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

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**FORM 10-Q**

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**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended September 30, 2018  
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

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**BLUCORA, INC.**  
(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of incorporation or organization)  
**6333 State Hwy 161, 4th Floor, Irving, Texas**  
(Address of principal executive offices)

**91-1718107**  
(I.R.S. Employer Identification No.)  
**75038**  
(Zip Code)

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

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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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

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

<u>Class</u>	<u>Outstanding at October 24, 2018</u>
Common Stock, Par Value \$0.0001	47,970,272

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

*This report 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 21E of the Securities Exchange Act of 1934, as amended. Words such as “anticipate,” “believe,” “plan,” “expect,” “future,” “intend,” “may,” “will,” “should,” “estimate,” “predict,” “potential,” “continue,” and similar expressions identify forward-looking statements, but the absence of these words does not mean that the statement is not forward-looking. These forward-looking statements include, but are not limited to, statements regarding:*

- *our ability to effectively implement our future business plans and growth strategy, including our ability to achieve the anticipated benefits of our Strategic Transformation (as defined in this Quarterly Report on Form 10-Q);*
- *our ability to effectively compete within our industry;*
- *our ability to attract and retain customers and productive financial advisors, as well as our ability to provide strong service to both;*
- *our future capital requirements and the availability of financing, if necessary;*
- *our ability to meet our current and future debt service obligations, including our ability to maintain compliance with our debt covenants;*
- *our ability to generate strong investment performance for our customers and the impact of the financial markets on our customers' portfolios and investment behavior;*
- *political and economic conditions and changes and events that directly or indirectly impact the wealth management and tax preparation industries;*
- *our ability to respond to rapid technological changes, including our ability to successfully release new products and services or improve upon existing products and services;*
- *our expectations concerning the revenues we generate from fees associated with the financial products that we distribute;*
- *our ability to comply with regulations applicable to the wealth management and tax preparation industries, including increased costs associated with new or changing regulations;*
- *our ability to achieve the expected benefits from our new clearing platform and investment advisory platform;*
- *risks associated with the use and implementation of information technology and the effect of security breaches, computer viruses and computer hacking attacks;*
- *our ability to comply with laws and regulations regarding privacy and protection of user data;*
- *our ability to maintain our relationships with third party partners, providers, suppliers, vendors, distributors, contractors, financial institutions and licensing partners;*
- *our beliefs and expectations regarding the seasonality of our business;*
- *risks associated with litigation;*
- *our ability to attract and retain qualified employees;*
- *our assessments and estimates that determine our effective tax rate;*
- *the impact of new or changing tax legislation on our business and our ability to attract and retain customers;*
- *our ability to develop, establish and maintain strong brands;*
- *our ability to protect our intellectual property and the impact of any claim that we have infringed on the intellectual property rights of others; and*
- *our ability to effectively integrate companies or assets that we acquire.*

*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, the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as supplemented by the those identified under Part II, Item 1A, "Risk Factors" and elsewhere in this report, as well as in the Company's other filings with the Securities and Exchange Commission. You should not rely on forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We do not undertake any obligation to update 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, except as required by law.*

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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)

	September 30, 2018	December 31, 2017
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 88,274	\$ 59,965
Cash segregated under federal or other regulations	317	1,371
Accounts receivable, net of allowance	6,056	10,694
Commissions receivable	16,762	16,822
Other receivables	626	3,180
Prepaid expenses and other current assets, net	5,571	7,365
Total current assets	117,606	99,397
Long-term assets:		
Property and equipment, net	11,111	9,831
Goodwill, net	548,915	549,037
Other intangible assets, net	302,715	328,205
Other long-term assets	15,363	15,201
Total long-term assets	878,104	902,274
Total assets	\$ 995,710	\$ 1,001,671
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current liabilities:		
Accounts payable	\$ 2,158	\$ 4,413
Commissions and advisory fees payable	15,186	17,813
Accrued expenses and other current liabilities	16,473	19,577
Deferred revenue	5,997	9,953
Total current liabilities	39,814	51,756
Long-term liabilities:		
Long-term debt, net	260,208	338,081
Deferred tax liability, net	42,356	43,433
Deferred revenue	500	804
Other long-term liabilities	6,923	8,177
Total long-term liabilities	309,987	390,495
Total liabilities	349,801	442,251
Redeemable noncontrolling interests	22,224	18,033
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock, par \$0.0001—authorized shares, 900,000; issued and outstanding shares, 47,816 and 46,366, respectively	5	5
Additional paid-in capital	1,569,539	1,555,560
Accumulated deficit	(945,708)	(1,014,174)
Accumulated other comprehensive loss	(151)	(4)
Total stockholders' equity	623,685	541,387
Total liabilities and stockholders' equity	\$ 995,710	\$ 1,001,671

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 September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<b>Revenue:</b>				
Wealth management services revenue	\$ 91,887	\$ 86,809	\$ 275,984	\$ 254,772
Tax preparation services revenue	3,498	3,362	183,214	156,936
Total revenue	95,385	90,171	459,198	411,708
<b>Operating expenses:</b>				
Cost of revenue:				
Wealth management services cost of revenue	62,313	59,607	187,526	172,444
Tax preparation services cost of revenue	1,370	1,314	8,182	7,543
Amortization of acquired technology	—	50	99	145
Total cost of revenue	63,683	60,971	195,807	180,132
Engineering and technology	4,246	5,051	14,225	14,041
Sales and marketing	15,675	13,680	94,719	84,974
General and administrative	13,404	12,207	43,895	39,405
Depreciation	798	867	3,706	2,680
Amortization of other acquired intangible assets	8,271	8,615	25,384	25,192
Restructuring	—	106	291	2,726
Total operating expenses	106,077	101,497	378,027	349,150
Operating income (loss)	(10,692)	(11,326)	81,171	62,558
Other loss, net	(3,863)	(5,241)	(11,850)	(39,149)
Income (loss) before income taxes	(14,555)	(16,567)	69,321	23,409
Income tax benefit (expense)	818	(166)	(2,052)	(5,952)
Net income (loss)	(13,737)	(16,733)	67,269	17,457
Net income attributable to noncontrolling interests	(227)	(164)	(654)	(466)
Net income (loss) attributable to Blucora, Inc.	\$ (13,964)	\$ (16,897)	\$ 66,615	\$ 16,991
<b>Net income (loss) per share attributable to Blucora, Inc.*:</b>				
Basic	\$ (0.37)	\$ (0.37)	\$ 1.34	\$ 0.39
Diluted	\$ (0.37)	\$ (0.37)	\$ 1.28	\$ 0.36
<b>Weighted average shares outstanding:</b>				
Basic	47,712	45,459	47,191	43,749
Diluted	47,712	45,459	49,292	46,813
<b>Other comprehensive income (loss):</b>				
Net income (loss)	\$ (13,737)	\$ (16,733)	\$ 67,269	\$ 17,457
Unrealized gain on available-for-sale investments, net of tax	—	—	—	1
Foreign currency translation adjustment	102	223	(147)	413
Other comprehensive income (loss)	102	223	(147)	414
Comprehensive income (loss)	(13,635)	(16,510)	67,122	17,871
Comprehensive income attributable to noncontrolling interests	(227)	(164)	(654)	(466)
Comprehensive income (loss) attributable to Blucora, Inc.	\$ (13,862)	\$ (16,674)	\$ 66,468	\$ 17,405

