 2016 (see "Note 4: Discontinued Operations"). As part of the Strategic Transformation and "One Company" operating model, the Company announced on October 27, 2016 plans to relocate its corporate headquarters by June 2017 from Bellevue, Washington to Irving, Texas. The actions to relocate corporate headquarters were intended to drive efficiencies and improve operational effectiveness (see "Note 5: Restructuring"). The restructuring is now substantially complete and it is expected to be completed by December 31, 2017.

Segments: The Company has two reportable segments: the Wealth Management segment and the Tax Preparation segment. The former Search and Content and E-Commerce segments are included in discontinued operations. (see "Note 11: Segment Information").

Reclassification: The Company reclassified certain amounts on its consolidated statements of cash flows related to excess tax benefits generated from stock-based compensation and restricted cash, both in connection with the implementation of new accounting pronouncements. See the *"Recent accounting pronouncements"* section of "Note 2: Summary of Significant Accounting Policies" for additional information.

Note 2: Summary of Significant Accounting Policies

Interim financial information: The accompanying consolidated financial statements have been prepared by the Company under the rules and regulations of the Securities and Exchange Commission (the ***"SEC"***) for interim financial reporting. These 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 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 accordance with accounting principles generally accepted in the United States (***"GAAP"***) have been omitted in accordance with the rules and regulations of the SEC. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes in Part II Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2016. Interim results are not necessarily indicative of results for a full year.

Cash, cash equivalents, and restricted cash: The following table presents cash, cash equivalents, and restricted cash as reported on the consolidated balance sheets that equal the total amounts on the consolidated statements of cash flows (in thousands):

	June 30,		December 31,	
	2017	2016	2016	2015
Cash and cash equivalents	$ 78,312	$ 74,273	$ 51,713	$ 55,473
Cash segregated under federal or other regulations	799	2,025	2,355	3,557
Restricted cash included in "Prepaid expenses and other current assets, net"	425	100	250	100
Restricted cash included in "Other long-term assets"	550	700	550	700
Total cash, cash equivalents, and restricted cash	$ 80,086	$ 77,098	$ 54,868	$ 59,830

See the *"Recent accounting pronouncements"* section of this note for additional information. Cash segregated under federal and other regulations is held in a segregated bank account for the exclusive benefit of the Company's Wealth Management business customers. Restricted cash included in prepaid expenses and other current assets, net and other long-term assets represents amounts pledged as collateral for certain of the Company's banking arrangements.

Fair value of financial instruments: The Company measures its cash equivalents, available-for-sale investments, and contingent consideration liability at fair value. The Company considers the carrying values of accounts receivable, commissions receivable, other receivables, prepaid expenses, other current assets, accounts payable, commissions and advisory fees payable, accrued expenses, and other current liabilities to approximate fair values primarily due to their short-term natures.

Cash equivalents and debt securities are classified within Level 2 (see "Note 6: Fair Value Measurements") of the fair value hierarchy because the Company values them utilizing market observable inputs. Unrealized gains and losses are included in "Accumulated other comprehensive loss" on the consolidated balance sheets, and amounts reclassified out of comprehensive income into net income are determined on the basis of specific identification.

The Company has a contingent consideration liability that is related to the Company's 2015 acquisition of SimpleTax Software Inc. (***"SimpleTax"***) and is classified within Level 3 (see "Note 6: Fair Value Measurements") of the fair value hierarchy because the Company values it utilizing significant inputs not observable in the market. Specifically, the Company has determined the fair value of the contingent consideration liability based on a probability-weighted discounted cash flow analysis, which includes assumptions related to estimating revenues, the probability of payment, and the discount rate. The change in the fair value of the contingent consideration liability is recognized in "General and administrative" expense on the consolidated statements of comprehensive income for the period in which the fair value changes.

Concentration of credit risk: Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents, short-term investments, trade accounts receivable, and commissions receivable. These instruments are generally unsecured and uninsured.

For cash equivalents, short-term investments, and commissions receivable, the Company attempts to manage exposure to counterparty credit risk by only entering into agreements with major financial institutions and investment sponsors that are expected to be able to fully perform under the terms of the agreement.

Accounts receivable are typically unsecured and are derived from revenues earned from customers primarily located in the United States operating in a variety of geographic areas. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses.

Recent accounting pronouncements: Changes to GAAP are established by the Financial Accounting Standards Board (***"FASB"***) in the form of accounting standards updates (***"ASUs"***) to the FASB's Accounting Standards Codification (***"ASC"***). The Company considers the applicability and impact of all recent ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's consolidated financial position and results of operations. The Company currently is evaluating ASUs that impact the following areas:

Revenue recognition - In May 2014, the FASB issued guidance codified in ASC 606, "Revenue from Contracts with Customers," which amends the guidance in former ASC 605 "Revenue Recognition." The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This will be achieved in a five-step process. Enhanced disclosures also will be required. This guidance is effective on a retrospective basis--either to each reporting period presented or with the cumulative effect of initially applying this guidance recognized at the date of initial application--for annual reporting periods, including interim reporting periods within those annual reporting periods, beginning after December 15, 2017. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company has made significant progress toward completing its evaluation of potential changes from adopting the new guidance on its core revenues and continues to evaluate the impact of this guidance on its consolidated financial statements and related disclosures. Currently, the Company expects to have its preliminary evaluation, including the selection of an adoption method, completed by the end of the third quarter of 2017. The Company expects to adopt the new guidance on January 1, 2018.

Leases (ASU 2016-02) - In February 2016, the FASB issued an ASU on lease accounting, whereby lease assets and liabilities, whether arising from leases that are considered operating or finance (capital) and have a term of twelve months or less, will be recognized on the balance sheet. Enhanced qualitative disclosures also will be required. This guidance is effective on a modified retrospective basis--with various practical expedients related to leases that commenced before the effective date--for annual reporting periods, including interim reporting periods within those annual reporting periods, beginning after December 15, 2018. Early adoption is permitted. The Company currently is evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

Stock-based compensation (ASU 2016-09) - In March 2016, the FASB issued an ASU on employee share-based payment accounting. The ASU requires that excess tax benefits and deficiencies be recognized as income tax benefit or expense, rather than as additional paid-in capital. In addition, the ASU requires that excess tax benefits be recorded in the period that shares vest or settle, regardless of whether the benefit reduces taxes payable in the same period. Cash flows related to excess tax benefits will be included as an operating activity, and no longer classified as a financing activity, in the statement of cash flows. This guidance was effective for annual reporting periods, including interim reporting periods within those annual reporting periods, beginning after December 15, 2016. The guidance related to the recognition of excess tax benefits and deficiencies as income tax benefit or expense was effective on a prospective basis, and the guidance related to the timing of excess tax benefit recognition was effective using a modified retrospective transition method with a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. The cash flow presentation guidance was effective on a retrospective or prospective basis.

The Company implemented this ASU on January 1, 2017 and recorded a cumulative-effect adjustment of $51.5 million to credit retained earnings for deferred tax assets related to net operating losses that arose from excess tax benefits, which the Company has deemed realizable. In addition to this:

- At the time of adoption and on a prospective basis, the primary impact of adoption was the recognition of excess tax benefits and deficiencies, including deferred tax assets related to net operating losses that arose from excess tax benefits which the Company has deemed realizable, in the income tax provision (rather than in additional paid-in capital). This caused income taxes to differ from taxes at the statutory rates in 2017. For the three months ended June 30, 2017, the Company recognized an estimated $0.8 million increase to the income tax provision, which resulted in a $0.8 million decrease to income from continuing operations and net income attributable to Blucora, a $0.02 decrease to basic earnings per share, and a $0.02 decrease to diluted earnings per share. For the six months ended June 30, 2017, the Company recognized an estimated $6.6 million decrease to the income tax provision, which resulted in a $6.6 million increase to income from continuing operations and net income attributable to Blucora, a $0.15 increase to basic earnings per share, and a $0.14 increase to diluted earnings per share.

- The Company applied the cash flow presentation guidance on a retrospective basis, restating the consolidated statements of cash flows to present excess tax benefits as an operating activity (rather than a financing activity). This resulted in an increase to cash provided by operating activities from continuing operations and a corresponding increase to cash used by financing activities from continuing operations for the amount historically presented in the "excess tax benefits from stock-based award activity" line item in the consolidated statements of cash flows. For the three and six months ended June 30, 2016, this amount was $10.0 million and $26.9 million, respectively. The restatement had no impact on total cash flows for the periods presented.

The ASU also clarifies that payments made to tax authorities on an employee's behalf for withheld shares should be presented as a financing activity in the statement of cash flows, allows the repurchase of more of an employee's shares for tax withholding purposes without triggering liability accounting, and provides an accounting policy election to account for forfeitures as they occur. The cash flow presentation requirements for payments made to tax authorities on an employee's behalf had no impact to any periods presented, since such cash flows historically have been presented as a financing activity. The Company is not planning to change tax withholdings and will continue to estimate forfeitures in determining the amount of compensation cost to be recognized in each period.

Statement of cash flows and restricted cash (ASU 2016-18) - In November 2016, the FASB issued an ASU on the classification and presentation of changes in restricted cash on the statement of cash flows. The ASU requires that the statement of cash flows explains the change during the period in the total of cash, cash equivalents, and restricted cash; therefore, the amounts described as restricted cash should be included with cash and cash equivalents when reconciling the beginning and end of period total amounts on the statement of cash flows. This guidance is effective for annual reporting periods, including interim reporting periods within those annual reporting periods, beginning after December 15, 2017. Early adoption is permitted. The guidance is effective on a retrospective basis. The Company elected to early adopt this guidance as of January 1, 2017. The reclassification was not material to the periods presented and had no impact on total cash flows, income from continuing operations, or net income attributable to Blucora for the periods presented. See the *"Cash, cash equivalents, and restricted cash"* section of this note for additional information.

Note 3: Business Combinations

HD Vest: On December 31, 2015 and pursuant to the Purchase Agreement dated October 14, 2015, the Company acquired HD Vest for $613.7 million, after a $1.8 million final working capital adjustment in the first quarter of 2016. HD Vest provides wealth management solutions for financial advisors and their clients. In connection with the acquisition, certain members of HD Vest management rolled over a portion of the proceeds they would have otherwise received at the closing into shares of the acquisition subsidiary through which the Company consummated the purchase of HD Vest. A portion of those shares were sold to the Company in exchange for a promissory note. After giving effect to the rollover shares and related purchase of the rollover shares for the promissory note, the Company indirectly owns 95.52% of HDV Holdings, Inc., with the remaining 4.48% noncontrolling interest held collectively by the rollover management members and subject to put and call arrangements exercisable beginning in 2019.

The Purchase Agreement dictated that the Company placed into escrow $20.0 million of additional consideration that was contingent upon HD Vest's 2015 earnings performance. The contingent consideration threshold was not achieved; therefore, the amount was excluded from the purchase price and recorded as a receivable in "Other receivables" as of December 31, 2015 for the amount that was returned to the Company from the escrow agent in the first quarter of 2016.

Note 4: Discontinued Operations

On November 17, 2016, the Company closed on an agreement with YFC-Boneagle Electric Co., Ltd (***"YFC"***), under which YFC acquired the E-Commerce business for $40.5 million, which included a working capital adjustment. Of this amount, $39.5 million was received in the fourth quarter of 2016 and $1.0 million was received in the second quarter of 2017--both amounts were included in investing activities from discontinued operations in the consolidated statements of cash flows. The Company used all of the proceeds to pay down debt and recognized a loss on sale of the E-Commerce business of approximately $52.2 million in the fourth quarter of 2016.

On August 9, 2016, the Company closed on an agreement with OpenMail LLC (***"OpenMail"***), under which OpenMail acquired substantially all of the assets and assumed certain specified liabilities of the Search and Content business for $45.2 million, which included a working capital adjustment, and was included in investing activities from discontinued operations in the consolidated statements of cash flows. The Company used all of the proceeds to pay down debt and recognized a loss on sale of the Search and Content business of approximately $21.6 million in the third quarter of 2016.

Summarized financial information for discontinued operations is as follows (in thousands):

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Major classes of items in net income (loss):				
Revenues	$ —	$ 76,057	$ —	$ 155,387
Operating expenses	—	(66,891)	—	(141,922)
Other loss, net	—	(197)	—	(429)
Income from discontinued operations before income taxes	—	8,969	—	13,036
Loss on sale of discontinued operations before income taxes	—	(38,525)	—	(38,525)
Discontinued operations, before income taxes	—	(29,556)	—	(25,489)
Income tax benefit	—	9,581	—	8,036
Discontinued operations, net of income taxes	$ —	$ (19,975)	$ —	$ (17,453)

Note 5: Restructuring

The following table summarizes the activity in the restructuring liability (in thousands), resulting from the relocation of corporate headquarters to Irving, Texas as part of the Strategic Transformation:

	Employee-Related Termination Costs	Contract Termination Costs	Fixed Asset Impairments	Stock-Based Compensation	Other Costs	Total
Balance as of December 31, 2016	$ 4,234	$ —	$ —	$ —	$ —	$ 4,234
Restructuring charges	(30)	(241)	1,878	981	32	2,620
Payments	(434)	(161)	—	—	(32)	(627)
Non-cash	—	1,457	(1,878)	(981)	—	(1,402)
Balance as of June 30, 2017	$ 3,770	$ 1,055	$ —	$ —	$ —	$ 4,825

Employee-related termination costs primarily include severance benefits, under both ongoing and one-time benefit arrangements that are payable at termination dates throughout 2017, with the majority expected to be paid in the second half of 2017. Contract termination costs and fixed asset impairments were incurred in connection with the Bellevue facility's operating lease and related fixed assets, which are described further in the next two paragraphs, respectively. Stock-based compensation primarily includes the impact of equity award modifications associated with employment contracts for certain individuals impacted by the relocation, as well as forfeitures that were recorded for severed employees. Other costs include office moving costs.

The Company has a non-cancelable operating lease that runs through 2020 for its former corporate headquarters in Bellevue, Washington, which the Company occupied until May 2017. In March 2017, the Company agreed to a sublease for the entire Bellevue facility, which was effective June 1, 2017 and expires on September 30, 2020, consistent with the underlying operating lease. Under that sublease agreement, the Company will not recover all of its remaining lease rental obligations (including common area maintenance costs and real estate taxes) and, therefore, recognized a loss on sublease of $1.1 million. See "Note 9: Commitments and Contingencies" for additional information on the sublease. The Company also wrote-off its $1.5 million deferred rent liability (a non-cash item), related to various lease incentives that had been provided originally by the landlord, and incurred broker commissions related to the sublease agreement. All of these items were recorded as contract termination costs in the first quarter of 2017.

The Company began receiving sublease offers in the first quarter of 2017, at which point it was indicated that the remaining lease rental obligations, and the related value for the leasehold improvements and the office furniture and equipment, would not be fully recovered. As a result and given the nature of these fixed assets, the Company fully impaired the $1.9 million carrying value of those assets in the first quarter of 2017.

Note 6: Fair Value Measurements

In accordance with ASC 820, *Fair Value Measurements and Disclosures* (***"ASC 820"***), certain of the Company's assets and liabilities, which are carried at fair value, 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 the Company’s own assumptions.

The fair value hierarchy of the Company’s assets and liabilities carried at fair value and measured on a recurring basis was as follows (in thousands):

		Fair value measurements at the reporting date using		
	June 30, 2017	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	$ 10,799	$ —	$ 10,799	$ —
Total assets at fair value	$ 10,799	$ —	$ 10,799	$ —
Acquisition-related contingent consideration liability	$ 2,599	$ —	$ —	$ 2,599
Total liabilities at fair value	$ 2,599	$ —	$ —	$ 2,599

		Fair value measurements at the reporting date using		
	December 31, 2016	Quoted prices in active markets using identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents:				
U.S government securities	$ 2,749	$ —	$ 2,749	$ —
Money market and other funds	4,090	—	4,090	—
Commercial paper	1,999	—	1,999	—
Taxable municipal bonds	1,301	—	1,301	—
Total cash equivalents	10,139	—	10,139	—
Available-for-sale investments:				
Debt securities:				
U.S. government securities	2,000	—	2,000	—
Commercial paper	1,998	—	1,998	—
Time deposits	807	—	807	—
Taxable municipal bonds	2,296	—	2,296	—
Total debt securities	7,101	—	7,101	—
Total assets at fair value	$ 17,240	$ —	$ 17,240	$ —
Acquisition-related contingent consideration liability	$ 3,421	$ —	$ —	$ 3,421
Total liabilities at fair value	$ 3,421	$ —	$ —	$ 3,421

A reconciliation of Level 3 items measured at fair value on a recurring basis is as follows (in thousands):

Acquisition-related contingent consideration liability:		
Balance as of December 31, 2016	$	3,421
Payment		(946)
Foreign currency transaction loss		124
Balance as of June 30, 2017	$	2,599

The contingent consideration liability is related to the Company's 2015 acquisition of SimpleTax. The full contractual obligation under the contingent consideration arrangement was accrued during the year ended December 31, 2016. Payments are contingent upon product availability and revenue performance over a three-year period ending December 31, 2018 and are expected to occur annually over that period. The first payment was made in the first quarter of 2017 and classified as a financing activity on the consolidated statements of cash flows. The remaining payments are expected through 2019. The foreign currency transaction loss was included in "Other loss, net" on the consolidated statements of comprehensive income. As of June 30, 2017, $1.3 million of the contingent consideration liability was included in "Accrued expenses and other current liabilities" and $1.3 million in "Other long-term liabilities" on the consolidated balance sheets.

The contractual maturities of the debt securities classified as available-for-sale at December 31, 2016 were less than one year.

The cost and fair value of available-for-sale investments were as follows (in thousands):

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Balance as of December 31, 2016	$ 7,102	$ —	$ (1)	$ 7,101

The Company had non-recurring Level 3 fair value measurements in 2017 and 2016 related to the redemption and repurchase of its Convertible Senior Notes. See "Note 7: Debt" for details.

Note 7: Debt

The Company’s debt consisted of the following (in thousands):

	June 30, 2017				December 31, 2016			
	Principal amount	Discount	Debt issuance costs	Net carrying value	Principal amount	Discount	Debt issuance costs	Net carrying value
Senior secured credit facility	$ 360,000	$ (1,782)	$ (5,010)	$ 353,208	$ —	$ —	$ —	$ —
TaxAct - HD Vest 2015 credit facility	—	—	—	—	260,000	(7,124)	(5,295)	247,581
Convertible Senior Notes	—	—	—	—	172,859	(6,913)	(1,770)	164,176
Note payable, related party	3,200	—	—	3,200	3,200	—	—	3,200
Total debt	$ 363,200	$ (1,782)	$ (5,010)	$ 356,408	$ 436,059	$ (14,037)	$ (7,065)	$ 414,957

Senior secured credit facility: On May 22, 2017, Blucora entered into an agreement with a syndicate of lenders for the purposes of refinancing the credit facility previously entered into in 2015 for the purposes of financing the HD Vest acquisition (the ***"TaxAct - HD Vest 2015 credit facility"***), redeeming its Convertible Senior Notes that were outstanding at the time (the ***"Notes"***), and providing future working capital and capital expenditure flexibility. Consequently, the TaxAct - HD Vest 2015 credit facility was repaid in full and the commitments under the TaxAct - HD Vest revolving credit facility were terminated. The Blucora senior secured credit facility consists of a committed $50.0 million revolving credit loan, which includes a letter of credit sub-facility, and a $375.0 million term loan for an aggregate $425.0 million credit facility. The final maturity dates of the revolving credit loan and term loan are May 22, 2022 and May 22, 2024, respectively. Obligations under the credit facility are guaranteed by certain of Blucora's subsidiaries and secured by the assets of Blucora and those subsidiaries.

Blucora borrowed $375.0 million under the term loan when it entered into the senior secured credit facility. Principal payments on the term loan are payable quarterly in an amount equal to 0.25% of the initial outstanding principal. The interest rate on the term loan is variable at the London Interbank Offered Rate (***"LIBOR"***), subject to a floor of 1.00%, plus a margin of 3.75%, payable at the end of each interest period. In the second quarter of 2017, Blucora made a prepayment of $15.0 million towards the term loan.

Blucora may borrow under the revolving credit loan in an aggregate principal amount not less than $2.0 million or any whole multiple of $1.0 million in excess thereof. Principal payments on the revolving credit loan are payable at maturity. The interest rate on the revolving credit loan is variable, with initial draws at LIBOR plus a margin of 3.25%. Subsequent draws on the revolving credit loan also have variable interest rates, based upon LIBOR plus a margin of between 2.75% and 3.25%. In each case, the applicable margin within the range depends upon Blucora's Consolidated First Lien Net Leverage Ratio (as defined in the credit agreement for the credit facility) over the previous four quarters. Interest is payable at the end of each interest period. Blucora has not borrowed any amounts under the revolving credit loan.

Blucora has the right to permanently reduce and/or prepay, without premium or penalty (other than customary LIBOR breakage costs), the entire credit facility at any time or portions of the credit facility in an aggregate principal amount not less than $5.0 million ($2.0 million in the case of prepayments) or any whole multiple of $1.0 million in excess thereof, except for prepayments through November 22, 2017, which require a prepayment of a premium equal to 1.00% of the total principal amount prepaid. Beginning on December 31, 2018, Blucora will be required to make annual prepayments if certain levels of cash flow are achieved.

The credit facility includes financial and operating covenants, including a consolidated total net leverage ratio, which are set forth in detail in the credit agreement. As of June 30, 2017, Blucora was in compliance with all of the financial and operating covenants.

As of June 30, 2017, the credit facility's principal amount approximated its fair value as it is a variable rate instrument and the current applicable margin approximates current market conditions.

In connection with the refinancing, the Company performed an analysis by creditor and determined that the refinancing qualified as an extinguishment. As a result, the Company recognized a loss on debt extinguishment during the three months ended June 30, 2017, which was recorded in "Other loss, net" on the consolidated statements of comprehensive income and consisted of the following (in thousands):

Loss on debt extinguishment - TaxAct - HD Vest 2015 credit facility	$	9,593
Loss on debt extinguishment - Convertible Senior Notes		6,715
Total loss on debt extinguishment	$	16,308

The amount for the TaxAct - HD Vest 2015 credit facility included the write-off of the remaining unamortized discount and debt issuance costs. For the Notes, the Company allocated the cash paid first to the liability component of the Notes based on the fair value of the redeemed Notes. The fair value was based on a discounted cash flow analysis of the Notes' principal and related interest payments, using a discount rate that approximated the current market rate for similar debt without conversion rights. The difference between the fair value and net carrying value of the repurchased Notes was recognized as a loss and recorded in "Other loss, net" on the consolidated statements of comprehensive income. No amount was allocated to the equity component of the Notes, since the fair value of the liability component exceeded the cash paid.

TaxAct - HD Vest 2015 credit facility: Prior to the refinancing, the Company had repayment activity of $64.0 million and $60.0 million during the six months ended June 30, 2017 and 2016, respectively. These repayments resulted in the acceleration of a portion of the unamortized discount and debt issuance costs, which were recorded in "Other loss, net" on the consolidated statements of comprehensive income.

Convertible Senior Notes: In June 2017, the Company redeemed almost all of the outstanding Notes for cash with proceeds from the senior secured credit facility.

During the six months ended June 30, 2016, the Company repurchased $28.4 million of the Notes for cash of $20.7 million. Similar to the analysis performed for the Notes that were redeemed in June 2017, the Company allocated the cash paid first to the liability component of the Notes based on the fair value of the repurchased Notes. The difference between the fair value and net carrying value of the repurchased Notes was recognized as a gain, since the Notes were repurchased below par value, and recorded in "Other loss, net" on the consolidated statements of comprehensive income. No amount was allocated to the equity component of the Notes, since the fair value of the liability component exceeded the cash paid.

The following table sets forth total interest expense, prior to the refinancing, related to the Notes (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Contractual interest expense (Cash)	$ 1,304	$ 1,837	$ 3,141	$ 3,946
Amortization of debt issuance costs (Non-cash)	161	226	401	473
Accretion of debt discount (Non-cash)	633	885	1,567	1,848
Total interest expense	$ 2,098	$ 2,948	$ 5,109	$ 6,267

Note payable, related party: The note payable is with the former President of HD Vest and arose in connection with the acquisition of HD Vest. Certain members of HD Vest management rolled over a portion of the proceeds they would have otherwise received at the acquisition's closing into shares of the acquisition subsidiary through which the Company consummated the purchase of HD Vest. The former President of HD Vest sold a portion of his shares to the Company in exchange for the note. The note will be paid over a three-year period, with 50% paid in year one ($3.2 million was paid in December 2016), 40% paid in year two, and 10% paid in year three. The note bears interest at a rate of 5% per year, with a principal amount that approximates its fair value.

Note 8: Redeemable Noncontrolling Interests

A reconciliation of redeemable noncontrolling interests is as follows (in thousands):

Balance as of December 31, 2016	$ 15,696
Net income attributable to noncontrolling interests	302
Balance as of June 30, 2017	$ 15,998

The redemption amount at June 30, 2017 was $12.2 million.

Note 9: Commitments and Contingencies

The material events during the period covered by this Quarterly Report on Form 10-Q, outside of the ordinary course of the Company's business, include debt activity (as discussed further in "Note 7: Debt"), payment of a portion of the acquisition-related contingent consideration liability (as discussed further in "Note 6: Fair Value Measurements"), estimated sublease income of $4.1 million primarily related to the sublease agreement for the Bellevue facility (as discussed further in "Note 5: Restructuring"), and purchase commitments with a vendor to provide cloud computation services of $11.3 million over the next four years. Additional information on the Company's Commitments and Contingencies can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Litigation: From time to time, the Company is subject to various legal proceedings or claims that arise in the ordinary course of business. The Company accrues 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. The following is a brief description of the more significant legal proceedings. Although the Company believes that resolving such claims, individually or in aggregate, will not have a material adverse impact on its financial statements, these matters are subject to inherent uncertainties.

On December 12, 2016 a shareholder derivative action was filed by Jeffrey Tilden against the Company, as a nominal defendant, Andrew Snyder, who was a director of the Company at that time, certain companies affiliated with Mr. Snyder, a former officer of the Company, GCA Savvian Advisors, LLC (***"GCA Savvian"***), and certain other current and former members of the Blucora Board of Directors, in the Superior Court of the State of California in and for the County of San Francisco. The complaint asserts claims for breaches of fiduciary duty against certain current and former directors of the Company related to the Company's share repurchases and the Company's acquisitions of HD Vest and Monoprice. The complaint asserts a claim against GCA Savvian, the Company's financial advisor in connection with the HD Vest acquisition, for aiding and abetting breaches of fiduciary duty. The complaint also asserts a claim for insider trading against Mr. Snyder, a former officer of the Company, and certain companies affiliated with Mr. Snyder. The derivative action does not seek monetary damages from the Company. The complaint seeks corporate governance reforms, declaratory relief, monetary damages from the other defendants, attorney's fees and prejudgment interest.

On March 10, 2017, the Company filed a motion to dismiss for improper venue as a result of a forum selection provision in the Company's bylaws that required the plaintiff to file his derivative fiduciary duty claims in Delaware. Other defendants also filed motions to quash the summons due to a lack of personal jurisdiction over them. On July 25, 2017, the Court granted the Company's motion to dismiss, and the case will be stayed for 90 days and then dismissed.

The Company has entered into indemnification agreements in the ordinary course of business with its officers and directors, and the agreement entered into with GCA Savvian in connection with the acquisition of HD Vest also contained indemnification provisions. Pursuant to these agreements, the Company may be obligated to advance payment of legal fees and costs incurred by the defendants pursuant to the Company's obligations under these indemnification agreements and applicable Delaware law.

Note 10: Stockholders' Equity

Stock-based compensation: The Company included the following amounts for stock-based compensation expense, which related to stock options, restricted stock units (***"RSUs"***), and the Company's employee stock purchase plan (***"ESPP"***), in the consolidated statements of comprehensive income (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Cost of revenue	$ 88	$ 23	$ 134	$ 65
Engineering and technology	224	322	509	733
Sales and marketing	581	426	1,272	1,027
General and administrative	1,844	2,252	3,387	5,427
Restructuring	538	—	981	—
Total in continuing operations	3,275	3,023	6,283	7,252
Discontinued operations	—	1,170	—	2,741
Total	$ 3,275	$ 4,193	$ 6,283	$ 9,993

In the second quarter of 2017, the Company granted 350,000 non-qualified stock options to certain HD Vest financial advisors, who are considered non-employees. These stock options vest fully three years from the date of grant. The Company used the Black-Scholes-Merton valuation method to calculate stock-based compensation, using assumptions for the risk-free interest rate, expected dividend yield, expected volatility, and expected life under the same methodology that is used for employee grants. Since these are non-employee grants, stock-based compensation expense will be remeasured at the end of each quarter. For the three and six months ended June 30, 2017, stock-based compensation expense for these non-employees was $0.1 million and was recorded in "Cost of revenue" on the consolidated statements of comprehensive income.

Total net shares issued for stock options exercised, RSUs vested, and shares purchased pursuant to the ESPP were as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Stock options exercised	1,841	15	2,408	140
RSUs vested	204	235	351	324
Shares purchased pursuant to ESPP	—	—	76	77
Total	2,045	250	2,835	541

Note 11: Segment Information

The Company has two reportable segments: the Wealth Management segment and the Tax Preparation segment. The former Search and Content and E-Commerce segments are included in discontinued operations. The Company's Chief Executive Officer is its chief operating decision maker and reviews financial information presented on a disaggregated basis. This information is used for purposes of allocating resources and evaluating financial performance.

Information on reportable segments currently presented to the Company's chief operating decision maker and a reconciliation to consolidated net income are presented below (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenue:				
Wealth Management	$ 85,296	$ 76,117	$ 167,963	$ 153,408
Tax Preparation	53,866	43,991	153,574	132,465
Total revenue	139,162	120,108	321,537	285,873
Operating income:				
Wealth Management	12,406	9,924	24,259	20,830
Tax Preparation	36,515	29,796	89,648	77,369
Corporate-level activity	(18,926)	(17,366)	(40,023)	(36,399)
Total operating income	29,995	22,354	73,884	61,800
Other loss, net	(24,200)	(10,916)	(33,908)	(18,430)
Income tax expense	(2,315)	(5,793)	(5,786)	(17,436)
Discontinued operations, net of income taxes	—	(19,975)	—	(17,453)
Net income (loss)	$ 3,480	$ (14,330)	$ 34,190	$ 8,481

Revenues by major category within each segment are presented below (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Wealth Management:				
Commission	$ 38,154	$ 35,252	$ 77,749	$ 72,108
Advisory	35,914	31,522	69,490	63,054
Asset-based	6,784	5,395	12,750	11,213
Transaction and fee	4,444	3,948	7,974	7,033
Total Wealth Management revenue	$ 85,296	$ 76,117	$ 167,963	$ 153,408
Tax Preparation:				
Consumer	$ 51,848	$ 42,257	$ 140,090	$ 119,728
Professional	2,018	1,734	13,484	12,737
Total Tax Preparation revenue	$ 53,866	$ 43,991	$ 153,574	$ 132,465

Note 12: Net Income (Loss) Per Share

"Basic net income (loss) per share" is computed using the weighted average number of common shares outstanding during the period. "Diluted net income (loss) per share" is computed using the weighted average number of common shares outstanding plus the number of dilutive potential common shares outstanding during the period. Dilutive potential common shares consist of the incremental common shares issuable upon the exercise of outstanding stock options and vesting of unvested RSUs. Dilutive potential common shares are excluded from the computation of earnings per share if their effect is antidilutive.

The computation of basic and diluted net income (loss) per share attributable to Blucora, Inc. is as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Numerator:				
Income from continuing operations	$ 3,480	$ 5,645	$ 34,190	$ 25,934
Net income attributable to noncontrolling interests	(176)	(115)	(302)	(259)
Income from continuing operations attributable to Blucora, Inc.	3,304	5,530	33,888	25,675
Loss from discontinued operations attributable to Blucora, Inc.	—	(19,975)	—	(17,453)
Net income (loss) attributable to Blucora, Inc.	$ 3,304	$ (14,445)	$ 33,888	$ 8,222
Denominator:				
Weighted average common shares outstanding, basic	43,644	41,405	42,895	41,288
Dilutive potential common shares	3,293	893	3,287	666
Weighted average common shares outstanding, diluted	46,937	42,298	46,182	41,954
Net income (loss) per share attributable to Blucora, Inc. - basic:				
Continuing operations	$ 0.08	$ 0.13	$ 0.79	$ 0.62
Discontinued operations	—	(0.48)	—	(0.42)
Basic net income (loss) per share	$ 0.08	$ (0.35)	$ 0.79	$ 0.20
Net income (loss) per share attributable to Blucora, Inc. - diluted:				
Continuing operations	$ 0.07	$ 0.13	$ 0.73	$ 0.61
Discontinued operations	—	(0.47)	—	(0.41)
Diluted net income (loss) per share	$ 0.07	$ (0.34)	$ 0.73	$ 0.20
Shares excluded	664	7,524	1,363	7,648

Shares excluded primarily related to stock options with an exercise price greater than the average price during the applicable periods.

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

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

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

The following discussion should be read in conjunction with our consolidated financial statements and accompanying notes included under Part 1 Item 1 of this report, as well as with our consolidated financial statements, accompanying notes and 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, 2016.

Our Business

Blucora (the ***"Company," "Blucora,"*** or ***"we"***) operates two businesses: a Wealth Management business and an online Tax Preparation business.

The Wealth Management business consists of the operations of HDV Holdings, Inc. and its subsidiaries (collectively referred to as ***"HD Vest"*** or the ***"Wealth Management Business"***). HD Vest provides wealth management solutions for financial advisors and their clients. Specifically, HD Vest provides an integrated platform of brokerage, investment advisory and insurance services to assist in making each financial advisor a financial service center for his/her clients. HD Vest was founded to help tax and accounting professionals integrate financial services into their practices. HD Vest primarily recruits independent tax professionals with established tax practices and offers specialized training and support, which allows them to join the HD Vest platform as independent financial advisors. HD Vest generates revenue primarily through commissions, quarterly investment advisory fees based on assets under management and other fees.

The Tax Preparation business consists of the operations of TaxAct, Inc. (collectively referred to as ***"TaxAct"*** or the ***"Tax Preparation business"***). TaxAct provides digital do-it-yourself (***"DDIY"***) tax preparation solutions for consumers, small business owners, and tax professionals. TaxAct generates revenue primarily through its online service at www.TaxAct.com.

Strategic Transformation

On October 14, 2015, we announced our plans to acquire HD Vest and focus on the technology-enabled financial solutions market (the ***"Strategic Transformation"***). The Strategic Transformation refers to our transformation into a technology-enabled financial solutions company comprised of TaxAct and HD Vest and the divestitures of our Search and Content business that was operated through our former InfoSpace LLC subsidiary (***"InfoSpace"***) and E-Commerce business that consisted of the operations of Monoprice, Inc. (***"Monoprice"***) in 2016. As part of the Strategic Transformation and "One Company" operating model, we announced on October 27, 2016 plans to relocate our corporate headquarters by June 2017 from Bellevue, Washington to Irving, Texas. The transformation is intended to drive efficiencies and improve operational effectiveness.

In connection with the relocation of our corporate headquarters, we expect to incur restructuring costs of approximately $6.7 million, of which $6.5 million has already been incurred. These costs will be recorded within corporate-level activity for segment purposes. See "Note 5: Restructuring" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report for additional information. We also will incur costs that do not qualify for restructuring classification, such as recruiting and overlap in personnel expenses as we transition positions to Texas (***"Strategic Transformation Costs"***). The restructuring is now substantially complete and it is expected to be completed by December 31, 2017.

For a discussion of the associated risks, see the sections under the heading "Risks Associated With our Strategic Transformation" in Part II Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2016.

Seasonality

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

Comparability

We reclassified certain amounts on our consolidated statements of cash flows related to excess tax benefits generated from stock-based compensation and restricted cash, both in connection with the implementation of new accounting pronouncements. See the *"Recent accounting pronouncements"* section of "Note 2: Summary of Significant Accounting Policies" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report for additional information.

RESULTS OF OPERATIONS

Summary

(In thousands, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Percentage Change	2017	2016	Percentage Change
Revenue	$ 139,162	$ 120,108	16%	$ 321,537	$ 285,873	12%
Operating income	$ 29,995	$ 22,354	34%	$ 73,884	$ 61,800	20%

Three months ended June 30, 2017 compared with three months ended June 30, 2016

Revenue increased approximately $19.1 million due to increases of $9.2 million and $9.9 million in revenue related to our Wealth Management and Tax Preparation businesses, respectively, as discussed in the following "Segment Revenue/Operating Income" section.

Operating income increased approximately $7.6 million, consisting of the $19.1 million increase in revenue and offset by an $11.5 million increase in operating expenses. Key changes in operating expenses were:

- $6.7 million increase in the Wealth Management segment's operating expenses primarily due to higher commissions paid to our financial advisors, which fluctuated in proportion to the change in underlying commission and advisory revenues earned on client accounts.
- $3.2 million increase in the Tax Preparation segment's operating expenses primarily due to higher spending on marketing, higher data and call center costs related to software support, and maintenance fees and personnel expenses resulting from overall increased headcount supporting most functions.
- $1.6 million increase in corporate-level expense activity primarily due to Strategic Transformation Costs.