\* The 2018 net income (loss) per share amounts include the noncontrolling interest redemption impact discussed further in "Note 7: Redeemable Noncontrolling Interests" and in "Note 11: Net Income (Loss) Per Share."

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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

	Nine months ended September 30,	
	2018	2017
<b>Operating Activities:</b>		
Net income	\$ 67,269	\$ 17,457
Adjustments to reconcile net income to net cash from operating activities:		
Stock-based compensation	9,559	8,434
Depreciation and amortization of acquired intangible assets	29,539	28,553
Restructuring (non-cash)	—	1,499
Deferred income taxes	(1,073)	(473)
Amortization of premium on investments, net, and debt issuance costs	659	901
Accretion of debt discounts	125	1,893
Loss on debt extinguishment	1,534	19,764
Cash provided (used) by changes in operating assets and liabilities:		
Accounts receivable	4,636	3,259
Commissions receivable	60	(288)
Other receivables	3,149	2,384
Prepaid expenses and other current assets	1,369	1,720
Other long-term assets	(902)	432
Accounts payable	(2,255)	(1,375)
Commissions and advisory fees payable	(2,627)	(23)
Deferred revenue	(2,411)	(5,856)
Accrued expenses and other current and long-term liabilities	(3,048)	949
Net cash provided by operating activities	105,583	79,230
<b>Investing Activities:</b>		
Purchases of property and equipment	(5,340)	(3,809)
Proceeds from sales of investments	—	249
Proceeds from maturities of investments	—	7,252
Purchases of investments	—	(409)
Net cash provided (used) by investing activities	(5,340)	3,283
<b>Financing Activities:</b>		
Proceeds from credit facilities	—	367,212
Payments on convertible notes	—	(172,827)
Payments on credit facilities	(80,000)	(285,000)
Proceeds from stock option exercises	11,738	38,228
Proceeds from issuance of stock through employee stock purchase plan	1,608	1,428
Tax payments from shares withheld for equity awards	(5,983)	(6,744)
Contingent consideration payments for business acquisition	(1,315)	(946)
Net cash used by financing activities	(73,952)	(58,649)
Net cash provided by continuing operations	26,291	23,864
Net cash provided by investing activities from discontinued operations	—	1,028
Net cash provided by discontinued operations	—	1,028
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(11)	86
Net increase in cash, cash equivalents, and restricted cash	26,280	24,978
Cash, cash equivalents, and restricted cash, beginning of period	62,311	54,868
Cash, cash equivalents, and restricted cash, end of period	\$ 88,591	\$ 79,846
<b>Non-cash investing and financing activities from continuing operations:</b>		
Cash paid for income taxes	\$ 1,096	\$ 1,013
Cash paid for interest	\$ 11,573	\$ 14,205

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

**BLUCORA, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1: Description of the Business**

*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), H.D. Vest Advisory Services, Inc. (a registered investment adviser), and H.D. 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. and its subsidiary ("**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**").

*Segments:* The Company has two reportable segments: the Wealth Management segment, which consists of the HD Vest business, and the Tax Preparation segment, which consists of the TaxAct business.

**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, 2017. 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):

	September 30,		December 31,	
	2018	2017	2017	
Cash and cash equivalents	\$ 88,274	\$ 78,558	\$	59,965
Cash segregated under federal or other regulations	317	313		1,371
Restricted cash included in "Prepaid expenses and other current assets, net"	—	425		425
Restricted cash included in "Other long-term assets"	—	550		550
<b>Total cash, cash equivalents, and restricted cash</b>	<b>\$ 88,591</b>	<b>\$ 79,846</b>	<b>\$</b>	<b>62,311</b>

Cash segregated under federal and other regulations is held in a separate bank account for the exclusive benefit of the Company's Wealth Management 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 and lease arrangements.

*Fair value of financial instruments:* The Company measures its cash equivalents 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.

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Cash equivalents are classified within Level 2 (see "Note 5: 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*"). The Company's contingent consideration liability is classified within Level 3 (see "Note 5: 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. The Company accounts for contingent consideration in accordance with applicable accounting guidance pertaining to business combinations.

*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.

*Property and equipment, net:* In the first quarter of 2018, the Company determined that certain of its internally-developed software fixed assets would not be used for as long as previously estimated and recognized \$1.1 million of depreciation expense after shortening the estimated useful lives of those assets.

*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, or has adopted, ASUs that impact the following areas:

*Share-Based Payments (ASU 2018-07)* - In June 2018, the FASB issued an ASU that requires companies to account for share-based payments granted to non-employees similarly to share-based payments granted to employees. This ASU is effective for fiscal years beginning after December 15, 2018, including the interim periods within those fiscal years. Early adoption of this ASU is permitted. In the third quarter of 2018, the Company decided to early adopt the requirements of the new standard effective January 1, 2018, utilizing the alternative adoption method.