Six months ended June 30, 2017 compared with six months ended June 30, 2016

Revenue increased approximately $35.7 million due to increases of $14.6 million and $21.1 million in revenue related to our Wealth Management and Tax Preparation businesses, respectively, as discussed in the following "Segment Revenue/Operating Income" section.

Operating income increased approximately $12.1 million, consisting of the $35.7 million increase in revenue and offset by a $23.6 million increase in operating expenses. Key changes in operating expenses were:

- $11.2 million increase in the Wealth Management segment's operating expenses due to higher commissions paid to our financial advisors, which fluctuated in proportion to the change in underlying commission and advisory revenues earned on client accounts, and, to a lesser extent, higher net personnel expenses as we continue to standardize employee benefits across our businesses.
- $8.8 million increase in the Tax Preparation segment's operating expenses primarily due to higher spending on marketing, higher professional services fees mostly related to marketing and development projects, higher data center costs related to software support and maintenance fees, and higher personnel expenses resulting from overall increased headcount supporting most functions.
- $3.6 million increase in corporate-level expense activity primarily due to Strategic Transformation Costs.

SEGMENT REVENUE/OPERATING INCOME

The revenue and operating income amounts in this section are presented on a basis consistent with accounting principles generally accepted in the U.S. (***"GAAP"***) and include certain reconciling items attributable to each of the segments. Segment information appearing in "Note 11: Segment Information" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report is presented on a basis consistent with our current internal management financial reporting. We have two reportable segments: Wealth Management and Tax Preparation. We do not allocate certain general and administrative costs (including personnel and overhead costs), stock-based compensation, depreciation, amortization of acquired intangible assets, restructuring, other loss, net, and income taxes to segment operating results. We analyze these separately.

Wealth Management

(In thousands, except percentages)	Three months ended June 30,					Six months ended June 30,				
	2017		2016		Percentage Change	2017		2016		Percentage Change
Revenue	$	85,296	$	76,117	12%	$	167,963	$	153,408	9%
Operating income	$	12,406	$	9,924	25%	$	24,259	$	20,830	16%
Segment margin		15%		13%			14%		14%	

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

Sources of revenue

(In thousands, except percentages)			Three months ended June 30,			Six months ended June 30,		
	Sources of Revenue	Primary Drivers	2017	2016	Percentage Change	2017	2016	Percentage Change
Advisor-driven	Commission	- Transactions - Asset levels	$ 38,154	$ 35,252	8%	$ 77,749	$ 72,108	8%
	Advisory	- Advisory asset levels	35,914	31,522	14%	69,490	63,054	10%
Other revenue	Asset-based	- Cash balances - Interest rates - Number of accounts - Client asset levels	6,784	5,395	26%	12,750	11,213	14%
	Transaction and fee	- Account activity - Number of clients - Number of advisors - Number of accounts	4,444	3,948	13%	7,974	7,033	13%
	Total revenue		$ 85,296	$ 76,117	12%	$ 167,963	$ 153,408	9%
	Total recurring revenue		$ 68,971	$ 61,160	13%	$ 132,878	$ 121,229	10%
	Recurring revenue rate		80.9%	80.3%		79.1%	79.0%	

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

Business metrics

(In thousands, except percentages and as otherwise indicated)	June 30,				
	2017		2016		Percentage Change
Total Assets Under Administration ("AUA")	$	41,427,028	$	37,233,522	11 %
Advisory Assets Under Management ("AUM")	$	11,551,288	$	9,814,232	18 %
Percentage of total AUA		27.9%		26.4%	
Number of advisors (in ones)		4,426		4,561	(3)%

Total assets under administration ("AUA") 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. To the extent that we provide more than one AUA service for a client's assets, the value of the asset is only counted once in the total amount of AUA. AUA assets include Advisory Assets under Management, non-advisory brokerage accounts, annuities and mutual fund positions held directly with fund companies. These assets are not reported on the consolidated balance sheets.

Advisory assets under management ("AUM") includes external client assets for which we provide investment advisory and management services, typically 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 AUM for each advisory client. These assets are not reported on the consolidated balance sheets.

Three months ended June 30, 2017 compared with three months ended June 30, 2016

Wealth Management revenue increased approximately $9.2 million as discussed by each source of revenue below.

Wealth Management operating income increased approximately $2.5 million, consisting of the $9.2 million increase in revenue and offset by a $6.7 million increase in operating expenses. The increase in Wealth Management operating expenses was primarily due to higher commissions paid to our financial advisors, which fluctuated in proportion to the change in underlying commission and advisory revenues earned on client accounts.

Six months ended June 30, 2017 compared with six months ended June 30, 2016

Wealth Management revenue increased approximately $14.6 million as discussed by each source of revenue below.

Wealth Management operating income increased approximately $3.4 million, consisting of the $14.6 million increase in revenue and offset by an $11.2 million increase in operating expenses. The increase in Wealth Management operating expenses was primarily due to an increase in commissions paid to our financial advisors, which fluctuated in proportion to the change in underlying commission and advisory revenues earned on client accounts, and, to a lesser extent, a net increase in personnel expenses as we continue to standardize employee benefits across our businesses.

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

(In thousands, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Percentage Change	2017	2016	Percentage Change
By product category:						
Mutual funds	$ 20,782	$ 19,786	5%	$ 41,243	$ 38,825	6%
Variable annuities	11,730	10,690	10%	23,941	23,330	3%
Insurance	3,006	2,373	27%	6,678	5,147	30%
General securities	2,636	2,403	10%	5,887	4,806	22%
Total commission revenue	$ 38,154	$ 35,252	8%	$ 77,749	$ 72,108	8%
By sales-based and trailing:						
Sales-based	$ 15,654	$ 14,306	9%	$ 33,600	$ 30,778	9%
Trailing	22,500	20,946	7%	44,149	41,330	7%
Total commission revenue	$ 38,154	$ 35,252	8%	$ 77,749	$ 72,108	8%

Three months ended June 30, 2017 compared with three months ended June 30, 2016

Sales-based commission revenue increased approximately $1.3 million primarily due to increased activity in mutual funds, variable annuities, insurance and general securities resulting from overall market performance, portfolio rebalancings, product availability and segment refocusing. General securities include equities, exchange-traded funds, bonds and alternative investments.

Trailing commission revenue increased approximately $1.6 million and reflects an increase in the market value of the underlying assets, offset by a loss of commissions being paid on assets in advisory accounts primarily due to proactively changing products in anticipation of regulatory developments.

Six months ended June 30, 2017 compared with six months ended June 30, 2016

Sales-based commission revenue increased approximately $2.8 million primarily due to increased activity in mutual funds, variable annuities, insurance and general securities resulting from overall market performance, portfolio rebalancings, product availability and segment refocusing.

Trailing commission revenue increased approximately $2.8 million and reflects an increase in the market value of the underlying assets, offset by the loss of commissions being paid on assets in advisory accounts due to proactively changing products in anticipation of regulatory developments.

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

The activity within our AUM was as follows:

(In thousands)	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Balance, beginning of the period	$ 11,090,767	$ 9,592,025	$ 10,397,071	$ 9,692,244
Net increase (decrease) in new advisory assets	221,831	11,070	519,440	(133,339)
Market impact and other	238,690	211,137	634,777	255,327
Balance, end of the period	$ 11,551,288	$ 9,814,232	$ 11,551,288	$ 9,814,232

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

Three months ended June 30, 2017 compared with three months ended June 30, 2016

The increase in advisory revenue of approximately $4.4 million is consistent with the increase in the beginning-of-period AUM for the three months ended June 30, 2017 compared with three months ended June 30, 2016.

Six months ended June 30, 2017 compared with six months ended June 30, 2016

The increase in advisory revenue of approximately $6.4 million is consistent with the increase in the beginning-of-period AUM for the six months ended June 30, 2017 compared with six months ended June 30, 2016.

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

Three months ended June 30, 2017 compared with three months ended June 30, 2016

Asset-based revenue increased primarily from higher cash sweep revenues following increases in interest rates.

Six months ended June 30, 2017 compared with six months ended June 30, 2016

Asset-based revenue increased primarily from higher cash sweep revenues following increases in interest rates.

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

Three months ended June 30, 2017 compared with three months ended June 30, 2016

Transaction and fee revenue increased approximately $0.5 million primarily related to advisor fee increases.

Six months ended June 30, 2017 compared with six months ended June 30, 2016

Transaction and fee revenue increased approximately $0.9 million primarily related to advisor fee increases.

Tax Preparation

(In thousands, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Percentage Change	2017	2016	Percentage Change
Revenue	$ 53,866	$ 43,991	22%	$ 153,574	$ 132,465	16%
Operating income	$ 36,515	$ 29,796	23%	$ 89,648	$ 77,369	16%
Segment margin	68%	68%		58%	58%	

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

(In thousands, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Percentage Change	2017	2016	Percentage Change
Consumer	$ 51,848	$ 42,257	23%	$ 140,090	$ 119,728	17%
Professional	2,018	1,734	16%	13,484	12,737	6%
Total revenue	$ 53,866	$ 43,991	22%	$ 153,574	$ 132,465	16%

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

(In thousands, except percentages)	Six months ended June 30,		
	2017	2016	Percentage Change
Online e-files	4,034	4,690	(14)%
Desktop e-files	187	238	(21)%
Sub-total e-files	4,221	4,928	(14)%
Free File Alliance e-files [1]	171	163	5 %
Total e-files	4,392	5,091	(14)%

(1) Free File Alliance e-files are provided as part of an IRS partnership that provides free electronic tax filing services to taxpayers meeting certain income-based guidelines.

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

(In thousands, except percentages and as otherwise indicated)	Six months ended June 30,		
	2017	2016	Percentage Change
E-files	1,786	1,690	6%
Units sold (in ones)	20,694	20,142	3%
E-files per unit sold (in ones)	86.3	83.9	3%

Three months ended June 30, 2017 compared with three months ended June 30, 2016

Tax Preparation revenue increased approximately $9.9 million primarily due to growth in revenue earned from online consumer users and, to a lesser extent, increased sales of our professional tax preparer software. Online consumer revenue grew, despite a decrease in e-files, due to growth in average revenue per user, primarily resulting from price increases. The decrease in e-files is consistent with our expectations as we are in the early stages of a multi-year pivot toward profitable customers. Revenue derived from professional tax preparers increased primarily due to an increase in the number of professional preparer units sold.

Tax Preparation operating income increased approximately $6.7 million, consisting of the $9.9 million increase in revenue and offset by a $3.2 million increase in operating expenses. The increase in Tax Preparation segment operating expenses was primarily due to higher spending on marketing, higher data and call center costs related to software support and maintenance fees, and personnel expenses resulting from overall increased headcount supporting most functions.

Six months ended June 30, 2017 compared with six months ended June 30, 2016

Tax Preparation revenue increased approximately $21.1 million primarily due to growth in revenue earned from online consumer users and, to a lesser extent, increased sales of our professional tax preparer software. Online consumer revenue grew, despite a decrease in e-files, due to growth in average revenue per user, primarily resulting from price increases. The decrease in e-files is consistent with our expectations as we are in the early stages of a multi-year pivot toward profitable customers. Revenue derived from professional tax preparers increased primarily due to an increase in the number of professional preparer units sold.

Tax Preparation operating income increased approximately $12.3 million, consisting of the $21.1 million increase in revenue and offset by a $8.8 million increase in operating expenses. The increase in Tax Preparation segment operating expenses was primarily due to higher spending on marketing, higher professional services fees mostly related to marketing and development projects, higher data center costs related to software support and maintenance fees, and higher personnel expenses resulting from overall increased headcount supporting most functions.

Corporate-Level Activity

(In thousands)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
Operating expenses	$ 6,463	$ 4,460	$ 2,003	$ 13,236	$ 9,159	$ 4,077
Stock-based compensation	2,737	3,023	(286)	5,302	7,252	(1,950)
Acquisition-related costs	—	391	(391)	—	391	(391)
Depreciation	1,059	1,127	(68)	2,193	2,249	(56)
Amortization of acquired intangible assets	8,336	8,365	(29)	16,672	17,348	(676)
Restructuring	331	—	331	2,620	—	2,620
Total corporate-level activity	$ 18,926	$ 17,366	$ 1,560	$ 40,023	$ 36,399	$ 3,624

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

Three months ended June 30, 2017 compared with three months ended June 30, 2016

Operating expenses included in corporate-level activity increased primarily due to Strategic Transformation Costs.

Stock-based compensation decreased primarily due to fewer grants in the current year and higher expense recognized in the prior year related to the timing of grants.

Acquisition-related costs include professional fees and other direct transaction costs and changes in the fair value of contingent consideration liabilities related to acquired companies. The SimpleTax acquisition that was completed in 2015 included contingent consideration, for which the fair value of that liability was revalued in the second quarter of 2016. The change in the fair value of the contingent consideration liability is recognized in the period in which the fair value changes.

Restructuring relates to expenses incurred due to our October 27, 2016 announcement to relocate our corporate headquarters by June 2017 from Bellevue, Washington to Irving, Texas. Further detail is provided under the "Operating Expenses - Restructuring" section of the management's discussion and analysis of financial condition and results of operations below.

Six months ended June 30, 2017 compared with six months ended June 30, 2016

Operating expenses included in corporate-level activity increased primarily due to Strategic Transformation Costs and costs associated with leadership changes at HD Vest.

Stock-based compensation decreased primarily due to fewer grants in the current year and higher expense recognized in the prior year related to HD Vest grants in 2016, partially offset by activity within our Tax Preparation business due to prior forfeitures.

Acquisition-related costs and restructuring were affected by the same factors described above that impacted the quarterly period.

Amortization of acquired intangible assets decreased primarily due to concluding the useful life of certain TaxAct acquisition-related intangible assets during 2016.

OPERATING EXPENSES

Cost of Revenue

(In thousands, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
Wealth management services cost of revenue	$ 56,963	$ 51,023	$ 5,940	$ 112,837	$ 103,292	$ 9,545
Tax preparation services cost of revenue	2,411	2,023	388	6,229	5,230	999
Amortization of acquired technology	47	49	(2)	95	716	(621)
Total cost of revenue	$ 59,421	$ 53,095	$ 6,326	$ 119,161	$ 109,238	$ 9,923
Percentage of revenue	43%	44%		37%	38%	

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

Three months ended June 30, 2017 compared with three months ended June 30, 2016

Wealth management services cost of revenue increased primarily due to higher commissions paid to our financial advisors, which fluctuated in proportion to the change in underlying commission and advisory revenues earned on client accounts.

Tax preparation services cost of revenue increased primarily due to higher data and call center costs related to software support.

Six months ended June 30, 2017 compared with six months ended June 30, 2016

Wealth management services cost of revenue increased primarily due to an increase in commissions paid to our financial advisors, which fluctuated in proportion to the change in underlying commission and advisory revenues earned on client accounts.

Tax preparation services cost of revenue increased primarily due to an increase in data center costs related to software support and maintenance fees.

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

Engineering and Technology

(In thousands, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
Engineering and technology	$ 4,242	$ 3,959	$ 283	$ 8,990	$ 8,254	$ 736
Percentage of revenue	3%	3%		3%	3%	

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

Three months ended June 30, 2017 compared with three months ended June 30, 2016

Engineering and technology expenses were comparable to the prior period.

Six months ended June 30, 2017 compared with six months ended June 30, 2016

Engineering and technology expenses increased primarily due to an increase in professional services fees mostly related to Tax Preparation development projects. Personnel expenses were comparable to the prior period.

Sales and Marketing

(In thousands, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
Sales and marketing	$ 22,296	$ 19,913	$ 2,383	$ 71,294	$ 63,750	$ 7,544
Percentage of revenue	16%	17%		22%	22%	

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

Three months ended June 30, 2017 compared with three months ended June 30, 2016

Sales and marketing expenses increased primarily due to a $1.5 million increase in marketing expenses and a $0.6 million increase in personnel expenses. The increase in marketing expenses was driven by increased marketing in our Tax Preparation business. Personnel expenses increased primarily in our Tax Preparation business due to higher headcount.

Six months ended June 30, 2017 compared with six months ended June 30, 2016

Sales and marketing expenses increased primarily due to a $5.4 million increase in marketing expenses and a $1.6 million increase in personnel expenses. The increase in marketing expenses was driven by increased marketing in our Tax Preparation business. Personnel expenses increased primarily in our Wealth Management business as we continue to standardize employee benefits across our businesses and in our Tax Preparation business due to higher headcount.

General and Administrative

(In thousands, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
General and administrative	$ 13,715	$ 11,508	$ 2,207	$ 27,198	$ 24,261	$ 2,937
Percentage of revenue	10%	10%		8%	8%	

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

Three months ended June 30, 2017 compared with three months ended June 30, 2016

G&A expenses increased primarily due to a $1.9 million net increase in personnel expenses, mainly related to Strategic Transformation Costs and costs associated with leadership changes at HD Vest in 2016, offset by lower stock-based compensation due to fewer grants in the current year and higher expense recognized in the prior year related to the timing of grants.

Six months ended June 30, 2017 compared with six months ended June 30, 2016

G&A expenses increased primarily due to a $2.9 million net increase in personnel expenses, mainly related to Strategic Transformation Costs and costs associated with leadership changes at HD Vest, offset by lower stock-based compensation due to fewer grants in the current year and higher expense recognized in the prior year related to the timing of grants, partially offset by activity within our Tax Preparation business due to prior forfeitures.

Depreciation and Amortization of Acquired Intangible Assets

(In thousands, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
Depreciation	$ 873	$ 963	$ (90)	$ 1,813	$ 1,938	$ (125)
Amortization of acquired intangible assets	8,289	8,316	(27)	16,577	16,632	(55)
Total	$ 9,162	$ 9,279	$ (117)	$ 18,390	$ 18,570	$ (180)
Percentage of revenue	7%	8%		6%	6%	

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

Restructuring

(In thousands, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
Restructuring	$ 331	$ —	$ 331	$ 2,620	$ —	$ 2,620
Percentage of revenue	—%	—%		1%	—%	

In connection with the Strategic Transformation, including the relocation of our headquarters, we expect to incur restructuring costs of approximately $6.7 million, of which $6.5 million has already been incurred, which includes all costs associated with our non-cancelable operating lease. While the relocation and the related costs were substantially completed by June 2017, the Company expects some costs through the fourth quarter of 2017, primarily related to employees who will continue to provide service through that time period.