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The adoption of this ASU had a \$0.3 million cumulative effect on the Company's unaudited 2018 quarterly results, with a corresponding adjustment to additional paid-in capital:

	First Quarter		Second Quarter	
	Reported	Recast	Reported	Recast
Income statement data:				
Wealth management services cost of revenue	\$ 63,067	\$ 63,064	\$ 62,452	\$ 62,149
Operating income (loss)	52,734	52,737	38,823	39,126
Net income (loss)	45,543	45,546	35,157	35,460
Net income (loss) attributable to Blucora, Inc.	45,338	45,341	34,935	35,238
Net income (loss) per share attributable to Blucora, Inc.				
Basic	\$ 0.97	\$ 0.97	\$ 0.74	\$ 0.75
Weighted average shares outstanding				
Basic	46,641	46,641	47,221	47,221

**Revenue recognition (ASC 606)** - In May 2014, the FASB issued guidance codified in ASC 606, "Revenue from Contracts with Customers" ("**ASC 606**"), 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 by using a five-step process. 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.

The Company adopted the requirements of the new standard on January 1, 2018, utilizing the modified retrospective transition method. Upon adoption, the Company recognized a \$1.8 million cumulative effect as an adjustment to the opening balance of retained earnings and deferred revenues on the consolidated balance sheets.

As a result of the adoption of ASC 606, the Company now recognizes certain licensing fees on a net basis, which reduced both transaction and fee revenues and operating expenses by \$0.4 million and \$1.3 million, respectively, for the three and nine months ended September 30, 2018, on the consolidated statements of comprehensive income. Had the Company not adopted ASC 606, total revenues for the three and nine months ended September 30, 2018 would have been \$0.7 million and \$2.6 million, respectively, higher than reported on the consolidated statements of comprehensive income.

Pursuant to the modified retrospective transition method, prior periods were not retrospectively adjusted, and the Company does not disclose the value of unsatisfied performance obligations for contracts with original expected durations of one year or less.

**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 more, 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. Based upon the Company's current lease obligations, the Company expects that the adoption of this ASU will result in between \$8.0 million and \$12.0 million of additional right of use assets and lease liabilities recognized on the consolidated balance sheets upon adoption on January 1, 2019.

**Measurement of Credit Losses (ASU 2016-13)** - In June 2016, the FASB issued an ASU that requires companies to measure credit losses utilizing a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This ASU is effective for fiscal years beginning after December 15, 2019, including the interim periods within those fiscal years. The Company is currently assessing the impact of adopting this ASU, but based on a preliminary assessment, does not expect the adoption of this guidance to have a material impact on its consolidated financial statements and related disclosures.

**Note 3: Segment Information and Revenues**

The Company has two reportable segments: the Wealth Management segment and the Tax Preparation segment. 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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
<b>Revenue:</b>				
Wealth Management	\$ 91,887	\$ 86,809	\$ 275,984	\$ 254,772
Tax Preparation	3,498	3,362	183,214	156,936
Total revenue	95,385	90,171	459,198	411,708
<b>Operating income (loss):</b>				
Wealth Management	12,891	12,425	38,920	36,684
Tax Preparation	(6,936)	(6,238)	95,991	83,410
Corporate-level activity	(16,647)	(17,513)	(53,740)	(57,536)
Total operating income	(10,692)	(11,326)	81,171	62,558
Other loss, net	(3,863)	(5,241)	(11,850)	(39,149)
Income tax benefit (expense)	818	(166)	(2,052)	(5,952)
Net income	\$ (13,737)	\$ (16,733)	\$ 67,269	\$ 17,457

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<b>Wealth Management:</b>				
Commission	\$ 41,015	\$ 39,432	\$ 124,269	\$ 117,181
Advisory	41,443	37,588	120,802	107,078
Asset-based	6,979	6,526	21,457	19,276
Transaction and fee	2,450	3,263	9,456	11,237
Total Wealth Management revenue	\$ 91,887	\$ 86,809	\$ 275,984	\$ 254,772
<b>Tax Preparation:</b>				
Consumer	\$ 3,246	\$ 3,149	\$ 168,295	\$ 143,239
Professional	252	213	14,919	13,697
Total Tax Preparation revenue	\$ 3,498	\$ 3,362	\$ 183,214	\$ 156,936

See "Note 2: Summary of Significant Accounting Policies" for a discussion of the new revenue recognition standard, ASC 606, adopted by the Company on January 1, 2018.

*Wealth Management revenue recognition:* Wealth Management revenue consists primarily of commission revenue, advisory revenue, asset-based revenue, and transaction and fee revenue. The Company's Wealth Management revenues are earned from customers primarily located in the United States.

Wealth management revenue details are as follows:

*Commission revenue* - Commission revenue represents amounts generated by the Company's clients' purchases and sales of securities and various investment products. The Company serves as the registered broker/dealer or insurance agent for those

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trades. The Company generates two types of commission revenues: transaction-based sales commissions that occur on the trade date, which is when the Company's performance obligations have been substantially completed, and trailing commissions, which are paid to the Company (typically in arrears on a quarterly basis) based on the clients' account balance, rather than a per-transaction fee.

*Advisory revenue* - Advisory revenue includes fees charged to clients in advisory accounts where the Company is the Registered Investment Adviser. These fees are based on the value of assets within these advisory accounts. Advisory revenues are deferred and recognized ratably over the period (typically quarterly) in which the performance obligations, which are defined in ASC 606 as promises to transfer goods or services, have been completed.

*Asset-based revenue* - Asset-based revenue primarily includes fees from financial product manufacturer sponsorship programs, cash sweep programs and other asset-based revenues, primarily including margin revenues, and are recognized ratably over the period in which services are provided.

*Transaction and fee revenue* - Transaction and fee revenue primarily includes support fees charged to advisers, which are recognized over time as advisory services are provided, fees charged for executing certain transactions in client accounts, which are recognized on a trade-date basis, and other fees related to services provided and other account charges as generally outlined in agreements with financial advisers, clients, and financial institutions, which are recognized as services are performed or as earned, as applicable.