See "Note 5: Restructuring" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

Other Loss, Net

(In thousands)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
Interest income	$ (25)	$ (11)	$ (14)	$ (45)	$ (36)	$ (9)
Interest expense	5,529	8,381	(2,852)	11,965	17,572	(5,607)
Amortization of debt issuance costs	327	417	(90)	714	1,027	(313)
Accretion of debt discounts	755	1,094	(339)	1,840	2,500	(660)
(Gain) loss on debt extinguishment	17,801	997	16,804	19,581	(2,846)	22,427
Other	(187)	38	(225)	(147)	213	(360)
Other loss, net	$ 24,200	$ 10,916	$ 13,284	$ 33,908	$ 18,430	$ 15,460

Three months ended June 30, 2017 compared with three months ended June 30, 2016

In both the second quarters and corresponding year-to-date periods of 2017 and 2016, we had a loss on debt extinguishment related to the credit facility previously entered into in 2015 for the purpose of financing the HD Vest acquisition (the "TaxAct - HD Vest 2015 credit facility"). In 2016, we made prepayments on a portion of the TaxAct - HD Vest 2015 credit facility, which resulted in the acceleration of a portion of the unamortized debt discount and issuance costs. In connection with the refinancing through the senior secured credit facility that was entered into in May 2017, we paid-off the remaining TaxAct - HD Vest 2015 credit facility and wrote-off the remaining unamortized debt discount and issuance costs. Consequently, the TaxAct - HD Vest 2015 credit facility was terminated. For further detail, see "Note 7: Debt" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

The decrease in interest expense, amortization of debt issuance costs, and accretion of debt discounts primarily related to lower balances in the TaxAct - HD Vest 2015 credit facility and the Convertible Senior Notes (the ***"Notes"***) due to prepayments on a portion of the TaxAct - HD Vest 2015 credit facility in 2016 and the redemption of all of the Notes in the second quarter of 2017.

In the first quarter of 2016, we repurchased a portion of the Notes, which resulted in a net gain on debt extinguishment, consisting of a gain related to the repurchase of the Notes below par value and offset by the acceleration of a portion of the unamortized debt discount and issuance costs. In connection with the refinancing through the senior secured credit facility, we redeemed all of the Notes in the second quarter of 2017, which resulted in the write-off of the remaining unamortized debt discount and issuance costs as a loss on debt extinguishment.

Detail on the "(gain) loss on debt extinguishment" is as follows:

(In thousands)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
Write-off of debt discount and debt issuance costs on TaxAct - HD Vest 2015 credit facility (related to closure)	$ 9,593	$ —	$ 9,593	$ 9,593	$ —	$ 9,593
Write-off of debt discount and debt issuance costs on the Notes (related to termination)	6,715	—	6,715	6,715	—	6,715
Accelerated accretion of debt discount and amortization of debt issuance costs on credit facilities (related to prepayments)	1,493	997	496	3,273	2,834	439
Gain on the Notes repurchased	—	—	—	—	(7,724)	7,724
Accelerated accretion of debt discount on the Notes (related to repurchase)	—	—	—	—	1,628	(1,628)
Accelerated amortization of debt issuance costs on the Notes (related to repurchase)	—	—	—	—	416	(416)
Total (gain) loss on debt extinguishment	$ 17,801	$ 997	$ 16,804	$ 19,581	$ (2,846)	$ 22,427

Six months ended June 30, 2017 compared with six months ended June 30, 2016

Interest expense, amortization of debt issuance costs, accretion of debt discounts, and (gain) loss on debt extinguishment were affected by the same factors described above that impacted the quarterly period.

Income Taxes

We recorded income tax expense of $2.3 million and $5.8 million in the three and six months ended June 30, 2017, respectively. Income taxes differed from taxes at the statutory rates in 2017 primarily due to the January 1, 2017 implementation of Accounting Standards Update (***"ASU"***) 2016-09 on stock-based compensation (see "Note 2: Summary of Significant Accounting Policies" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report for additional information). We recorded income tax expense of $5.8 million and $17.4 million in the three and six months ended June 30, 2016, respectively. Income taxes differed from taxes at the statutory rates in 2016 primarily due to the domestic manufacturing deduction, offset by non-deductible compensation and state income taxes.

Discontinued Operations, Net of Income Taxes

(In thousands)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
Discontinued operations, net of income taxes	$ —	$ (19,975)	$ 19,975	$ —	$ (17,453)	$ 17,453

On October 14, 2015, we announced our Strategic Transformation, which included plans to divest the Search and Content and E-Commerce businesses. Our results of operations reflect the Search and Content and E-Commerce businesses as discontinued operations for all periods presented. Amounts in discontinued operations include previously unallocated depreciation, amortization, stock-based compensation, income taxes, and other corporate expenses that were attributable to the Search and Content and E-Commerce businesses. We completed both divestitures in 2016--specifically, Search and Content in the third quarter of 2016 and E-Commerce in the fourth quarter of 2016. See "Note 4: Discontinued Operations" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report for additional information on discontinued operations.

NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA: We define Adjusted EBITDA as net income (loss) attributable to Blucora, Inc., determined in accordance with GAAP, excluding the effects of stock-based compensation, depreciation, amortization of acquired intangible assets (including acquired technology), restructuring, other loss, net, the impact of noncontrolling interests, income tax expense, the effects of discontinued operations, and acquisition-related costs. Restructuring costs relate to the move of our corporate headquarters, which was announced in the fourth quarter of 2016. Acquisition-related costs include professional services fees and other direct transaction costs and changes in the fair value of contingent consideration liabilities related to acquired companies. The SimpleTax acquisition that was completed in 2015 included contingent consideration, for which the fair value of that liability was revalued in the second quarter of 2016. For further detail, see "Note 7: Debt" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

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

(In thousands)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net income (loss) attributable to Blucora, Inc.	$ 3,304	$ (14,445)	$ 33,888	$ 8,222
Stock-based compensation	2,737	3,023	5,302	7,252
Depreciation and amortization of acquired intangible assets	9,395	9,492	18,865	19,597
Restructuring	331	—	2,620	—
Other loss, net	24,200	10,916	33,908	18,430
Net income attributable to noncontrolling interests	176	115	302	259
Income tax expense	2,315	5,793	5,786	17,436
Discontinued operations, net of income taxes	—	19,975	—	17,453
Acquisition-related costs	—	391	—	391
Adjusted EBITDA	$ 42,458	$ 35,260	$ 100,671	$ 89,040

Three months ended June 30, 2017 compared with three months ended June 30, 2016

The increase in Adjusted EBITDA was primarily due to increases in segment operating income of $6.7 million and $2.5 million related to our Tax Preparation and Wealth Management segments, respectively, offset by a $2.0 million increase in corporate operating expenses not allocated to the segments primarily due to Strategic Transformation Costs and costs associated with leadership changes at HD Vest.

Six months ended June 30, 2017 compared with six months ended June 30, 2016

The increase in Adjusted EBITDA was primarily due to increases in segment operating income of $12.3 million and $3.4 million related to our Tax Preparation and Wealth Management segments, respectively, offset by a $4.1 million increase in corporate operating expenses not allocated to the segments primarily due to Strategic Transformation Costs and costs associated with leadership changes at HD Vest.

Non-GAAP net income: We define non-GAAP net income as net income (loss) attributable to Blucora, Inc., determined in accordance with GAAP, excluding the effects of discontinued operations, stock-based compensation, amortization of acquired intangible assets (including acquired technology), accretion of debt discount and accelerated accretion of debt discount on the Convertible Senior Notes (the ***"Notes"***), gain on the Notes repurchased, write-off of debt discount and debt issuance costs on the Notes that were redeemed and the terminated TaxAct - HD Vest 2015 credit facility, acquisition-related costs (described further under *Adjusted EBITDA* above), restructuring costs (described further under *Adjusted EBITDA* above), the impact of noncontrolling interests, the related cash tax impact of those adjustments, and non-cash income taxes. The write-off of debt discount and debt issuance costs on the terminated Notes and the closed TaxAct - HD Vest 2015 credit facility relates to the debt refinancing that occurred in the second quarter of 2017. We exclude the non-cash portion of income taxes because of our ability to offset a substantial portion of our cash tax liabilities by using deferred tax assets, which primarily consist of U.S. federal net operating losses. The majority of these net operating losses will expire, if unutilized, between 2020 and 2024.

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

(In thousands, except per share amounts)	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Net income (loss) attributable to Blucora, Inc.	$ 3,304	$ (14,445)	$ 33,888	$ 8,222
Discontinued operations, net of income taxes	—	19,975	—	17,453
Stock-based compensation	2,737	3,023	5,302	7,252
Amortization of acquired intangible assets	8,336	8,365	16,672	17,348
Accretion of debt discount on the Notes	633	885	1,567	1,848
Accelerated accretion of debt discount on the Notes repurchased	—	—	—	1,628
Gain on the Notes repurchased	—	—	—	(7,724)
Write-off of debt discount and debt issuance costs on terminated Notes	6,715	—	6,715	—
Write-off of debt discount and debt issuance costs on closed TaxAct - HD Vest 2015 credit facility	9,593	—	9,593	—
Acquisition-related costs	—	391	—	391
Restructuring	331	—	2,620	—
Impact of noncontrolling interests	176	115	302	259
Cash tax impact of adjustments to GAAP net income	(1,819)	(78)	(2,406)	261
Non-cash income tax expense	2,941	5,193	6,101	15,772
Non-GAAP net income	$ 32,947	$ 23,424	$ 80,354	$ 62,710
Per diluted share:				
Net income (loss) attributable to Blucora, Inc.	$ 0.07	$ (0.34)	$ 0.73	$ 0.20
Discontinued operations, net of income taxes	—	0.47	—	0.41
Stock-based compensation	0.06	0.07	0.11	0.17
Amortization of acquired intangible assets	0.19	0.20	0.36	0.40
Accretion of debt discount on the Notes	0.01	0.02	0.03	0.04
Accelerated accretion of debt discount on the Notes repurchased	—	—	—	0.04
Gain on the Notes repurchased	—	—	—	(0.18)
Write-off of debt discount and debt issuance costs on terminated Notes	0.14	—	0.15	—
Write-off of debt discount and debt issuance costs on closed TaxAct - HD Vest 2015 credit facility	0.20	—	0.21	—
Acquisition-related costs	—	0.01	—	0.01
Restructuring	0.01	—	0.06	—
Impact of noncontrolling interests	0.00	0.00	0.01	0.01
Cash tax impact of adjustments to GAAP net income	(0.04)	(0.00)	(0.05)	0.01
Non-cash income tax expense	0.06	0.12	0.13	0.38
Non-GAAP net income	$ 0.70	$ 0.55	$ 1.74	$ 1.49
Weighted average shares outstanding used in computing per diluted share amounts	46,937	42,298	46,182	41,954

Three months ended June 30, 2017 compared with three months ended June 30, 2016

The increase in non-GAAP net income was primarily due to increases in segment operating income of $6.7 million and $2.5 million related to our Tax Preparation and Wealth Management segments, respectively. Further contributing to the increase in non-GAAP net income was a $3.0 million decrease in interest expense, amortization of debt issuance costs, and accretion of debt discounts, primarily related to lower balances in the TaxAct - HD Vest 2015 credit facility and the Notes due to pay-off of the entire credit facility and redemption of all of the Notes, respectively, in the second quarter of 2017. The increases in non-GAAP net income were offset by a $2.0 million increase in corporate operating expenses not allocated to the segments primarily due to Strategic Transformation Costs and costs associated with leadership changes at HD Vest and a $0.5 million increase in taxes due to an increase in non-GAAP income.

Six months ended June 30, 2017 compared with six months ended June 30, 2016

The increase in non-GAAP net income was primarily due to increases in segment operating income of $12.3 million and $3.4 million related to our Tax Preparation and Wealth Management segments, respectively. Further contributing to the increase in non-GAAP net income was a $6.3 million decrease in interest expense, amortization of debt issuance costs, and accretion of debt discounts, primarily related to lower balances in the TaxAct - HD Vest 2015 credit facility and the Notes due to pay-off of the entire credit facility and redemption of all of the Notes, respectively, in the second quarter of 2017. The increases in non-GAAP net income were offset by a $4.1 million increase in corporate operating expenses not allocated to the segments primarily due to Strategic Transformation Costs and costs associated with leadership changes at HD Vest and a $0.7 million increase in taxes due to an increase in non-GAAP income.

LIQUIDITY AND CAPITAL RESOURCES

Cash, Cash Equivalents, and Short-Term Investments

Our principal source of liquidity is our cash, cash equivalents, and short-term investments. As of June 30, 2017, we had cash and marketable investments of approximately $78.3 million, consisting entirely of cash and cash equivalents. Our HD Vest 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 to HD Vest's operations. As of June 30, 2017, HD Vest met all capital adequacy requirements to which it was subject.

We generally invest our excess cash in high quality marketable investments. These investments generally include debt instruments issued by the U.S. federal government and its agencies, international governments, municipalities and publicly-held corporations, as well as commercial paper, insured time deposits with commercial banks, and money market funds invested in securities issued by agencies of the U.S., although specific holdings can vary from period to period depending upon our cash requirements. Our financial instrument investments held at June 30, 2017 had minimal default risk and short-term maturities.

We have financed our operations primarily from cash provided by operating activities. Accordingly, we believe that the cash generated from our operations and the cash and cash equivalents we have on hand will be sufficient to meet our operating, working capital, and capital expenditure requirements for at least the next 12 months. However, the underlying levels of revenues and expenses that we project may not prove to be accurate. For further discussion of the risks to our business related to liquidity, see the Risk Factor "Existing cash and cash equivalents, short-term investments, and cash generated from operations may not be sufficient to meet our anticipated cash needs for servicing debt, working capital, and capital expenditures" in Part II Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2016.

Use of Cash

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

On May 22, 2017, we entered into an agreement for a new senior secured credit facility for the purposes of refinancing the TaxAct - HD Vest 2015 credit facility, redeeming the Notes, and providing future working capital and capital expenditure flexibility. Consequently, the TaxAct - HD Vest 2015 credit facility was repaid in full and the commitments under the TaxAct - HD Vest revolving credit facility were terminated. The Blucora senior secured credit facility consists of a committed $50.0 million revolving credit loan, which includes a letter of credit sub-facility, and a $375.0 million term loan for an aggregate $425.0 million credit facility. The final maturity dates of the revolving credit loan and term loan are May 22, 2022 and May 22, 2024, respectively. The interest rates on the revolving credit loan and term loan are variable. The credit facility includes financial and operating covenants with respect to certain ratios, including a net leverage ratio, which are defined further in the credit facility agreement. We were in compliance with these covenants as of June 30, 2017. We initially borrowed $375.0 million under the term loan. In the second quarter of 2017, we made a prepayment of $15.0 million towards the term loan. We have not borrowed any amounts under the revolving credit loan. For further detail, see "Note 7: Debt" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

Related to the TaxAct - HD Vest 2015 credit facility, we had repayment activity of $64.0 million and $60.0 million during the six months ended June 30, 2017 and 2016, respectively, prior to the refinancing. Related to the Notes, we repurchased $28.4 million of the Notes' for cash of $20.7 million during the six months ended June 30, 2016. For further detail, see "Note 7: Debt" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

On July 2, 2015, TaxAct acquired SimpleTax, which included additional consideration of up to C$4.6 million (with C$ indicating Canadian dollars and amounting to approximately $3.7 million based on the acquisition-date exchange rate). The related payments are contingent upon product availability and revenue performance over a three-year period and are expected to occur annually over that period. The first payment was made in the first quarter of 2017, and the remaining payments of $2.6 million are expected through 2019. For further detail, see "Note 6: Fair Value Measurements" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

Contractual Obligations and Commitments

The material events during the period covered by this Quarterly Report on Form 10-Q, outside of the ordinary course of our business, include debt activity (as discussed further in "Note 7: Debt"), payment of a portion of the acquisition-related contingent consideration liability (as discussed further in "Note 6: Fair Value Measurements"), estimated sublease income of $4.1 million primarily related to the sublease agreement for the Bellevue facility (as discussed further in "Note 5: Restructuring"), and purchase commitments with a vendor to provide cloud computation services of $11.3 million over the next four years. Additional information on our Commitments and Contingencies can be found in our Annual Report on Form 10-K for the year ended December 31, 2016.

Off-balance Sheet Arrangements

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

Cash Flows

Our cash flows were comprised of the following:

(In thousands)	Six months ended June 30, 2017	Six months ended June 30, 2016
Net cash provided by operating activities from continuing operations	$ 81,136	$ 90,886
Net cash provided by investing activities from continuing operations	5,181	25
Net cash used by financing activities from continuing operations	(62,170)	(79,864)
Net cash provided by continuing operations	24,147	11,047
Net cash provided by discontinued operations	1,028	6,228
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	43	(7)
Net increase in cash, cash equivalents, and restricted cash	$ 25,218	$ 17,268

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

Net cash provided by operating activities was $81.1 million and $90.9 million for the six months ended June 30, 2017 and 2016, respectively. The activity in the six months ended June 30, 2017 included a $(0.1) million working capital contribution and approximately $81.2 million of income from continuing operations (offset by non-cash adjustments). The working capital contribution primarily related to the impact of TaxAct's seasonality, collections of HD Vest 2016 prepayments and restructuring activities.

The activity in the six months ended June 30, 2016 included a $45.7 million working capital contribution and approximately $45.2 million of income from continuing operations (offset by non-cash adjustments). The working capital contribution was driven by accrued expenses and the impact of excess tax benefits from stock-based activity primarily due to utilizing net operating loss carryforwards from prior years. In addition, in connection with the acquisition of HD Vest, we had placed into escrow $20.0 million of additional consideration that was contingent upon HD Vest's 2015 earnings performance, and that amount was returned to us in the first quarter of 2016 since it was not achieved (see "Note 3: Business Combinations" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report for additional information). Lastly, TaxAct's seasonality and the addition of HD Vest, which was acquired in late 2015, provided further working capital contributions during the period.

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

Net cash provided by investing activities was $5.2 million for the six months ended June 30, 2017 and net cash from investing activities was less than $0.1 million for the six months ended June 30, 2016. The activity in the six months ended June 30, 2017 consisted of net cash inflows on our available-for-sale investments of $7.1 million offset by approximately $1.9 million in purchases of property and equipment. The activity in the six months ended June 30, 2016 consisted of a $1.8 million final working capital adjustment on the HD Vest acquisition and $1.5 million in purchases of property and equipment, offset by net cash inflows on our available-for-sale investments of $3.3 million.

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

Net cash used by financing activities was $62.2 million and $79.9 million for the six months ended June 30, 2017 and 2016, respectively. The activity for the six months ended June 30, 2017 primarily consisted of payments of $275.0 million in connection with the termination of the TaxAct - HD Vest credit facility, $172.8 million for redemption in full of the outstanding Notes, $5.3 million in tax payments from shares withheld for equity awards, and $0.9 million in contingent consideration paid related to the 2015 acquisition of SimpleTax. These cash outflows were offset by approximately $367.2 million in proceeds from the senior secured credit facility that was entered into in May 2017 and $24.7 million in combined proceeds from the issuance of common stock related to stock option exercises and the employee stock purchase plan.

The activity for the six months ended June 30, 2016 primarily consisted of payments of $60.0 million on the TaxAct - HD Vest credit facility, the $20.7 million repurchase of the Notes, and $0.9 million in tax payments from shares withheld for equity awards. These cash outflows were offset by approximately $1.7 million in combined proceeds from the issuance of common stock related to stock option exercises and the employee stock purchase plan.

Critical Accounting Policies and Estimates

Our critical accounting policies, estimates, and methodologies for the six months ended June 30, 2017 are consistent with those in Part II Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2016.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our market risk during the six months ended June 30, 2017, other than related to borrowings under the senior secured credit facility entered into on May 22, 2017. We borrowed $375.0 million under the term loan when we entered into the senior secured credit facility, and the interest rate on the term loan is variable at the London Interbank Offered Rate (***"LIBOR"***), subject to a floor of 1.00%, plus a margin of 3.75%. A hypothetical 100 basis point increase in LIBOR would result in a $3.6 million increase, based upon our June 30, 2017 principal amount, in our annual interest expense until the scheduled maturity date in 2024. For additional information, see Part II Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2016.

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 the effectiveness of our disclosure controls and procedures as of June 30, 2017. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2017.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the second quarter of 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Refer to Part I Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for a discussion of risk factors relating to the Company's business. The Company believes that there has been no material change in its risk factors as previously disclosed in the Form 10-K other than as follows:

Increased government regulation of our business may harm our operating results.

We are subject to federal, state, and local laws and regulations that affect our activities, including, without limitation, areas of labor, advertising, tax, financial services, data privacy and security requirements, digital content, consumer protection, real estate, billing, promotions, quality of services, intellectual property ownership and infringement, anti-corruption, foreign exchange controls and cash repatriation restrictions, anti-competition, environmental, health, and safety. There have been significant new regulations and heightened focus by the government on many of these areas, as well as in areas such as insurance and healthcare (including, for example, the Affordable Care Act). As we complete our Strategic Transformation and expand our products and services and revise our business models, we may become subject to additional government regulation or increased regulatory scrutiny. Regulators may adopt new laws or regulations or their interpretation of existing laws or regulations may differ from ours as well as the laws of other jurisdictions in which we operate. The Trump Administration has called for a board review of, and potentially significant changes to, U.S. fiscal and tax laws and regulations. These changes may include comprehensive tax reform as well as the rolling back or repeal of various financial regulations, including the Department of Labor (the ***"DOL"***) fiduciary rule (the ***"Fiduciary Rule"***) and the Dodd-Frank Wall Street Reform and Consumer Protection Act (the ***"Dodd-Frank Act"***). We cannot predict whether, when or to what extent new U.S. federal laws, regulations, interpretations or rulings will be issued, nor is the impact of such changes on our Tax Preparation or Wealth Management businesses clear. It is possible that some policies adopted by the Trump administration will negatively affect us.

These regulatory requirements could impose significant limitations, require changes to our business, require notification to customers, clients, or employees of a security breach, restrict our use of personal information, or cause changes in customer purchasing behavior that may make our business more costly, less efficient, or impossible to conduct, and may require us to modify our current or future products or services, which may materially harm our future financial results.

The tax preparation industry continues to receive heightened attention from federal and state governments. New legislation, regulation, public policy considerations, changes in the cybersecurity environment, litigation by the government or private entities, or new interpretations of existing laws may result in greater oversight of the tax preparation industry, restrict the types of products and services that we can offer or the prices we can charge, or otherwise cause us to change the way we operate our Tax Preparation business or offer our tax preparation products and services. We may not be able to respond quickly to such regulatory, legislative and other developments, and these changes may in turn increase our cost of doing business and limit our revenue opportunities. In addition, if our practices are not consistent with new interpretations of existing laws, we may become subject to lawsuits, penalties, and other liabilities that did not previously apply. We are also required to comply with a variety of state revenue agency standards in order to successfully operate our tax preparation and electronic filing services. Changes in state-imposed requirements by one or more of the states, including the required use of specific technologies or technology standards, may significantly increase the costs of providing those services to our customers and may prevent us from delivering a quality product to our customers in a timely manner and at an acceptable price.

Our Wealth Management business is subject to certain additional financial industry regulations and supervision, including by the Securities and Exchange Commission, the DOL, the Financial Industry Regulatory Authority, state securities and insurance regulators, and other regulatory authorities. Our failure to comply with the laws, rules, and regulations promulgated by federal regulatory bodies and the regulatory authorities in each of the states and other jurisdictions in which we do business could result in the restriction of the ongoing conduct or growth, or even liquidation of, parts of our business and otherwise materially impact our financial condition, results of operations, and liquidity. These regulatory authorities continuously review legislative and regulatory initiatives and may adopt new or revised laws, regulations, or interpretations, and there can also be no assurance that other federal or state agencies will not attempt to further regulate our business. The Dodd-Frank Act, enacted into law in 2010, called for sweeping changes in the supervision and regulations of the wealth management industry. Regulators implementing the Dodd-Frank Act have adopted, proposed to adopt, and may in the future adopt regulations that could impact the manner in which we will market HD Vest products and services, manage HD Vest operations, and interact with regulators. As noted above, the Trump Administration has called for a broad review of, and potentially significant changes to, U.S. fiscal laws and regulations which may include the rolling back or even repeal of certain financial regulations, including but not limited to the Dodd-Frank Act. If such changes are enacted, they could have a negative impact on our business.

In April 2016, the DOL published the Fiduciary Rule and two new administrative class exemptions from the prohibited transaction exemptions, as well as amendments to previously granted exemptions under Employee Retirement Income Security Act of 1974, as amended (***"ERISA"***), which redefines the term "fiduciary" and who may be considered a fiduciary under ERISA, *i.e.*, financial institutions and financial advisors, and specifies how such fiduciaries must provide investment advice to individual retirement accounts or other accounts, the assets of which are subject to section 4975 of the Internal Revenue Code (collectively, the ***"Covered Accounts"***). Over the past several quarters, Covered Accounts made up approximately half of HD Vest's assets under administration. The new Fiduciary Rule focuses on conflicts of interest related to investment recommendations made by financial institutions and financial advisors to clients holding Covered Accounts. The rules bring virtually all of the investment products and services HD Vest currently provides to Covered Account owners within the scope of ERISA.

On February 3, 2017, President Trump issued a memorandum directing the Secretary of Labor to prepare an updated analysis of the likely impact of the Fiduciary Rule on investors' access to retirement information and financial advice. As a result of the President's memorandum, the DOL issued a final rule extending the applicability date of the Fiduciary Rule by 60 days, from April 10, 2017 to June 9, 2017, and requiring investment advice fiduciaries relying on certain prohibited transaction exemptions to adhere only to the Impartial Conduct Standards as conditions of those exemptions during a transition period from June 9, 2017 to January 1, 2018 (the ***"Transition Period"***). The Fiduciary Rule will be phased in during the Transition Period.

On May 22, 2017, the DOL issued a temporary enforcement policy covering the Transition Period, during which the DOL will not pursue claims against investment advice fiduciaries who are working diligently and in good faith to comply with their fiduciary duties and to meet the conditions of the prohibited transaction exemptions, or otherwise treat investment advice fiduciaries as being in violation of their fiduciary duties. The Treasury Department and IRS confirmed a similar enforcement policy covering excise taxes and related reporting obligations with respect to transactions covered by the DOL's enforcement policy. The DOL noted in both the temporary enforcement policy and additional guidance regarding the Fiduciary Rule, *i.e.,* FAQs, that it intended to issue a Request for Information (***"RFI"***) for additional public input on specific ideas for possible new exemptions or regulatory changes based on recent public comments and market developments. On June 29, 2017, the DOL issued an RFI, which specifically seeks public input that could delay the January 1, 2018 applicability date, as well as form the basis of new exemptions or modifications to the Fiduciary Rule.

The Fiduciary Rule, should it remain unchanged, will require HD Vest to either: (1) subject Covered Accounts to a level fee arrangement under which (a) the firm and affiliates receive a fee based on a fixed percentage of the value of assets in the account and (b) no ERISA prohibited transactions are otherwise implicated; or (2) comply with one of the DOL prohibited transaction exemptions that impose significant new and additional compliance and disclosure requirements, and restrict the manner in which HD Vest can earn revenue and pay its financial advisors.

Accordingly, it is uncertain whether the Fiduciary Rule will become applicable, when it will be applicable, and what form any final rule might take after the required review is completed. If the Fiduciary Rule is applied in its current form, it will impact how HD Vest (i) designs investment products and services for Covered Accounts, (ii) receives fees, (iii) compensates its financial advisors, and (iv) recruits and retains financial advisors. Additionally, the Fiduciary Rule will require HD Vest to change systems and implement new compliance programs and client disclosures. In addition, if HD Vest relies on the new Best Interest Contract prohibited transaction exemption, the firm will be required to adopt new "impartial conduct" policies and procedures and make contractual representations and warranties to clients that HD Vest will comply with such policies and procedures and abide by fiduciary standards. These requirements, coupled with ambiguity inherent in the Fiduciary Rule, will likely lead to increased regulatory scrutiny and litigation related to the provision of investment advice to Covered Accounts and ERISA investors. Our management has devoted and, if the Fiduciary Rule is applied in its current form, expects to continue to devote substantial time and resources to assess the new rule, implement required policies and procedures, and develop and execute a business strategy in light of the rule, diminishing the firm's ability to focus on other initiatives. Depending on the scope of required changes, if HD Vest is not able to complete necessary modifications to its business practices and operational systems by the applicability date, its ability to process business for Covered Accounts will be negatively impacted. As a result, the Fiduciary Rule and related litigation and regulatory scrutiny could materially and adversely impact our financial condition and results of operations. In addition, investigations, claims, or other actions or proceedings by regulators or third-parties with respect to our compliance with the Fiduciary Rule may also have a material adverse effect on our financial condition and results of operations.

Our ability to comply with all applicable laws, rules and regulations, and interpretations is largely dependent on our establishment and maintenance of compliance, audit, and reporting systems and procedures, as well as our ability to attract and retain qualified compliance, audit, and risk management personnel. While we have adopted systems, policies, and procedures reasonably designed to comply or facilitate compliance with all applicable laws, rules and regulations, and interpretations, these systems, policies, and procedures may not be fully effective. There can be no assurance that we will not be subject to investigations, claims, or other actions or proceedings by regulators or third-parties with respect to our past or future compliance with applicable laws, rules, and regulations, the outcome of which may have a material adverse effect on our financial condition and results of operations.

HD Vest distributes its products and services through financial advisors who affiliate with the firm as independent contractors. There can be no assurance that legislative, judicial, or regulatory (including tax) authorities will not introduce proposals or assert interpretations of existing rules and regulations that would change, or at least challenge, the classification of our financial advisors as independent contractors. Although we believe we have properly classified our advisors as independent contractors, the U.S. Internal Revenue Service or other U.S. federal or state authorities or similar authorities may determine that we have misclassified our advisors as independent contractors for employment tax or other purposes and, as a result, seek additional taxes from us or attempt to impose fines and penalties, which could have a material adverse effect on our business model, financial condition, and results of operations.

RISKS RELATED TO OUR FINANCING ARRANGEMENTS

We incurred debt in connection with the repayment of our credit facility used for the acquisition of HD Vest and the redemption of our convertible senior notes and may incur future debt, which may materially and adversely affect our financial condition and future financial results.

On May 22, 2017, we borrowed $375.0 million in the form of a term loan under a Credit Agreement to which we, and most of our direct and indirect domestic subsidiaries (in their capacity as guarantors), are parties. The final maturity date of the term loan is May 22, 2024. The proceeds of the term loan were used to repay in full the credit facility used for the acquisition of HD Vest and to redeem in full our convertible senior notes. We may also borrow an additional amount under this Credit Agreement of up to $50.0 million under a revolving credit arrangement.

This borrowing may materially and adversely affect our financial condition and future financial results by, among other things:

- increasing our vulnerability to downturns in our businesses, to competitive pressures, and to adverse economic and industry conditions;
- requiring the dedication of a portion of our expected cash from operations to service the indebtedness, thereby reducing the amount of expected cash flow available for other purposes, including capital expenditures and complementary acquisitions;
- increasing our interest payment obligations in the event that interest rates rise; and
- limiting our flexibility in planning for, or reacting to, changes in our businesses and our industries.

Our Credit Agreement imposes restrictions on us, including restrictions on our ability to create liens, incur indebtedness and make investments. In addition, our Credit Agreement includes covenants, the breach of which may cause the outstanding indebtedness to be declared immediately due and payable. This borrowing, and our ability to repay it, may also negatively impact our ability to obtain additional financing in the future and may affect the terms of any such financing.

In addition, we or our subsidiaries, may incur additional debt in the future. Any additional debt may result in risks similar to those discussed above or in other risks specific to the credit agreements entered into for those debts.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See exhibits listed under the Index to Exhibits below.

SIGNATURES

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

BLUCORA, INC.

By:	/s/ Eric M. Emans
	Eric M. Emans Chief Financial Officer (On behalf of the Registrant and as Principal Financial Officer)
Date:	July 27, 2017

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
3.1	Certificate of Amendment to the Restated Certificate of Incorporation of Blucora, Inc.	8-K	June 2, 2017	3.1	
10.1	Employment Agreement by and between Blucora, Inc. and Ann Bruder dated June 19, 2017				X
10.2	Blucora, Inc. Non-Employee Director Compensation Policy	8-K	June 2, 2017	10.1	
10.3	Form of Director Restricted Stock Unit Grant Notice and Award Agreement for Initial Grants to New Directors under the Blucora, Inc. 2015 Incentive Plan as Amended and Restated (the "2015 Incentive Plan")				X
10.4	Form of Director Restricted Stock Unit Grant Notice and Award Agreement for Annual Grants to Directors under the Blucora, Inc. 2015 Incentive Plan				X
10.5	Credit Agreement, dated May 22, 2017, among Blucora, Inc., as borrower, and most of its direct and indirect domestic subsidiaries, as guarantors, and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and each lender from time to time a party to the Credit Agreement	8-K	May 23, 2017	10.1	
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101	The following financial statements from the Company's 10-Q for the fiscal quarter ended June 30, 2017, formatted in XBRL: (i) Unaudited Condensed Consolidated Balance Sheets, (ii) Unaudited Condensed Consolidated Statements of Operations, (iii) Unaudited Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Unaudited Condensed Consolidated Financial Statements				X

Exhibit 10.1

EMPLOYMENT AGREEMENT

This Employment Agreement (this "***Agreement***") is made and entered into effective as of June 19, 2017, by and between Ann Bruder (the "***Executive***") and Blucora, Inc. (the "***Company***").

RECITALS

WHEREAS, the Company desires to employ the Executive as the Company's Chief Legal Officer and Secretary effective June 19, 2017 (the "***Effective Date***"), and the Executive desires to serve in such capacity;

NOW THEREFORE, in consideration of the foregoing, the mutual covenants contained herein, the employment of the Executive by the Company, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. <u>Certain Definitions</u>

(a) "***Additional Employee Agreement***" means the Supplementary Terms of Employment attached hereto as **<u>Exhibit A</u>**.

(b) "***Base Salary***" has the meaning set forth in Section 5(a).

(c) "***Board***" means the Board of Directors of the Company.

(d) "***Cause***" means, as determined by the Board in its reasonable discretion: (i) the Executive's conviction of, or plea of guilty or *nolo contendere* to, a misdemeanor involving dishonesty, wrongful taking of property, immoral conduct, bribery or extortion or any felony; (ii) willful material misconduct by the Executive in connection with the business of the Company; (iii) the Executive's continued and willful failure to perform substantially his responsibilities to the Company under this Agreement, after written demand for substantial performance has been given by the Board that specifically identifies how the Executive has not substantially performed his responsibilities; (iv) the Executive's improper disclosure of confidential information or other material breach of this Agreement, including the Additional Employee Agreement; (v) the Executive's material fraud or dishonesty against the Company; (vi) the Executive's willful and material breach of the Company's written code of conduct and business ethics or other material written policy, procedure or guideline in effect from time to time (provided that the Executive was given access to a copy of such policy, procedure or guideline prior to the alleged breach) relating to personal conduct; or (vii) the Executive's willful attempt to obstruct or willful failure to cooperate with any investigation authorized by the Board or any governmental or self-regulatory entity. Any determination of Cause by the Company shall be made by a resolution approved by a majority of the members of the Board, provided that, with respect to Section 1(d)(iii), the Board must give the Executive notice and 60 days to cure the substantial nonperformance.

(e) "***Change of Control***" means the occurrence of any of the following:

(i) any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act), excluding for this purpose, (A) the Company or any subsidiary of the Company or (B) any employee benefit plan of the Company or any subsidiary of the Company, or any person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan that acquires beneficial ownership of voting securities of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities;

(ii) consummation of a reorganization, merger or consolidation of the Company, in each case, unless, following such transaction, all or substantially all the individuals and entities who were the beneficial owners of outstanding voting securities of the Company immediately prior to such transaction beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the company resulting from such transaction (including, without limitation, a company that, as a result of such transaction, owns the Company or all or substantially all the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such transaction of the outstanding voting securities of the Company;

(iii) any sale or disposition by the Company, in one transaction or a series of related transactions, of all or substantially all the Company's assets;

(iv) a "***Board Change***" which, for purposes of this Agreement, shall have occurred if a majority of the seats on the Board are occupied by individuals who were neither (A) nominated by a majority of the Incumbent Directors nor (B) appointed by directors so nominated ("***Incumbent Director***" means a member of the Board who has been either (1) nominated by a majority of the directors of the Company then in office or (2) appointed by directors so nominated, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board); or

(v) an approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(f) "***Code***" means the Internal Revenue Code of 1986, as amended.

(g) "***Compensation Committee***" means the Compensation Committee of the Board.

(h) "***Constructive Termination***" means the occurrence, on a date that is prior to the two-month period prior to the consummation of a Change of Control or after the 12-month period following the consummation of a Change of Control, of any of the following without the Executive's express prior written consent: (i) a material reduction of or to the Executive's duties, authority or responsibilities (a change in reporting relationship alone does not constitute such a material reduction); (ii) a material reduction by the Company of the Executive's Base Salary, unless similarly situated executives also experience a reduction; or (iii) a requirement that the Executive relocate his primary work location more than 25 miles from Irving, Texas or from any work location to which the Company transfers the Executive during the course of his employment and to which such transfer the Executive has consented. Notwithstanding the foregoing, a Constructive Termination shall not exist unless (x) the Executive delivers written notice to the Company (the "***Constructive Termination Notice***") of the existence of the condition which the Executive believes constitutes a Constructive Termination within 30 days of the initial existence of such condition (which Constructive Termination Notice specifically identifies such condition), (y) the Company fails to remedy such condition within 30 days after the date on which it receives such notice (the "***Constructive Termination Cure Period***"), and (z) the Executive actually terminates employment within 30 days after the expiration of the Constructive Termination Cure Period.