Details of Wealth Management revenues are:

**Wealth Management Segment Revenues**

	Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
	Recognized Upon Transaction	Recognized Over Time	Total	Recognized Upon Transaction	Recognized Over Time	Total
Commission revenue	\$ 16,929	\$ 24,086	\$ 41,015	\$ 51,193	\$ 73,076	\$ 124,269
Advisory revenue	—	41,443	41,443	—	120,802	120,802
Asset-based revenue	—	6,979	6,979	—	21,457	21,457
Transaction and fee revenue	576	1,874	2,450	2,573	6,883	9,456
Total	\$ 17,505	\$ 74,382	\$ 91,887	\$ 53,766	\$ 222,218	\$ 275,984

*Tax Preparation revenue recognition*: The Company derives revenue from the sale of Tax Preparation online services, ancillary services, packaged tax preparation software, and arrangements that may include a combination of these items. Ancillary services include Tax Preparation support services, e-filing services, bank or reloadable pre-paid debit card services, and other value-added services, including enhanced tax and Wealth Management services through HD Vest. The Company's Tax Preparation revenues are earned from customers primarily located in the United States.

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Tax Preparation revenue details are as follows:

*Consumer revenue* - Consumer revenue includes revenue associated with the Company's online software products, downloadable or shipped desktop software products, add-on services such as refund payment transfer services, bank or reloadable pre-paid debit card services and audit defense services.

Online revenues include revenues associated with the Company's online software products sold to customers and businesses primarily for the preparation of individual or business tax returns, and are generally recognized when customers and businesses complete and file returns.

Desktop revenues primarily include revenues from all downloadable or shipped software products and are generally recognized when customers download the software or when the software ships.

Add-on services are revenues related to services such as refund payment transfer services, bank or reloadable pre-paid debit card services and audit defense services, and are generally recognized as customers complete and file returns.

*Professional revenue* - Professional revenues include revenues associated with the Company's desktop software products sold to tax return preparers who utilize the Company's offerings to service end customers and are generally recognized when customers download the software or when the software ships. Professional customers have the option to elect an unlimited e-filing package or a pay-per-return package. As the unlimited e-filing package can be re-used, those revenues are recognized over an estimated filing timeline. Revenues from the pay-per-return package are recognized when customers complete and file returns.

Details of Tax Preparation revenues are:

**Tax Preparation Segment Revenues**

	Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
	Recognized Upon Transaction	Recognized Over Time	Total	Recognized Upon Transaction	Recognized Over Time	Total
Consumer	\$ 3,246	\$ —	\$ 3,246	\$ 168,295	\$ —	\$ 168,295
Professional	182	70	252	12,497	2,422	14,919
<b>Total</b>	<b>\$ 3,428</b>	<b>\$ 70</b>	<b>\$ 3,498</b>	<b>\$ 180,792</b>	<b>\$ 2,422</b>	<b>\$ 183,214</b>

**Note 4: Restructuring**

The following table summarizes the activity in the restructuring liability (in thousands), resulting from the relocation of the Company's corporate headquarters to Irving, Texas:

	Employee-Related Termination Costs	Contract Termination Costs	Total
Balance as of December 31, 2017	\$ 1,202	\$ 681	1,883
Restructuring charges	291	—	291
Payments	(1,202)	(212)	(1,414)
Balance as of September 30, 2018	\$ 291	\$ 469	\$ 760

Employee-related termination costs primarily include severance benefits, under both ongoing and one-time benefit arrangements that were paid at termination dates throughout 2018. Contract termination costs were incurred in connection with the Company's previous headquarters' operating lease.

Additional information on the Company's restructuring can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

**Note 5: Fair Value Measurements**

In accordance with ASC 820, "Fair Value Measurements and Disclosures," 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):

	September 30, 2018	Fair value measurements at the reporting date using		
		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	\$ 23,055	\$ —	\$ 23,055	\$ —
Total assets at fair value	\$ 23,055	\$ —	\$ 23,055	\$ —
Acquisition-related contingent consideration liability	\$ 1,346	\$ —	\$ —	\$ 1,346
Total liabilities at fair value	\$ 1,346	\$ —	\$ —	\$ 1,346

	December 31, 2017	Fair value measurements at the reporting date using		
		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	\$ 10,857	\$ —	\$ 10,857	\$ —
Total assets at fair value	\$ 10,857	\$ —	\$ 10,857	\$ —
Acquisition-related contingent consideration liability	\$ 2,689	\$ —	\$ —	\$ 2,689
Total liabilities at fair value	\$ 2,689	\$ —	\$ —	\$ 2,689

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, 2017	\$ 2,689
Payment	(1,315)
Foreign currency transaction gain	(28)
Balance as of September 30, 2018	\$ 1,346

The contingent consideration liability is related to the Company's 2015 acquisition of SimpleTax, and the related payments that began in 2017 and are expected to continue annually through 2019. As of September 30, 2018, the Company could be required to pay up to an additional undiscounted aggregate amount of \$1.3 million. This liability is included within Level 3 of the fair value hierarchy because the Company values it utilizing 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 SimpleTax revenues, the probability of payment (100%), and the discount rate (9%). A decrease in estimated SimpleTax revenues or an increase in the discount rate would decrease the fair value of the contingent consideration liability. As of September 30, 2018, the contingent consideration liability was included in "Accrued expenses and other current liabilities" on the consolidated balance sheets.

**Note 6: Debt**

The Company's debt consisted of the following as of the periods indicated in the table below (in thousands):

	September 30, 2018				December 31, 2017			
	Principal amount	Discount	Debt issuance costs	Net carrying value	Principal amount	Discount	Debt issuance costs	Net carrying value
Senior secured credit facility	\$ 265,000	\$ (1,008)	\$ (3,784)	\$ 260,208	\$ 345,000	\$ (1,455)	\$ (5,464)	\$ 338,081

*Senior secured credit facility:* In May 2017, the Company entered into a credit agreement with a syndicate of lenders in order to provide a term loan and revolving line of credit for working capital, capital expenditures and general business purposes (the "*Blucora senior secured credit facilities*"). The Blucora senior secured credit facilities provide for up to \$425.0 million of borrowings, consisting of a committed \$50.0 million revolving credit facility (including a letter of credit sub-facility) and a \$375.0 million term loan facility that mature in May 22, 2022 and May 22, 2024, respectively. Obligations under the Blucora senior secured credit facilities are guaranteed by certain of Blucora's subsidiaries and secured by the assets of the Company and its subsidiaries. The Blucora senior secured credit facilities include financial and operating covenants, including a consolidated total net leverage ratio, which are set forth in detail in the credit facility agreement. As of September 30, 2018, the Company was in compliance with all of the financial and operating covenants under the credit facility agreement.

Principal payments on the term loan are payable quarterly in an amount equal to 0.25% of the initial outstanding principal. In November 2017, the credit facility agreement was amended in order to refinance and reprice the initial term loan, such that the applicable interest rate margin is 3.00% for Eurodollar Rate loans and 2.00% for ABR loans. During the nine months ended September 30, 2018, the Company made prepayments of \$80.0 million towards the term loan.

Depending on the Company's Consolidated First Lien Net Leverage Ratio (as defined in the credit facility agreement), the applicable interest rate margin on the revolving credit facility is from 2.75% to 3.00% for Eurodollar Rate loans and 1.75% to 2.00% for ABR loans. Interest is payable at the end of each interest period. As of September 30, 2018 the Company had not borrowed any amounts under the revolving credit facility.

The Company also has the right to prepay the term loan or outstanding amounts under the revolving credit facility without any premium or penalty (other than customary Eurodollar breakage costs). Prepayments on the term loan are subject to certain prepayment minimums. Beginning with the fiscal year ending December 31, 2018, the Company may be required to make annual prepayments on the term loan in an amount equal to a percentage of excess cash flow of the Company during the applicable fiscal year from 0% to 50%, depending on the Consolidated First Lien Net Leverage Ratio (as defined in the credit facility agreement) for such fiscal year.

As of September 30, 2018, the term loan facility's principal amount approximated its fair value as it is a variable rate instrument and the current applicable margin approximates current market conditions.

**Note 7: Redeemable Noncontrolling Interests**

In connection with the 2015 acquisition of HD Vest, the former management of HD Vest retained an ownership interest in that business. The Company is party to put and call arrangements, exercisable beginning in the first quarter of 2019, with respect to these interests. These put and call arrangements allow certain members of HD Vest management to require the Company to purchase their interests or allow the Company to acquire such interests, respectively. These arrangements can be settled for cash within ninety days after the Company files its Annual Report on Form 10-K for the year ended December 31, 2018. The redemption value of the arrangements is based upon several factors, including, among others, the Company's implied enterprise value, implied equity value and certain financial performance measures of the Company. The put arrangements do not meet the definition of a derivative instrument as the put agreements do not provide for net settlement.

To the extent that the redemption value of these interests exceeds the value determined by adjusting the carrying value for the subsidiary's attribution of net income (loss), the value of such interests is adjusted to the redemption value with a corresponding adjustment to additional paid-in capital; this occurred in the third quarter of 2018 and the Company recorded an adjustment of approximately \$3.5 million.

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A reconciliation of equity attributable to noncontrolling interests and Blucora, Inc. is as follows (in thousands):

	<b>Redeemable Noncontrolling Interests</b>	<b>Blucora, Inc.</b>
Balance as of December 31, 2017	\$ 18,033	\$ 541,387
Common stock issued for stock options and restricted stock units	—	12,332
Common stock issued for employee stock purchase plan	—	1,608
Other comprehensive income (loss)	—	(147)
Stock-based compensation	—	9,559
Tax payments from shares withheld for equity awards	—	(5,983)
Impact of adoption of new accounting guidance related to revenue recognition	—	1,851
Net income	654	66,615
Adjustment of redeemable noncontrolling interests to redemption value	3,537	(3,537)
Balance as of September 30, 2018	<u>\$ 22,224</u>	<u>\$ 623,685</u>

The redemption amount of noncontrolling interests at September 30, 2018 was \$22.2 million.

#### **Note 8: Commitments and Contingencies**

Significant events since the year ended December 31, 2017, outside of the ordinary course of the Company's business, include debt activity (as discussed further in "Note 6: Debt"), payment of a portion of the SimpleTax acquisition-related contingent consideration liability (as discussed further in "Note 5: Fair Value Measurements"), and estimated sublease income of \$2.6 million primarily related to the sublease agreement for the Company's former headquarters in Bellevue, Washington. 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, 2017.

*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. 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 Company's Board of Directors, in the Superior Court of the State of California in and for the County of San Francisco. The complaint asserted 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 asserted 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 asserted a claim for insider trading against Mr. Snyder, a former director of the Company, and certain companies affiliated with Mr. Snyder. The derivative action did not seek monetary damages from the Company. The complaint sought 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. The case was stayed by the Court until November 22, 2017 so that Tilden could file a complaint in Delaware, after which the case was dismissed without further order of the Court.

On November 21, 2017, Tilden filed a shareholder derivative action in the Delaware Court of Chancery asserting the same claims against the same defendants and seeking the same relief as the San Francisco Superior Court lawsuit. On January 31, 2018, the Company filed a motion to dismiss the Delaware complaint, and a hearing on the motion was held on July 11, 2018. The motion to dismiss was granted on October 26, 2018, and the case has been dismissed with prejudice and without leave to amend.

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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 9: 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 September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Cost of revenue	\$ 413	\$ 412	\$ 940	\$ 546
Engineering and technology	178	225	590	734
Sales and marketing	617	529	1,835	1,801
General and administrative	1,666	1,966	6,194	5,353
Restructuring	—	97	—	1,078
Total	\$ 2,874	\$ 3,229	\$ 9,559	\$ 9,512

In the third quarter of 2018, the Company granted 86,000 restricted stock units to certain HD Vest financial advisors. In the second quarter of 2017, the Company granted 350,000 non-qualified stock options to certain HD Vest financial advisors. These advisors are considered non-employees. The restricted stock units and stock options fully vest three years from the date of grant. Following the Company's early adoption of ASU 2018-07, effective January 1, 2018, these grants are accounted for similarly to share-based payments granted to employees. For the three and nine months ended September 30, 2018, stock-based compensation expense for these non-employees was \$0.4 million and \$0.9 million, respectively, and was recorded in "Wealth management services 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 September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Stock options exercised	188	1,243	1,060	3,651
RSUs vested	90	91	310	442
Shares purchased pursuant to ESPP	45	62	80	138
Total	323	1,396	1,450	4,231

**Note 10: Income Taxes**

The Company recorded income tax (benefit) expense of \$(0.8) million and \$2.1 million in the three and nine months ended September 30, 2018, respectively. The Company's effective income tax rate differed from the 21% statutory rate in 2018 primarily due to the recognition of previously reserved net operating losses to offset current income tax expense, and the effect of state income taxes.