(i) "***Disability***" means the Executive's inability to perform his employment duties to the Company hereunder, with or without reasonable accommodation, for 180 days (in the aggregate) in any one-year period as determined by an independent physician selected by the Company.

(j) "***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

(k) "***Good Reason***" means the occurrence of any of the following without the Executive's express prior written consent: (i) a material reduction of or to the Executive's duties, authority, responsibilities or reporting relationship; (ii) a material reduction of the Executive's Base Salary; (iii) a material reduction of the Executive's Target Bonus; (iv) a material reduction in the kind or level of employee benefits to which the Executive is entitled that occurs within 12 months following a Change of Control, unless similarly situated employees also experience a reduction; (v) a requirement that the Executive relocate his primary work location more than 25 miles from Irving, Texas or from any work location to which the Company transfers the Executive during the course of his employment and to which such transfer the Executive has consented; (vi) in connection with a Change of Control, the failure of the Company to assign this Agreement to a successor to the Company or the failure of a successor to the Company to explicitly assume and agree to be bound by this Agreement in a writing delivered to the Executive; or (vii) a material breach of this Agreement by the Company.

Notwithstanding the foregoing, termination of employment by the Executive will not be for Good Reason unless (x) the Executive delivers written notice to the Company (the "***Good Reason Notice***") of the existence of the condition which the Executive believes constitutes Good Reason within 30 days of the initial existence of such condition (which Good Reason Notice specifically identifies such condition), (y) the Company fails to remedy such condition within 30 days after the date on which it receives such notice (the "***Good Reason Cure Period***"), and (z) the Executive actually terminates employment within 30 days after the expiration of the Good Reason Cure Period.

(l) "***Release***" means a full release of claims against the Company substantially in the form attached hereto as **Exhibit B**; provided, however, that notwithstanding the foregoing, such Release is not intended to and will not waive the Executive's rights: (i) to indemnification pursuant to any applicable provision of the Company's Bylaws or Certificate of Incorporation, as amended, pursuant to any written indemnification agreement between the Executive and the Company, or pursuant to applicable law; (ii) to vested benefits or payments specifically to be provided to the Executive under this Agreement or any Company employee benefit plans or policies; or (iii) respecting any claims the Executive may have solely by virtue of the Executive's status as a stockholder of the Company. The Release also shall not include claims that an employee cannot lawfully release through execution of a general release of claims.

(m) "***Section 409A***" means Section 409A of the Code and the Treasury Regulations and official guidance issued in respect of Section 409A of the Code.

(n) "***Target Bonus***" has the meaning set forth in Section 5(b).

2. Duties and Scope of Employment

The Company shall employ the Executive in the position of Chief Legal Officer and Secretary. The Executive shall report directly to the Company's President and Chief Executive Officer. The Executive will render such business and professional services in the performance of the Executive's duties, consistent with the Executive's position(s) within the Company, as shall be reasonably assigned to the Executive at any time and from time to time by the President and Chief Executive Officer. Upon termination of the Executive's employment for any reason, unless otherwise requested by the President and Chief Executive Officer, the Executive will be deemed to have resigned from all positions held at the Company and its affiliates voluntarily, without any further action by the Executive, as of the end of the Executive's employment, and the Executive, at the President and Chief Executive Officer's request, will execute any documents necessary to reflect his resignation.

3. Obligations

While employed hereunder, the Executive will perform his duties ethically, faithfully and to the best of the Executive's ability and in accordance with law and Company policy. The Executive agrees not to actively engage in any other employment, occupation or consulting activity for any direct or indirect remuneration without the express prior written approval of the Company's President and Chief Executive Officer; provided, however, that notwithstanding anything to the contrary in the Additional Employee Agreement, the Executive may engage in charitable activities so long as such activities do not materially interfere with the Executive's responsibilities to the Company.

4. Agreement Term

Unless earlier terminated as provided herein, the term of this Agreement (the "***Agreement Term***") shall be for a period of three years commencing on the Effective Date, and may be extended thereafter upon the written mutual agreement of the Executive and the Company.

5. Compensation and Benefits

(a) Base Salary. The Company agrees to pay the Executive a base salary (the "***Base Salary***") at an annual rate of not less than $350,000, payable in accordance with the regular payroll practices of the Company, but not less frequently than monthly. The Executive's Base Salary shall be subject to annual review by the Board (or a committee thereof).

(b) Relocation Expenses; Signing Bonus. Executive shall be entitled to reimbursement for reasonable relocation expenses actually incurred, including purchase and sale transaction expenses, temporary housing costs and related incidental expenses, in an aggregate amount up to $150,000, grossed up so that such expenses are tax-neutral to Executive ("**Relocation Expenses**"). The Company will also pay Executive a signing bonus of $200,000, less social security contributions, income tax withholding, and any other applicable deductions, within 30 days following the Effective Date ("***Signing Bonus***"). If Executive resigns her employment with the Company for any reason, or if Executive is terminated by the Company for cause, and such resignation or termination occurs on or before the two-year anniversary of the Effective Date, Executive will repay the Company all amounts paid to Executive as Relocation Expenses and Signing Bonus.

(c) Annual Bonus. Beginning in 2017, the Executive shall be eligible to participate in the Company's bonus and other incentive compensation plans and programs for the Company's senior executives at a level commensurate with his position. The Executive shall have the opportunity to earn an annual target bonus (the "***Target Bonus***") measured against criteria to be determined by the Board (or a committee thereof) of at least 60% of Base Salary. Executive's bonus amount for 2017 will be pro-rated to reflect the number of days of Executive's employment in 2017 and will be no lower than the pro-rated amount of Executive's Target Bonus (i.e., if Executive is employed in 2017 for 50% of the year, Executive's bonus will be $105,000 (50% of $210,000)). The payout of such bonus will occur following the end of the Company's Executive Bonus Plan (the "***Plan***") year, which is December 31, 2017, and will be paid in accordance with the terms and conditions of the Plan. The Company reserves the right to change the Plan at any time at its discretion.

(d) Equity Awards. Beginning in 2018, the Executive will be eligible to participate in the Company's long-term equity incentive programs extended to senior executives of the Company generally at levels commensurate with the Executive's position, which participation and levels shall be determined by the Board (or a committee thereof) in its sole discretion.

(e) Benefits. The Executive and his eligible dependents shall be eligible to participate in the employee benefit plans that are available or that become available to other employees of the Company, with the adoption or maintenance of such plans to be in the discretion of the Company, subject in each case to the generally applicable terms and conditions of the plan or program in question and to the determination of any committee administering such plan or program. Such benefits shall include participation in the group medical, life, disability, and retirement plans that are made generally available to employees of the Company, and any supplemental plans available to senior executives of the Company from time to time. The Company reserves the right to change or terminate its employee benefit plans and programs at any time.

(f) Expenses. The Company shall reimburse the Executive for reasonable business expenses incurred by the Executive in the furtherance of or in connection with the performance of the Executive's duties hereunder, in accordance with the Company's expense reimbursement policy as in effect from time to time.

(g) Initial Equity Awards. As a material inducement to Executive's willingness to accept employment with the Company, on or shortly following the Effective Date, the Executive shall be granted restricted stock units with a value of $350,000 on the grant date, and a nonqualified stock option with a value of $350,000 on the grant date. The number of restricted stock units granted to the Executive shall be determined by dividing $350,000 by the closing price of the Company's common stock on the grant date. The number of shares of the Company's common stock subject to the option shall be based on the Company's option valuation methodology. These equity awards will be granted under the Company's 2015 Incentive Plan, as amended (the "***2015 Plan***") and will vest in accordance with, and have such other terms and conditions as are specified in, the Restricted Stock Unit Notice and Letter Agreement and the Nonqualified Stock Option Letter Agreement approved by the Compensation Committee with respect to such awards (the "***Restricted Stock Unit Agreement***" and the "***NSO Agreement***") and shall otherwise be subject to the terms and conditions of the Inducement Plan and the Restricted Stock Unit Agreement and the NSO Agreement; provided, however, that notwithstanding the foregoing, in the event of a conflict between the terms and conditions of the Restricted Stock Unit Agreement or the NSO Agreement and this Agreement, the terms and conditions of this Agreement shall prevail.

6. Termination of Employment

(a) General Provisions. This Agreement and the Executive's employment with the Company may be terminated by either the Executive or the Company at will at any time with or without Cause; provided, however, that the parties' rights and obligations upon such termination during the Agreement Term shall be as set forth in applicable provisions of this Agreement; and provided, further, that Section 6(d) provides for payments in the event of certain terminations of employment after the expiration of the Agreement Term.

(b) <u>Any Termination by Company or Executive</u>. In the event of any termination of the Executive's employment with the Company, whether by the Company or by the Executive, (i) the Company shall pay the Executive any unpaid Base Salary due for periods prior to the date of termination of employment ("***Termination Date***"); (ii) the Company shall pay the Executive any unpaid bonus compensation pursuant to Section 5(b), to the extent earned through the Termination Date; (iii) ; and (iii) following submission of proper expense reports by the Executive, the Company shall reimburse the Executive for all expenses reasonably and necessarily incurred by the Executive in connection with the business of the Company through the Termination Date (collectively, the "***Accrued Obligations***"). The Accrued Obligations shall be paid promptly upon termination and within the period of time mandated by applicable law (but, in any event, within 30 days after the Termination Date). The Accrued Obligations paid or provided pursuant to this Section 6(b) shall be in addition to the payments and benefits, if any, to be provided to the Executive upon her termination of employment pursuant to Section 6(c), 6(d), 6(e), or 6(f). Except as expressly stated above or as required by law or this Agreement, the Executive shall receive no further compensation in any form other than as set forth in this Section 6(b).

(c) <u>Termination by Company Without Cause or Constructive Termination</u>. If, other than in connection with a Change of Control as described in Section 6(d), the Executive's employment with the Company is terminated by the Company without Cause or the Executive terminates employment with the Company under circumstances constituting a Constructive Termination, then subject to Section 6(g), the Executive shall receive the following payments and benefits:

(i) a severance payment in an amount equal to one times the Executive's Base Salary in effect as of the Termination Date (or if the Executive terminates employment under circumstances constituting a Constructive Termination due to a material reduction of the Executive's Base Salary, in effect immediately prior to such reduction) (less applicable withholding taxes), which amount shall be payable in a single lump sum on the first payroll date that is at least 60 days following the Termination Date (but, in any event, by no later than March 15 of the calendar year immediately following the calendar year that includes the Termination Date), in accordance with Section 13(b)(ii); and

(ii) a lump-sum payment in an amount equal to (A) the monthly COBRA premium in effect under the Company's group health plan as of the Termination Date for the coverage in effect under such plan for the Executive (and the Executive's spouse and dependent children) on such date multiplied by (B) 12 (less applicable withholding taxes), which amount shall be payable in a single lump sum on the first payroll date that is at least 60 days following the Termination Date (but, in any event, by no later than March 15 of the calendar year immediately following the calendar year that includes the Termination Date), in accordance with Section 13(b)(ii); provided, however, that notwithstanding the foregoing or any other provision in this Agreement to the contrary, the Company (or its successor) may unilaterally amend this Section 6(c)(ii) or eliminate the benefit provided hereunder to the extent it deems necessary to avoid the imposition of excise taxes, penalties or similar charges on the Company or any of its subsidiaries, affiliates or successors, including, without limitation, under Section 4980D of the Code.

Notwithstanding any provision to the contrary in any Company equity compensation plan or any outstanding equity award agreement, if, during the Agreement Term, the Executive terminates employment with the Company under circumstances described in this Section 6(c), there shall be no acceleration of vesting or exercisability of any outstanding equity awards or extension of any option post-termination exercise period.

For the avoidance of doubt, under no circumstances will the Executive be entitled to payments and benefits under both this Section 6(c) and Section 6(d).

(d) Termination of Employment in Connection With a Change of Control. If the Company terminates the Executive's employment without Cause or the Executive terminates employment with the Company for Good Reason (1) on the day of or during the 12-month period immediately following the consummation of a Change of Control or (2) 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 subject to Section 6(g) and with respect to clause (2), subject to the consummation of such Change of Control, the Executive shall receive the following payments and benefits:

(i) a severance payment in an amount equal to one times the Executive's Base Salary in effect as of the Termination Date and his then current Target Bonus amount (or if the Executive terminates employment for Good Reason due to a material reduction of the Executive's Base Salary or Target Bonus, in effect immediately prior to such reduction) (in each case less applicable withholding taxes), which amount shall be payable in a single lump sum on the first payroll date that is at least 60 days following the Termination Date (but, in any event, by no later than March 15 of the calendar year immediately following the calendar year that includes the Termination Date), in accordance with Section 13(b)(ii);

(ii) a lump-sum payment in an amount equal to (A) the monthly COBRA premium in effect under the Company's group health plan as of the Termination Date for the coverage in effect under such plan for the Executive (and the Executive's spouse and dependent children) on such date multiplied by (B) 12 (less applicable withholding taxes), which amount shall be payable in a single lump sum on the first payroll date that is at least 60 days following the Termination Date (but, in any event, by no later than March 15 of the calendar year immediately following the calendar year that includes the Termination Date), in accordance with Section 13(b)(ii); provided, however, that notwithstanding the foregoing or any other provision in this Agreement to the contrary, the Company (or its successor) may unilaterally amend this Section 6(d)(ii) or eliminate the benefit provided hereunder to the extent it deems necessary to avoid the imposition of excise taxes, penalties or similar charges on the Company or any of its subsidiaries, affiliates or successors, including, without limitation, under Section 4980D of the Code; and

(iii) notwithstanding any provision to the contrary in any applicable equity compensation plan or any outstanding equity award agreement, the treatment of the Executive’s outstanding equity awards shall be governed solely by the following provisions: (A) all of the Executive's then-outstanding time-vesting equity awards shall fully vest and all restrictions thereon shall lapse, and (B) to the extent vested (including as a result of the acceleration provided under this Section 6(d)(iii)), all of the Executive's outstanding stock options shall remain exercisable until the first to occur of 12 months following the Termination Date and each such stock option's original expiration date.

If a Change of Control is consummated prior to the expiration of the Agreement Term, this Section 6(d) shall apply to a termination of the Executive's employment by the Company without Cause or by the Executive for Good Reason during the 12-month period immediately following the consummation of the Change of Control even if such 12-month period extends past the expiration of the Agreement Term. Moreover, notwithstanding the expiration of the Agreement Term, if a Change of Control is consummated within two months after the expiration of the Agreement Term, then this Section 6(d) shall apply to a termination of the Executive's employment by the Company without Cause or by the Executive for Good Reason (i) on the day of or during the 12-month period immediately following the consummation of the Change of Control or (ii) during the 2-month period prior to the consummation of the 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.

For the avoidance of doubt, the payments and benefits described under this Section 6(d) and the Accrued Obligations shall be the only payments and benefits to which the Executive is entitled in the event that the Executive's employment terminates under this Section 6(d).

(e) Death. In the event of the Executive's death while employed hereunder, and subject to Section 6(g), the Executive's beneficiary (or such other person(s) specified by will or the laws of descent and distribution) shall be entitled to receive a lump-sum payment in an amount equal to three months' Base Salary in effect as of the Termination Date (less applicable withholding taxes), which amount shall be payable in a single lump sum on the first payroll date that is at least 60 days following the Termination Date (but, in any event, by no later than March 15 of the calendar year immediately following the calendar year that includes the Termination Date), in accordance with Section 13(b)(ii).

(f) Disability. In the event of the Executive's termination of employment with the Company due to Disability, and subject to Section 6(g), the Executive shall be entitled to receive a lump-sum payment in an amount equal to six months' Base Salary in effect as of the Termination Date (less applicable withholding taxes), which amount shall be payable in a single lump sum on the first payroll date that is at least 60 days following the Termination Date (but, in any event, by no later than March 15 of the calendar year immediately following the calendar year that includes the Termination Date), in accordance with Section 13(b)(ii).

(g) Release and Other Conditions. The payments and benefits described in Sections 6(c) through 6(f) are expressly conditioned on (i) the Executive (or, in the case of the Executive's death, the Executive's representative) signing and delivering (and not revoking thereafter) a Release to the Company (which, in the case of the Executive's death, also releases any claims by the Executive's estate or survivors), which Release is executed, delivered and effective no later than 60 days following the Termination Date and (ii) the Executive continuing to satisfy any obligations to the Company under this Agreement, the Release and the Additional Employee Agreement that are incorporated herein by reference, and any other agreement(s) between the Executive and the Company. In the event the Release described in Section 6(g)(i) is not executed, delivered and effective by the 60th day after the Termination Date, none of such payments or benefits shall be provided to the Executive.

7. Section 280G

(a) Amount of Payments and Benefits. Notwithstanding anything to the contrary herein, in the event that the Executive becomes entitled to receive or receives any payments, options, awards or benefits (including, without limitation, the monetary value of any noncash benefits and the accelerated vesting of equity-based awards) under this Agreement or under any other plan, agreement or arrangement with the Company or any person affiliated with the Company (collectively, the "***Payments***"), that may separately or in the aggregate constitute "parachute payments" within the meaning of Section 280G of the Code and the Treasury Regulations promulgated thereunder (or any similar or successor provision) (collectively, "***Section 280G***") and it is determined that, but for this Section 7(a), any of the Payments will be subject to any excise tax pursuant to Section 4999 of the Code or any similar or successor provision (the "***Excise Tax***"), the Company shall pay to the Executive either (i) the full amount of the Payments or (ii) an amount equal to the Payments, reduced by the minimum amount necessary to prevent any portion of the Payments from being an "excess parachute payment" (within the meaning of Section 280G) (the "***Capped Payments***"), whichever of the foregoing amounts results in the receipt by the Executive, on an after-tax basis, of the greatest amount of Payments notwithstanding that all or some portion of the Payments may be subject to the Excise Tax. For purposes of determining whether the Executive would receive a greater after-tax benefit from the Capped Payments than from receipt of the full amount of the

Payments, (i) there shall be taken into account any Excise Tax and all applicable federal, state and local taxes required to be paid by the Executive in respect of the receipt of such payments and (ii) such payments shall be deemed to be subject to federal income taxes at the highest rate of federal income taxation applicable to individuals that is in effect for the calendar year in which the payments and benefits are to be paid, and state and local income taxes at the highest rate of taxation applicable to individuals in the state and locality of the Executive's residence on the effective date of the relevant transaction described under Section 280G(b)(2)(A)(i) of the Code, net of the maximum reduction in federal income taxes that could be obtained from deduction of such state and local taxes (as determined by assuming that such deduction is subject to the maximum limitation applicable to itemized deductions under Section 68 of the Code and any other limitations applicable to the deduction of state and local income taxes under the Code).