The Company recorded income tax expense of \$0.2 million and \$6.0 million in the three and nine months ended September 30, 2017, respectively. Income taxes differed from the 35% statutory rate in 2017 primarily due to the recognition of previously reserved net operating losses to offset current income tax expense, and the effect of state income taxes.

The Tax Cuts and Jobs Act (the "*Tax Legislation*") was enacted on December 22, 2017, reducing the U.S. corporate federal income tax rate to 21% from 35%. The Company applied the guidance in Staff Accounting Bulletin 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*, when accounting for the enactment date effects of the Tax Legislation. In 2017, the Company provisionally remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%.



Subsequent to the date of this Quarterly Report on Form 10-Q, the Company finalized its analysis of the Tax Legislation when it filed the Company's 2017 federal income tax return with the Internal Revenue Service. This final analysis did not result in the recognition of any significant measurement period adjustments or give rise to new deferred tax amounts.

**Note 11: 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 the vesting of unvested RSUs. Dilutive potential common shares are excluded from the computation of earnings per share if their effect is antidilutive. The redemption value adjustment of the Company's redeemable noncontrolling interest is deducted from income (loss) (as discussed further in "Note 7: Redeemable Noncontrolling Interests").

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<b>Numerator:</b>				
Income (loss)	\$ (13,737)	\$ (16,733)	\$ 67,269	\$ 17,457
Net income attributable to noncontrolling interests	(227)	(164)	(654)	(466)
Adjustment of redeemable noncontrolling interest*	(3,537)	—	(3,537)	—
Net income (loss) attributable to Blucora, Inc. shareholders after adjustment of redeemable noncontrolling interest	<u>(17,501)</u>	<u>(16,897)</u>	<u>63,078</u>	<u>16,991</u>
<b>Denominator:</b>				
Weighted average common shares outstanding, basic	47,712	45,459	47,191	43,749
Dilutive potential common shares	—	—	2,101	3,064
Weighted average common shares outstanding, diluted	<u>47,712</u>	<u>45,459</u>	<u>49,292</u>	<u>46,813</u>
<b>Net income (loss) per share attributable to Blucora, Inc.:</b>				
Basic	\$ (0.37)	\$ (0.37)	\$ 1.34	\$ 0.39
Diluted	<u>\$ (0.37)</u>	<u>\$ (0.37)</u>	<u>\$ 1.28</u>	<u>\$ 0.36</u>
Shares excluded	3,675	5,798	441	1,160

\* See "Note 7: Redeemable Noncontrolling Interests" for further discussion.

Shares were excluded from the computation of diluted earnings per common share for these periods because their effect would have been anti-dilutive.

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

*The following discussion should be read in conjunction with our consolidated financial statements and accompanying notes included under Part I Item 1 of this report and the section titled "Cautionary Statement Regarding Forward-Looking Statements" in 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, 2017.*

### Our Business

Blucora (collectively, with its direct and indirect subsidiaries on a consolidated basis, the "**Company**," "**Blucora**," "**we**," "**our**" or "**us**") 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 total client assets and other fees.

The Tax Preparation business consists of the operations of TaxAct, Inc. and its subsidiary (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](http://www.TaxAct.com). The TaxAct website and the information contained therein or connected thereto is not intended to be incorporated by reference into this report.

### Recent Developments

In the third quarter of 2018, we commenced our new clearing services relationship with Fidelity Clearing & Custody Solutions pursuant to the agreement we executed during the third quarter of 2017. We expect the new clearing relationship to provide tangible benefits to our advisors and customers in the form of improved technology, product offerings and service. We currently expect that this relationship could generate in excess of \$120.0 million of incremental Wealth Management segment income over the 10 years following conversion. In the fourth quarter of 2018, we expect to receive approximately \$10.0 million of operating cash flows from incentives from this relationship, which will benefit Wealth Management segment income over the succeeding 10 years.

### 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 our 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 relocated our corporate headquarters from Bellevue, Washington to Irving, Texas during 2017. The Strategic Transformation is intended to drive efficiencies and improve operational effectiveness.

In connection with the relocation of our corporate headquarters, we have incurred restructuring costs of approximately \$7.3 million since that initiative began. These costs are recorded within corporate-level activity for segment purposes. See "Note 4: Restructuring" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report for additional information. We also have incurred costs that do not qualify for restructuring classification, such as recruiting and overlap in personnel expenses as we transitioned positions to Texas ("**Strategic Transformation Costs**").

For a discussion of risks associated with the Strategic Transformation, see the sections under the heading "Risks Associated With our Businesses" in Part I Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2017.

**Seasonality**

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

**RESULTS OF OPERATIONS**

**Summary**

<b>(In thousands, except percentages)</b>	<b>Three months ended September 30,</b>			<b>Nine months ended September 30,</b>		
	<b>2018</b>	<b>2017</b>	<b>Percentage Change</b>	<b>2018</b>	<b>2017</b>	<b>Percentage Change</b>
Revenue	\$ 95,385	\$ 90,171	6 %	\$ 459,198	\$ 411,708	12%
Operating income (loss)	\$ (10,692)	\$ (11,326)	(6)%	\$ 81,171	\$ 62,558	30%

*Three months ended September 30, 2018 compared with three months ended September 30, 2017*

Revenue increased approximately \$5.2 million due to increases of \$5.1 million and \$0.1 million in revenue related to our Wealth Management and Tax Preparation businesses, respectively, as discussed in the following "Segment Revenue/Operating Income" section.

Operating loss decreased approximately \$0.6 million, consisting of the \$5.2 million increase in revenue that was offset by a \$4.6 million increase in operating expenses. Key changes in operating expenses were:

- \$4.6 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, and consulting costs and costs incurred in connection with our transition to a new clearing firm, which was completed in the third quarter of 2018.
- \$0.8 million increase in the Tax Preparation segment's operating expenses, primarily due to higher spend on consulting expenses and personnel-related expenses due to higher headcount.
- \$0.9 million decrease in corporate-level expense activity, primarily related to lower amortization expense as certain assets became fully amortized.