(b) Computations and Determinations. All computations and determinations called for by this Section 7 shall be made by an independent accounting firm or independent tax counsel appointed by the Company (the "***Tax Counsel***"), and all such computations and determinations shall be conclusive and binding on the Company and the Executive. For purposes of such calculations and determinations, the Tax Counsel may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Tax Counsel shall submit its determination and detailed supporting calculations to both the Executive and the Company within 15 days after receipt of a notice from either the Company or the Executive that the Executive may receive payments which may be considered "parachute payments." The Company and the Executive shall furnish to the Tax Counsel such information and documents as the Tax Counsel may reasonably request in order to make the computations and determinations called for by this Section 7. The Company shall bear all costs that the Tax Counsel may reasonably incur in connection with the computations and determinations called for by this Section 7.

(c) Reduction Methodology. In the event that Section 7(a) applies and a reduction is required to be applied to the Payments thereunder, the Payments shall be reduced by the Company in its reasonable discretion in the following order: (i) reduction of any Payments that are subject to Section 409A on a pro-rata basis or such other manner that complies with Section 409A, as determined by the Company, and (ii) reduction of any Payments that are exempt from Section 409A.

8. No Impediment to Agreement

The Executive hereby represents to the Company that the Executive is not, as of the date hereof, and will not be, during the Executive's employment with the Company, employed under contract, oral or written, by any other person, firm or entity, and is not and will not be bound by the provisions of any restrictive covenant or confidentiality agreement that would constitute an impediment to, or restriction upon, the Executive's ability to enter this Agreement and to perform the duties of the Executive's employment.

9. Additional Employee Agreement

The Additional Employee Agreement is incorporated herein by reference. The Additional Employee Agreement shall survive the termination of this Agreement and/or the Executive’s employment with the Company.

10. Arbitration

(a) Executive agrees that any dispute and/or claim between the Company (including without limitation its officers, directors, employees agents or shareholders and its subsidiaries) and Executive that underlies, relates to and/or results from Executive's employment relationship with the Company or the termination of that relationship or any of the terms of this Agreement, including the Additional Employee Agreement, that cannot be resolved by mutual agreement of the Company and Executive will be submitted to final, binding arbitration to the maximum extent permitted by law in accordance with the *National Rules for the Resolution of Employment Disputes* of the American Arbitration Association that are then in effect. This arbitration provision includes, but is not limited to, claims of wrongful discharge, infliction of emotional distress, breach of contract (including breach of this Agreement), breach of any covenant of good faith and fair dealing, and claims of retaliation and/or discrimination in violation of any local, state or federal law. Examples of such laws include Title VII of the Civil Rights Act of 1964; the Age Discrimination in Employment Act of 1967; the Americans with Disabilities Act of 1990; and the Family and Medical Leave Act of 1993, and all amendments to each such law as well as the regulations issued thereunder. This arbitration provision does not affect the Executive's right to pursue worker's compensation or unemployment compensation benefits for which she may be eligible in accordance with state law, nor does it affect the Executive's right to file and/or to cooperate in the investigation of an administrative charge of discrimination.

(b) Notwithstanding this arbitration provision, either the Executive or the Company may apply to any court of competent jurisdiction for a temporary restraining order, preliminary injunction, or other interim or conservatory relief, as necessary, without breach of this Agreement and without abridgement of the powers of the arbitrator.

(c) The Company, as further consideration for Executive's agreement to arbitrate covered disputes, agrees to pay for the arbitrator's fees and other costs directly associated with the arbitration that would not otherwise be charged if the parties pursued civil litigation in court.

11. Successors; Personal Services

The services and duties to be performed by the Executive hereunder are personal and may not be assigned or delegated. This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and the Executive and the Executive's heirs and representatives.

12. Notices

Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Executive, mailed notices shall be addressed to the Executive at the home address the Executive most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its President & Chief Executive Officer.

13. Section 409A

(a) The parties intend that this Agreement and the payments and benefits provided hereunder be exempt from the requirements of Section 409A, to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation Section 1.409A-1(b)(4), the involuntary separation pay plan exception described in Treasury Regulation Section 1.409A-1(b)(9)(iii), or otherwise. To the extent Section 409A is applicable to this Agreement, the parties intend that this Agreement and any payments and benefits thereunder comply with the deferral, payout and other limitations and restrictions imposed under Section 409A. Notwithstanding anything herein to the contrary, this Agreement shall be interpreted, operated and administered in a manner consistent with such intentions.

(b) Without limiting the generality of the foregoing, and notwithstanding any other provision of this Agreement to the contrary:

(i) if the Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Section 409A, then with regard to any payment that is considered a "deferral of compensation" under Section 409A payable on account of a "separation from service," such payment shall be made on the date which is the earlier of (A) the date that is six months and one day after the date of such "separation from service" of the Executive and (B) the date of the Executive's death (the "***Delay Period***"), to the extent required under Section 409A. Within ten business days following the expiration of the Delay Period, all payments delayed pursuant to this Section 13(b)(i) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid to the Executive in a lump sum, and all remaining payments due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for those payments in this Agreement;

(ii) to the extent that any payments or benefits under this Agreement are conditioned on a Release, if the Release is executed and delivered by the Executive to the Company and becomes irrevocable and effective within the specified 60-day post-termination period, then, subject to Section 13(b)(i) and to the extent not exempt under Section 409A, such payments or benefits shall be made or commence on the first payroll date after the date that is 60 days after the Termination Date (but, in any event, by no later than March 15 of the calendar year immediately following the calendar year that includes the Termination Date). If a payment or benefit under this Agreement is conditioned on a Release and such Release is not executed, delivered and effective by the 60th day after the Termination Date, such payment or benefit shall not be paid or provided to the Executive;

(iii) all expenses or other reimbursements under this Agreement shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Executive. No such reimbursement or expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year, and the Executive's right to reimbursement shall not be subject to liquidation or exchange for any other benefit;

(iv) for purposes of Section 409A, the Executive's right to receive a series of installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within 30 days"), the actual date of payment within the specified period shall be within the sole discretion of the Company;

(v) in no event shall any payment under this Agreement that constitutes a "deferral of compensation" for purposes of Section 409A be offset by any other payment pursuant to this Agreement or otherwise; and

(vi) to the extent required for purposes of compliance with Section 409A, termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A, and for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service."

(c) The Company and the Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions that may be necessary, appropriate, or desirable to avoid imposition of additional tax or income recognition on the Executive under Section 409A, in each case to the maximum extent permitted by applicable law. Notwithstanding any provision of this Agreement to the contrary, (i) in no event will the Company be liable for any additional tax, interest or penalty that may be imposed on the Executive by Section 409A or damages for failing to comply with Section 409A and (ii) the Executive acknowledges and agrees that the Executive will not have any claim or right of action against the Company or any of its employees, officers, directors or agents in the event it is determined that any payment or benefit provided hereunder does not comply with Section 409A.

14. Miscellaneous Provisions

(a) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(b) Entire Agreement. This Agreement (including exhibits) shall supersede and replace all prior agreements or understandings relating to the subject matter hereof, and no agreements, representations or understandings (whether oral or written or whether express or implied) that are not expressly set forth in this Agreement have been made or entered into by either party with respect to the relevant matters hereof. This Agreement may not be modified except expressly in a writing signed by both parties.

(c) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the internal substantive laws of the State of Texas without reference to any choice of law rules.

(d) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(e) No Assignment of Benefits. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, in respect of bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Section 14(e) shall be void.

(f) No Duty to Mitigate. The Executive shall not be required to mitigate the amount of any payment contemplated by this Agreement, nor shall any such payment be reduced by any earnings that the Executive may receive from any other source.

(g) Employment Taxes. All payments made pursuant to this Agreement will be subject to withholding of all applicable income, employment and other taxes.

(h) Assignment by Company. The Company may assign its rights under this Agreement to an affiliate (as defined under the Exchange Act), and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company. In the case of any such assignment, the term "Company" when used in a section of this Agreement shall mean the corporation that actually employs the Executive.

(i) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

[Signature page follows.]

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

BLUCORA, INC.

By:/s/ JOHN S. CLENDENING
Name: John S. Clendening
Title: President and Chief Executive Officer

EXECUTIVE:

/s/ ANN BRUDER
Ann Bruder

EXHIBIT A

Supplementary Terms of Employment —Chief Legal Officer and Secretary.

In consideration of my employment by Blucora, Inc., a Delaware corporation and its subsidiaries, affiliates, successors or assigns (collectively herein the "***Company***"), and in consideration of the compensation now and hereafter paid to me, I agree to the following terms and conditions of my employment relationship with the Company (the "***Agreement***") which supplement the terms of my employment agreement with the Company, dated as of June 19, 2017 (the "***Employment Agreement***"):

Section I — General Terms

1. At-Will Employment: I acknowledge that my employment will be of indefinite duration and that either the Company or I will be free to terminate this employment relationship at will at any time with or without cause. I also acknowledge that any representations to the contrary are unauthorized and void, unless contained in a separate written employment contract approved by the Board of Directors of the Company or a Committee thereof. I further acknowledge that the terms and conditions of this Agreement shall survive termination of my employment.

2. Outside Activities and Investments: I will devote my best efforts to furthering the best interests of the Company. During my employment, I will not engage in any activity or investment (other than an investment of less than one percent (1%) of the shares of a company traded on a registered stock exchange), that (a) conflicts with the Company's business interest, including without limitation, any business activity contemplated by this Agreement, (b) occupies my attention so as to interfere with the proper and efficient performance of my duties at the Company, or (c) interferes with the independent exercise of my judgment in the Company's best interests.

Also, during my employment by the Company, I will not actively engage in any other employment, occupation or consulting activity for any direct or indirect remuneration without the prior approval of the Company's Board of Directors or a duly authorized Committee thereof. I have listed on the Company's Outside Activity Disclosure form, attached hereto as Exhibit A, any business activities or ventures with which I am currently involved.

3. Return of Company Property: At the time I leave the employ of the Company or at the Company's request, I will return to the Company all papers, drawings, notes, memoranda, manuals, specifications, designs, devices, documents, diskettes and tapes, and any other material on any media containing or disclosing any confidential or proprietary technical or business information of the Company or any third party to whom the Company owes a duty of confidentiality. I will also return any keys, pass cards, identification cards or any other property belonging to the Company. Anything to the contrary notwithstanding, I shall be entitled to retain (i) papers and other materials of a personal nature, including, but not limited to, photographs, correspondence, personal diaries, calendars and rolodexes, personal files and phone books, (ii) information showing my compensation or relating to reimbursement of expenses, and (iii) copies of compensatory plans, programs and agreements with the Company.

4. Obligation to Disclose This Agreement: For a period of one (1) year after termination of my employment for any reason (the "***Post-Employment Year***"), I agree to inform any new employer, prior to accepting any such new employment, of the existence and terms of this Agreement and to provide such new employer with a copy of this Agreement.

Section II — Non-Disclosure

5. Non-Disclosure of the Company Information: During my employment with the Company and at any time thereafter, I will not disclose to anyone outside the Company nor use for any purpose other than my work for the Company any confidential or proprietary technical, financial, marketing, distribution or business information or trade secrets of the Company, including without limitation, concepts, techniques, processes, methods, systems, designs, cost data, computer programs, formulas, development or experimental work, work in progress, or information or details regarding the Company's relationships with customers, vendors, partners and suppliers (collectively "***The Company Confidential Information***"). I will also not disclose any The Company Confidential Information inside the Company except on a "need to know" basis. If I have any questions as to what comprises such The Company Confidential Information, or to whom, if anyone, inside the Company, it may be disclosed, I will consult the Company's Chief Legal & Administrative Officer. Anything herein to the contrary notwithstanding, The Company Confidential Information does not include information which (i) is disclosed as required by law, provided that I give the Company prompt written notice of such requirement prior to such disclosure and assistance in obtaining an order protecting the information from public disclosure and (ii) as to information that becomes generally known to the public other than due to my violation of any legal contractual or fiduciary confidentiality obligation.

6. Non-Disclosure of Third-Party Information Obtained through the Company: The Company has received and will receive confidential and proprietary information from third parties subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. During my employment with the Company and thereafter, I will not disclose such confidential or proprietary information to anyone except as necessary in carrying out my work for the Company and consistent with the Company's agreement with such third party. I will not use such information for the benefit of anyone other than the Company or such third party, or in any manner inconsistent with any agreement between the Company and such third party of which I am made aware.

7. Non-Disclosure of Third-Party Information Obtained Elsewhere: During my employment at the Company I will not improperly use or disclose any confidential or proprietary information or trade secrets of my former or current employers, principals, partners, co-ventures, clients, customers, or suppliers, or the vendors or customers of such persons or entities, unless such persons or entities have given consent to my use or disclosure. I will not violate any non-disclosure or proprietary rights agreement I might have signed in connection with any such person or entity.

Section III — Invention Assignment, Release and Cooperation

8. Invention Assignment and Release: I will make prompt and full disclosure to the Company, will hold in trust for the sole benefit of the Company, and will assign and hereby do assign exclusively to the Company all my right, title and interest in and to any and all inventions, discoveries, designs, developments, improvements, copyrightable material, and trade secrets (collectively herein "***Inventions***") that I, solely or jointly, may conceive, develop, or reduce to practice during the period of time I am in the employ of the Company. I hereby waive and quitclaim to the Company any and all claims of any nature whatsoever that I now or hereafter may have for infringement of any patent resulting from any patent applications for any Inventions so assigned to the Company. I will assign to the Company or its designee all right, title and interest in and to any and all Inventions full title to which may be required to be in the United States by any contract between the Company and the United States or any of its agencies.

My obligation to assign shall not apply to any Invention about which I can prove that it was developed entirely on my own time; and

a) No equipment, supplies, facility, or trade secret information of the Company was used in its development; and

b) It does not relate (1) directly to the business of the Company or (2) to the actual or demonstrably anticipated research or development of the Company; and

c) It does not result from any work performed by me for the Company.

9. Prior Inventions: I have listed and described on Exhibit B, attached hereto, all Inventions belonging to me and made by me prior to my employment at the Company that I wish to have excluded from this Agreement. If Exhibit B is left blank, I represent that there are no such Inventions. If, in the course of my employment at the Company, I use in or incorporate into an the Company product, process, or machine an Invention owned by me or in which I have an interest that is not on Exhibit B and is related (1) directly to the business of the Company or (2) to the actual or demonstrably anticipated research or development of the Company, the Company is hereby granted and shall have a non-exclusive, fully-paid up, royalty-free, irrevocable, worldwide license to make, have made, use and sell that Invention without restriction as to the extent of my ownership or interest.

10. Cooperation: I will execute any proper oath or verify any proper document in connection with carrying out the terms of this Agreement. If, because of my mental or physical incapacity or for any other reason whatsoever, the Company is unable to secure my signature to apply for or to pursue any application for any United States or foreign patent or copyright covering Inventions assigned to the Company as stated above, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, to act for me and in my behalf and stead to execute and file any such applications and to all other lawfully permitted acts to further the prosecution and issuance of U.S. and foreign patents and copyrights thereon with the same legal force and effect as if executed by me. I will testify at the Company's request and expense in any interference, litigation, or other legal proceeding that may arise during or after my employment. Notwithstanding anything to the contrary contained herein, (i) in requesting your cooperation under this Section 10 following the termination of your employment, the Company shall take into account your personal and business commitments and (iii) in any event, in complying with your obligations under this Section 10, you shall not be required to act against your own legal interests.

Section IV — Non-Competition and Non-Solicitation

11. Non-Competition: During the Post-Employment Year, I will not, within the United States, Canada, and any other region where the Company engages in the Company's business (as defined below) during my employment with the Company, accept employment with any entity whose business is, or engage in any activities that are, competitive with the Company's business. For purposes of this paragraph 11, "the Company's business" shall mean (a) tax preparation and tax preparation-related products and services provided to consumers and small businesses, and to or through tax professionals; (b) investment and insurance products or services, and related advice and brokerage services, provided to or through tax professionals or in conjunction with tax preparation services and (c) any other business the Company engages in or develops during Executive's employment with the Company.

12. Non-Solicitation: While employed at the Company and during the Post-Employment Year, on my own behalf or on behalf of any other person or entity, I will not solicit, induce or attempt to influence directly or indirectly any employee of the Company to work for me or any other person or entity for whom I work or intend to work, nor will I solicit, induce or attempt to influence directly or indirectly any customer, business partner, supplier or vendor of the Company to terminate his/her/its business relationship with the Company.

Section V — Arbitration

13. Mutual Agreement to Arbitrate: I understand that the Company is committed to resolving any employment related disputes and claims efficiently and effectively, while preserving due process safeguards, through the use of binding arbitration. I agree that any dispute and/or claim between the Company (including without limitation its officers, directors, employees agents or shareholders) and me that underlies, relates to and/or results from my employment relationship with the Company or any of the terms of this Agreement, including the confidentiality, non-compete and non-solicitation requirements, that cannot be resolved by mutual agreement of the Company and me will be submitted to final, binding arbitration to the maximum extent permitted by law in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association that are then in effect.

I understand that this Agreement governs any claim I have that underlies, relates to and/or results from my employment relationship with the Company or the termination of that relationship, including, but not limited to, claims of wrongful discharge, infliction of emotional distress, breach of contract (including breach of this Agreement), breach of any covenant of good faith and fair dealing, and claims of retaliation and/or discrimination in violation of any local, state or federal law. Examples of such laws include Title VII of the Civil Rights Act of 1964; the Age Discrimination in Employment Act of 1967; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; Texas Labor Code, Chapter 21, and all amendments to each such Act as well as the regulations issued thereunder.

14. Excluded from Arbitration: This Agreement does not affect my right to pursue worker's compensation or unemployment compensation benefits for which I may be eligible in accordance with state law, nor does it affect my right to file and/or to cooperate in the investigation of an administrative charge of discrimination.

15. Arbitration Remedies and Awards: I understand that I may seek in arbitration any remedy or award that would be available to me through civil litigation and the arbitrator has authority to grant any such remedy or award. I agree that such remedies include monetary damages but do not include reinstatement unless authorized by statute.

16. Arbitration Fees: I understand that the Company, as further consideration for my agreement to arbitrate covered disputes, agrees to pay for the arbitrator's fees and other costs directly associated with the arbitration that would not otherwise be charged if the parties pursued civil litigation in court.

17. Injunctive or Other Relief: I understand that, pursuant to this Agreement, I and the Company forego and waive the right to take any covered dispute or claim to civil litigation in court. However, I understand that either I or the Company may apply to any court of competent jurisdiction for a temporary restraining order, preliminary injunction, or other interim or conservatory relief, as necessary, without breach of this Agreement and without abridgement of the powers of the arbitrator.