*Nine months ended September 30, 2018 compared with nine months ended September 30, 2017*

Revenue increased approximately \$47.5 million due to increases of \$21.2 million and \$26.3 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 \$18.6 million, consisting of the \$47.5 million increase in revenue that was offset by a \$28.9 million increase in operating expenses. Key changes in operating expenses were:

- \$19.0 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, consulting costs and costs incurred in connection with our transition to a new clearing firm, which was completed in the third quarter of 2018, and an increase in stock-based compensation expense related to stock options granted to certain HD Vest financial advisors.
- \$13.7 million increase in the Tax Preparation segment's operating expenses, primarily due to higher spend on marketing, particularly offline media and digital marketing efforts, an increase in engineering development projects, and an increase in consulting expenses primarily related to strategic initiatives.
- \$3.8 million decrease in corporate-level expense activity, primarily due to lower Strategic Transformation Costs, which primarily consisted of severance and other personnel-related costs, offset by higher depreciation due to the abandonment of certain internally-developed software fixed assets.

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 United States ("*GAAP*") and include certain reconciling items attributable to each of the segments. Segment information appearing in "Note 3: Segment Information and Revenues" 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. Rather, we analyze such general and administrative costs separately under the heading "Corporate-level activity."

**Wealth Management**

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Percentage Change	2018	2017	Percentage Change
Revenue	\$ 91,887	\$ 86,809	6%	\$ 275,984	\$ 254,772	8%
Operating income	\$ 12,891	\$ 12,425	4%	\$ 38,920	\$ 36,684	6%
Segment margin	14%	14%		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

		Three months ended September 30,			Nine months ended September 30,			
		2018	2017	Percentage Change	2018	2017	Percentage Change	
Sources of Revenue	Primary Drivers							
Advisor-driven	Commission	- Transactions - Asset levels	\$ 41,015	\$ 39,432	4 %	\$ 124,269	\$ 117,181	6 %
	Advisory	- Advisory asset levels	41,443	37,588	10 %	120,802	107,078	13 %
Other revenue	Asset-based	- Cash balances - Interest rates - Number of accounts - Client asset levels	6,979	6,526	7 %	21,457	19,276	11 %
	Transaction and fee	- Account activity - Number of clients - Number of advisors - Number of accounts	2,450	3,263	(25)%	9,456	11,237	(16)%
Total revenue			\$ 91,887	\$ 86,809	6 %	\$ 275,984	\$ 254,772	8 %
Total recurring revenue			\$ 74,228	\$ 70,539	5 %	\$ 222,559	\$ 203,417	9 %
Recurring revenue rate			80.8%	81.3%		80.6%	79.8%	

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 fluctuate depending on market values and current interest rates. Accordingly, our recurring revenue can be negatively impacted by adverse external market conditions. However, we believe recurring revenue is meaningful 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.

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**(In thousands, except percentages and as otherwise indicated)**

	September 30,		
	2018	2017	Percentage Change
Total Client Assets	\$ 46,413,409	\$ 42,696,862	9 %
Brokerage Assets	\$ 32,897,081	\$ 30,712,542	7 %
Advisory Assets	\$ 13,516,328	\$ 11,984,320	13 %
Percentage of Total Client Assets	29.1%	28.1%	
Number of advisors (in ones)	3,687	4,392	(16)%
Advisor-driven revenue per advisor	\$ 22.4	\$ 17.5	28 %

Total client assets ("**total client assets**") includes 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 total client assets service for a client's assets, the value of the asset is only counted once in the total amount of total client assets. Total client assets include advisory assets, non-advisory brokerage accounts, annuities and mutual fund positions held directly with fund companies. These assets are not reported on the consolidated balance sheets. Total client assets were previously reported as "Assets Under Administration" or "AUA."

Advisory assets ("**advisory assets**") 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 advisory assets for each advisory client. These assets are not reported on the consolidated balance sheets. Advisory assets were previously reported as "Assets Under Management" or "AUM."

For the quarter ended September 30, 2018, Total Client Assets and Advisory Assets include \$210.0 million and \$71.3 million, respectively, of assets held at our former clearing firm for which we are broker-of-record and whose conversion was administratively delayed, the majority of which have converted to or are in the process of converting to our new clearing firm in the fourth quarter of 2018.

Brokerage assets represents the difference between total client assets and advisory assets.

We have been reducing disengaged advisors who have little to no assets held with us, which has resulted in advisor counts trending down. As we continue to reduce disengaged advisors, the number of advisors could continue to decrease before stabilizing. This decrease has resulted in, and is expected to continue to improve, the growth in advisor-driven revenues per advisor.

*Three months ended September 30, 2018 compared with three months ended September 30, 2017*

Wealth Management revenue increased approximately \$5.1 million as a result of the factors discussed with each source of revenue below.

Wealth Management operating income increased approximately \$0.5 million, due to a \$5.1 million increase in revenue, offset by a \$4.6 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, and consulting costs and costs incurred in connection with our transition to a new clearing firm, which was completed in the third quarter of 2018.

*Nine months ended September 30, 2018 compared with nine months ended September 30, 2017*

Wealth Management revenue increased approximately \$21.2 million as a result of the factors discussed with each source of revenue below.

Wealth Management operating income increased approximately \$2.2 million, due to a \$21.2 million increase in revenue, offset by a \$19.0 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, consulting costs and costs incurred in connection with our

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transition to a new clearing firm, which was completed in the third quarter of 2018, and an increase in stock-based compensation expense related to stock options granted to certain HD Vest financial advisors.