Section VI — Miscellaneous Terms

18. Choice of Law and Venue: I agree that this Agreement shall be governed for all purposes by the laws of the state of Texas, and that venue for any action arising out of this Agreement shall be exclusively laid in the Federal District Court of Texas. In any matter that is presented to an arbitrator under this Agreement, I agree that the location of the arbitration hearing(s) will be in Dallas County, Texas, unless another location is mutually agreed upon.

19. Conflicting Provisions: If any provision of this Agreement shall be declared excessively broad, it shall be construed or modified so as to afford the Company the maximum protection permissible by law. If any provision of this Agreement is void or so declared, such provision shall be severed from this Agreement, which shall otherwise remain in full force and effect.

20. Entire Agreement: This Agreement sets forth the entire Agreement of the parties as to the subject matter hereof and any representations, promises, or conditions in connection therewith not in writing and signed by both parties shall not be binding upon either party.

21. Acknowledgment: I acknowledge that I have had a full opportunity to read this Agreement before signing it. I confirm that I understand its terms and believe them to be reasonable, and I agree that the Company's offer of employment is sufficient consideration for this Agreement.

HAVING READ AND FULLY UNDERSTOOD THIS AGREEMENT, I have signed my name this date.

Signature of Employee: ________________________

Name of Employee: Ann Bruder

Date: _________________, 2017

Exhibit A
Outside Activities

Exhibit B
Inventions

EXHIBIT B

GENERAL RELEASE OF ALL CLAIMS

This General Release and Waiver of Claims (this "Release") is executed by Ann Bruder ("Executive") as of the date set forth below, and will become effective as of the "Effective Date" as defined below. This Release is in consideration of severance benefits to be paid to Executive by Blucora, Inc., a Delaware corporation (the "Company"), pursuant to the Employment Agreement between Executive and the Company dated as of June 19, 2017 (the "Employment Agreement"). Execution of this Release without revocation by Executive will satisfy the requirement, set forth in Section 6(g) of the Employment Agreement, that Executive execute a general release and waiver of claims in order to receive severance benefits pursuant to the Employment Agreement.

1. Termination of Employment

Executive acknowledges that his employment with the Company and any of its subsidiaries (collectively, the "Company Group") and any and all appointments she held with any member of the Company Group, whether as officer, director, employee, consultant, agent or otherwise, terminated as of ___________ (the "Termination Date"). Effective as of the Termination Date, Executive has not had or exercised or purported to have or exercise any authority to act on behalf of the Company or any other member of the Company Group, nor will Executive have or exercise or purport to have or exercise such authority in the future.

2. Waiver and Release

(a) Executive, for and on behalf of himself and his heirs and assigns, hereby waives and releases any common law, statutory or other complaints, claims, charges or causes of action arising out of or relating to Executive's employment or termination of employment with, or Executive's serving in any capacity in respect of any member of the Company Group (collectively, "Claims"). The Claims waived and released by this Release include any and all Claims, whether known or unknown, whether in law or in equity, which Executive may now have or ever had against any member of the Company Group or any shareholder, employee, officer, director, agent, attorney, representative, trustee, administrator or fiduciary of any member of the Company Group (collectively, the "Company Releasees") up to and including the date of Executive's execution of this Agreement. The Claims waived and released by this Release include, without limitation, any and all Claims arising out of Executive's employment with the Company Group under, by way of example and not limitation, the Age Discrimination in Employment Act of 1967 ("ADEA", a law which prohibits discrimination on the basis of age against persons age 40 and older), the National Labor Relations Act, the Civil Rights Act of 1991, the Americans With Disabilities Act of 1990, Title VII of the Civil Rights Act of 1964, the Employee Retirement Income Security Act of 1974, the Family Medical Leave Act, the Securities Act of 1933, the Securities Exchange Act of 1934, and the Texas Labor Code Chapter 21, all as amended, and all other federal, state and local statutes, ordinances, regulations and the common law, and any and all Claims arising out of any express or implied contract, except as described in Paragraphs 2(b) and 2(c) below.

(b) The waiver and release set forth in this Section 2 is intended to be construed as broadly and comprehensively as applicable law permits. The waiver and release shall not be construed as waiving or releasing any claim or right that as a matter of law cannot be waived or released, including Executive's right to file a charge with the Equal Employment Opportunity Commission or other government agency; however, Executive waives any right to recover monetary remedies and agrees that she will not accept any monetary remedy as a result of any such charge or as a result of any legal action taken against the Company by any such agency.

(c) Notwithstanding anything else in this Release, Executive does not waive or release claims with respect to:

(i) Executive's entitlement, if any, to severance benefits pursuant to the Employment Agreement;

(ii) vested benefits or payments specifically to be provided to the Executive pursuant to the Employment Agreement or any Company employee benefit plans or policies;

(iii) indemnification pursuant to any applicable provision of the Company's Bylaws or Certificate of Incorporation, as amended, pursuant to any written indemnification agreement between the Executive and the Company, or pursuant to applicable law;

(iv) any claims which the Executive may have solely by virtue of the Executive's status as a shareholder of the Company; or

(v) unemployment compensation to which Executive may be entitled under applicable law.

(d) Executive represents and warrants that she is the sole owner of the actual or alleged Claims that are released hereby, that the same have not been assigned, transferred, or disposed of in fact, by operation of law, or in any manner, and that she has the full right and power to grant, execute and deliver the releases, undertakings, and agreements contained herein.

(e) Executive represents that she has not filed any complaints, charges or lawsuits against the Company with any governmental agency or any court based on Claims that are released and waived by this Release.

3. No Admission of Wrongdoing

This Release shall not be construed as an admission by either party of any wrongful or unlawful act or breach of contract.

4. Binding Agreement; Successors and Assigns

This Release binds Executive's heirs, administrators, representatives, executors, successors, and assigns, and will inure to the benefit of the respective heirs, administrators, representatives, executors, successors, and assigns of any person or entity as to whom the waiver and release set forth in Section 2 applies.

5. Other Agreements

This Release does not supersede or modify in any way Executive's continuing obligations pursuant to the Employment Agreement (including Exhibit A thereto) or the dispute resolution provisions of the Employment Agreement (including Exhibit A thereto).

6. Knowing and Voluntary Agreement; Consideration and Revocation Periods

(a) Executive acknowledges that she has been given twenty-one (21) calendar days from the date of receipt of this Release to consider all of the provisions of this Release and that if she signs this Release before the 21-day period has ended she knowingly and voluntarily waives some or all of such 21-day period.

(b) Executive represents that (i) she has read this Release carefully, (ii) she has hereby been advised by the Company to consult an attorney of his choice and has either done so or voluntarily chosen not to do so, (iii) she fully understands that by signing below she is giving up certain rights which she might otherwise have to sue or assert a claim against any of the Company Releasees, and (iv) she has not been forced or pressured in any manner whatsoever to sign this Release, and agrees to all of its terms voluntarily.

(c) Executive shall have seven (7) calendar days from the date of his execution of this Release (the "Revocation Period") in which she may revoke this Release. Such revocation must be in writing and delivered, prior to the expiration of the Revocation Period, to the attention of the Company's Chief Legal and Administrative Officer at the Company's then-current headquarters address. If Executive revokes this Release during the Revocation Period, then the Release shall be null and void and without effect.

7. Effective Date

The Effective Date of this Release will be day after the Revocation Period expires without revocation by Executive.

IN WITNESS WHEREOF, Executive has executed this Release as of the date indicated below.

__________________________________ Dated: ________________________

Exhibit 10.3

BLUCORA, INC.
2015 INCENTIVE PLAN AS AMENDED AND RESTATED

RESTRICTED STOCK UNIT GRANT NOTICE

(Initial Grant for Non-Employee Director)

TO: __________ ("***Director***")

We are pleased to inform you that you have been granted a Restricted Stock Unit Award (the "***Award***") under the Blucora, Inc. 2015 Incentive Plan as Amended and Restated (the "***2015 Plan***") and in accordance with the terms of the Nonemployee Director Compensation Policy (the "***Policy***"). Each restricted stock unit (an "***RSU***") subject to the Award is equivalent to one share of Blucora, Inc. (the "***Company***") 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***"), the Policy and the 2015 Plan, which are incorporated by reference into the Notice of Grant. Capitalized terms that are not defined in the Notice of Grant and the Agreement have the meanings given to them in the 2015 Plan.

Grant Date: ________

Number of RSUs
Subject to the Award: _____________ [$150,000 divided by the closing price of the Company's common stock on the Grant Date]

Vesting Schedule: The RSUs shall vest annually over a three-year period, with one-third of the Award vesting on each anniversary of the Grant Date over such three-year period, as follows: [Insert dates].

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 service as a director for the vesting period, for any period, or at all.

You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Plan Administrator upon any questions relating to the 2015 Plan and the Award.

By your signature below, you agree that the Notice of Grant, the Agreement and the 2015 Plan constitute your entire agreement with respect to the Award and may not be modified adversely to your interest except by means of a writing signed by the Company and you.

BLUCORA, INC.	DIRECTOR
	_______________ Signature
By: _______________	
Its: Chief Legal & Administrative Officer and Secretary	
	Date: __________

Attachments:
1. Restricted Stock Unit Agreement
2. 2015 Incentive Plan as Amended and Restated
3. 2015 A&R Incentive Plan Summary

EXHIBIT A

BLUCORA, INC.
2015 INCENTIVE PLAN AS AMENDED AND RESTATED

RESTRICTED STOCK UNIT AGREEMENT

(Non-Employee Director)

1. **Grant.** The Company hereby grants to the nonemployee director listed on the Notice of Grant (the "***Director***") 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 2015 Plan. Unless otherwise defined herein or on the Notice of Grant, the terms defined in the 2015 Plan shall have the same defined meanings in this Agreement.

2. **Company's Obligation.** Each RSU represents the right to receive a Share on the vesting date. Unless and until the RSUs vest, the Director 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, payable (if at all) only from the general assets of the Company.

3. **Vesting Schedule.** Subject to paragraph 4, to Section 10.2 of the 2015 Plan and to any other relevant 2015 Plan provisions, the RSUs awarded by this Agreement will vest in the Director according to the vesting schedule specified in the Notice of Grant.

4. **Forfeiture upon Termination of Service.** Notwithstanding any contrary provision of this Agreement or the Notice of Grant, if the Director terminates service as a director for any or no reason prior to vesting, the unvested RSUs awarded by this Agreement will thereupon be forfeited at no cost to the Company.

5. **Payment After Vesting.** Any RSUs that vest in accordance with paragraph 3 will be paid to the Director (or in the event of the Director's death, to his or her estate) in Shares on, or as soon as practicable after, the applicable vesting date (but in any event, by the fifteenth day of the third month following the tax year in which the RSUs vest).

6. **Payments After Death.** Any distribution or delivery to be made to the Director under this Agreement will, if the Director is then deceased, be made to the administrator or executor of the Director'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.

7. **Rights as Stockholder.** Neither the Director nor any person claiming under or through the Director 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 2015 Plan.

8. **Address for 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 you from time to time; and to you at your 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 you, by notice to the Company, may designate in writing from time to time.

9. **Award Is Not Transferable.** Except to the limited extent provided in paragraph 6, the Award and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will 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.

10. **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 heirs, legatees, legal representatives, successors and assigns of the parties hereto.

11. **Regulatory Restrictions on Issuance of Shares.** Notwithstanding the other provisions of this Agreement, if at any time the Company will determine, in its 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 Director (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 will make all reasonable efforts to meet the requirements of any such state or federal law or securities exchange and to obtain any such consent or approval of any such governmental authority.

12. **2015 Plan Governs.** This Agreement and the Notice of Grant are subject to all terms and provisions of the 2015 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 2015 Plan, the provisions of the 2015 Plan will govern.

13. **Plan Administrator Authority.** The Plan Administrator will have the power to interpret this Agreement, the Notice of Grant and the 2015 Plan, and to adopt such rules for the administration, interpretation and application of the 2015 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). All actions taken and all interpretations and determinations made by the Plan Administrator in good faith will be final and binding upon the Director, the Company and all other interested persons. No member of the Plan Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the 2015 Plan or this Agreement.

14. **Section 409A.** The Award is intended to be exempt from the requirements of Section 409A or to satisfy those requirements, and shall be construed accordingly.

15. **Recovery of Compensation.** In accordance with Section 18.12 of the 2015 Plan, the Award is subject to the requirements of (i) Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (ii) similar rules under the laws of any other jurisdiction, (iii) any compensation recovery or clawback policies adopted by the Company to implement any such requirements, and (iv) any other compensation recovery policies as may be adopted from time to time by the Company, all to the extent determined by the Committee in its discretion to be applicable to you.

16. **Governing Law.** 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.

Exhibit 10.4

BLUCORA, INC.
2015 INCENTIVE PLAN AS AMENDED AND RESTATED

RESTRICTED STOCK UNIT GRANT NOTICE

(Annual Grant for Non-Employee Director/Chair of the Board)

TO: __________

We are pleased to inform you that you have been granted a Restricted Stock Unit Award (the "***Award***") under the Blucora, Inc. 2015 Incentive Plan as Amended and Restated (the "***2015 Plan***") and in accordance with the terms of the Nonemployee Director Compensation Policy (the "***Policy***"). Each restricted stock unit (an "***RSU***") subject to the Award is equivalent to one share of Blucora, Inc. (the "***Company***") 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***"), the Policy and the 2015 Plan, which are incorporated by reference into the Notice of Grant. Capitalized terms that are not defined in the Notice of Grant and the Agreement have the meanings given to them in the 2015 Plan.

Grant Date: ________

Number of RSUs
Subject to the Award: _____________ [$125,000 for Nonemployee Directors or $160,000 for the Chair of the Board of Directors divided by the closing price of the Company's common stock on the Grant Date]

Vesting Schedule: The RSUs shall vest in full (100%) on the one-year anniversary of the Grant Date: [Insert date].

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 service as a [Director/Chair of the Board of Directors] for the vesting period, for any period, or at all.

You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Plan Administrator upon any questions relating to the 2015 Plan and the Award.

By your signature below, you agree that the Notice of Grant, the Agreement and the 2015 Plan constitute your entire agreement with respect to the Award and may not be modified adversely to your interest except by means of a writing signed by the Company and you.

BLUCORA, INC.	DIRECTOR
By: _______________	_______________ Signature
Its: Chief Legal & Administrative Officer and Secretary	
	Date: __________

Attachments:
1. Restricted Stock Unit Agreement
2. 2015 Incentive Plan as Amended and Restated
3. 2015 A&R Incentive Plan Summary

<u>EXHIBIT A</u>

BLUCORA, INC.
2015 INCENTIVE PLAN AS AMENDED AND RESTATED

<u>RESTRICTED STOCK UNIT AGREEMENT</u>

(Non-Employee Director/Chair of the Board)

1. **Grant.** The Company hereby grants to the [nonemployee director (the "***Director***")/Chair of the Board of Directors ("**Chair**")] listed on the Notice of Grant 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 2015 Plan. Unless otherwise defined herein or on the Notice of Grant, the terms defined in the 2015 Plan shall have the same defined meanings in this Agreement.

2. **Company's Obligation.** Each RSU represents the right to receive a Share on the vesting date. Unless and until the RSUs vest, the [Director/Chair] 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, payable (if at all) only from the general assets of the Company.

3. **Vesting Schedule.** Subject to paragraph 4, to Section 10.2 of the 2015 Plan and to any other relevant 2015 Plan provisions, the RSUs awarded by this Agreement will vest in the [Director/Chair] according to the vesting schedule specified in the Notice of Grant.

4. **Forfeiture upon Termination of Service.** Notwithstanding any contrary provision of this Agreement or the Notice of Grant, if the [Director/Chair] terminates service as a director for any or no reason prior to vesting, the unvested RSUs awarded by this Agreement will thereupon be forfeited at no cost to the Company.

5. **Payment After Vesting.** Any RSUs that vest in accordance with paragraph 3 will be paid to the [Director/Chair] (or in the event of the [Director's/Chair's] death, to his or her estate) in Shares on, or as soon as practicable after, the applicable vesting date (but in any event, by the fifteenth day of the third month following the tax year in which the RSUs vest).

6. **Payments After Death.** Any distribution or delivery to be made to the [Director/Chair] under this Agreement will, if the [Director/Chair] is then deceased, be made to the administrator or executor of the [Director's/Chair'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.

7. **Rights as Stockholder.** Neither the [Director/Chair] nor any person claiming under or through the [Director/Chair] 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 2015 Plan.

8. **Address for 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 you from time to time; and to you at your 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 you, by notice to the Company, may designate in writing from time to time.

9. **Award Is Not Transferable.** Except to the limited extent provided in paragraph 6, the Award and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will 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.

10. **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 heirs, legatees, legal representatives, successors and assigns of the parties hereto.

11. **Regulatory Restrictions on Issuance of Shares.** Notwithstanding the other provisions of this Agreement, if at any time the Company will determine, in its 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 [Director/Chair] (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 will make all reasonable efforts to meet the requirements of any such state or federal law or securities exchange and to obtain any such consent or approval of any such governmental authority.

12. **2015 Plan Governs.** This Agreement and the Notice of Grant are subject to all terms and provisions of the 2015 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 2015 Plan, the provisions of the 2015 Plan will govern.

13. **Plan Administrator Authority.** The Plan Administrator will have the power to interpret this Agreement, the Notice of Grant and the 2015 Plan, and to adopt such rules for the

administration, interpretation and application of the 2015 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). All actions taken and all interpretations and determinations made by the Plan Administrator in good faith will be final and binding upon the [Director/Chair], the Company and all other interested persons. No member of the Plan Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the 2015 Plan or this Agreement.

14. **Section 409A.** The Award is intended to be exempt from the requirements of Section 409A or to satisfy those requirements, and shall be construed accordingly.

15. **Recovery of Compensation.** In accordance with Section 18.12 of the 2015 Plan, the Award is subject to the requirements of (i) Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (ii) similar rules under the laws of any other jurisdiction, (iii) any compensation recovery or clawback policies adopted by the Company to implement any such requirements, and (iv) any other compensation recovery policies as may be adopted from time to time by the Company, all to the extent determined by the Committee in its discretion to be applicable to you.

16. **Governing Law.** 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.

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, John S. Clendening, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Blucora, 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: July 27, 2017

/s/ John S. Clendening

John S. Clendening
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, Eric M. Emans, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Blucora, 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: July 27, 2017

/s/ Eric M. Emans

Eric M. Emans
Chief Financial Officer
(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, John S. Clendening, 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 Blucora, Inc. for the quarter ended June 30, 2017 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 Blucora, Inc.

Dated: July 27, 2017

By:	/s/ John S. Clendening
Name:	John S. Clendening
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, Eric M. Emans, 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 Blucora, Inc. for the quarter ended June 30, 2017 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 Blucora, Inc.

Dated: July 27, 2017

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