**Commission revenue:** The Wealth Management segment generates 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, market volatility, interest rate fluctuations and investment activity of our financial advisors' clients. We earn trailing commissions (a commission or fee that is paid periodically over time) on certain mutual funds and variable annuities held by clients. Trailing commissions are recurring in nature and are based on the market value of investment holdings in trail-eligible assets. Our commission revenue, by product category and by type of commission revenue, was as follows:

<u>(In thousands, except percentages)</u>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Percentage Change	2018	2017	Percentage Change
<u>By product category:</u>						
Mutual funds	\$ 21,201	\$ 21,128	—%	\$ 66,494	\$ 62,371	7%
Variable annuities	13,033	12,879	1%	38,883	36,820	6%
Insurance	3,910	3,037	29%	10,361	9,715	7%
General securities	2,871	2,388	20%	8,531	8,275	3%
Total commission revenue	<u>\$ 41,015</u>	<u>\$ 39,432</u>	4%	<u>\$ 124,269</u>	<u>\$ 117,181</u>	6%
<u>By type of commission:</u>						
Sales-based	\$ 16,928	\$ 15,590	9%	\$ 51,192	\$ 49,190	4%
Trailing	24,087	23,842	1%	73,077	67,991	7%
Total commission revenue	<u>\$ 41,015</u>	<u>\$ 39,432</u>	4%	<u>\$ 124,269</u>	<u>\$ 117,181</u>	6%

*Three months ended September 30, 2018 compared with three months ended September 30, 2017*

Sales-based commission revenue increased approximately \$1.3 million, primarily due to increased activity in annuities, insurance and general securities, offset by decreased activity in mutual funds. General securities include equities, exchange-traded funds, bonds and alternative investments.

Trailing commission revenue increased approximately \$0.2 million and reflects an increase in the market value of the underlying assets.

*Nine months ended September 30, 2018 compared with nine months ended September 30, 2017*

Sales-based commission revenue increased approximately \$2.0 million, primarily due to increased activity in mutual funds, annuities, and general securities, offset by decreased activity in insurance. General securities include equities, exchange-traded funds, bonds and alternative investments.

Trailing commission revenue increased approximately \$5.1 million and reflects an increase in the market value of the underlying assets and, to a lesser extent, the impact of new investments.

**Advisory revenue:** Advisory revenue primarily includes fees charged to clients in advisory accounts where HD Vest is the Registered Investment Adviser (“RIA”) and is based on the value of advisory assets. 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.

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The activity within our advisory assets was as follows:

<b>(In thousands)</b>	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Balance, beginning of the period	\$ 12,947,193	\$ 11,551,288	\$ 12,530,165	\$ 10,397,071
Net increase in new advisory assets	202,156	94,408	609,970	613,848
Market impact and other	366,979	338,624	376,193	973,401
Balance, end of the period	<u>\$ 13,516,328</u>	<u>\$ 11,984,320</u>	<u>\$ 13,516,328</u>	<u>\$ 11,984,320</u>

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 due to advisory fees being billed in advance. Advisory revenue for a particular quarter is predominately driven by the prior quarter-end advisory assets.

*Three months ended September 30, 2018 compared with three months ended September 30, 2017*

The increase in advisory revenue of approximately \$3.9 million is primarily due to the increase in the beginning-of-period advisory assets for the three months ended September 30, 2018 compared with three months ended September 30, 2017.

*Nine months ended September 30, 2018 compared with nine months ended September 30, 2017*

The increase in advisory revenue of approximately \$13.7 million is primarily due to the increase in the beginning-of-period advisory assets for the nine months ended September 30, 2018 compared with nine months ended September 30, 2017.

**Asset-based revenue:** Asset-based revenue primarily includes fees from financial product manufacturer sponsorship programs, cash sweep programs and other asset-based revenues, primarily including margin revenues.

*Three months ended September 30, 2018 compared with three months ended September 30, 2017*

Asset-based revenue increased \$0.5 million, primarily from increased revenues from financial product manufacturer sponsorship programs and higher cash sweep revenues following increases in interest rates. We expect the transition of our clearing business to a new clearing firm, which was completed in the third quarter of 2018, to provide growth opportunities in cash sweep revenues. Each 0.25% increase in the United States Federal Funds rate could generate between approximately \$2.0 million and \$3.0 million of incremental revenues.

*Nine months ended September 30, 2018 compared with nine months ended September 30, 2017*

Asset-based revenue increased \$2.2 million, primarily from increased revenues from financial product manufacturer sponsorship programs and higher cash sweep revenues following increases in interest rates.

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

*Three months ended September 30, 2018 compared with three months ended September 30, 2017*

Transaction and fee revenue decreased approximately \$0.8 million, primarily related to the impact of the adoption of ASC 606 in the first quarter of 2018. See "Note 2: Summary of Significant Accounting Policies" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item I of this report for additional information.

*Nine months ended September 30, 2018 compared with nine months ended September 30, 2017*

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Transaction and fee revenue decreased approximately \$1.8 million, primarily due to the impact of the adoption of ASC 606 in the first quarter of 2018. See "Note 2: Summary of Significant Accounting Policies" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item I of this report for additional information.

**Tax Preparation**

<b>(In thousands, except percentages)</b>	<b>Three months ended September 30,</b>			<b>Nine months ended September 30,</b>		
	<b>2018</b>	<b>2017</b>	<b>Percentage Change</b>	<b>2018</b>	<b>2017</b>	<b>Percentage Change</b>
Revenue	\$ 3,498	\$ 3,362	4%	\$ 183,214	\$ 156,936	17%
Operating income (loss)	\$ (6,936)	\$ (6,238)	11%	\$ 95,991	\$ 83,410	15%
Segment margin	(198)%	(186)%		52%	53%	

Tax Preparation revenue is derived primarily from the sale of tax preparation online services, ancillary services, packaged tax preparation software, and arrangements that may include a combination of these items. Ancillary services include tax preparation support services, e-filing services, bank or reloadable pre-paid debit card services, and other value-added services, including tax and wealth management services through our Wealth Management business.

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 the volume of e-files to be an important non-financial metric in measuring the performance of the consumer side of the Tax Preparation business.

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

*Three months ended September 30, 2018 compared with three months ended September 30, 2017*

Tax Preparation operating loss increased approximately \$0.7 million, due to a \$0.1 million increase in revenue, offset by a \$0.8 million increase in operating expenses. The increase in Tax Preparation segment operating expenses was primarily due to higher spend on consulting expenses and personnel related expenses due to higher headcount.

*Nine months ended September 30, 2018 compared with nine months ended September 30, 2017*

Tax Preparation revenue increased approximately \$26.3 million, primarily due to growth in revenue earned from online consumer users and increased sales of our professional tax preparer software. Online consumer revenue grew, despite a decrease in e-files, due to growth in average revenue per user, primarily resulting from price increases. The decrease in e-files was consistent with our expectations as we are continuing our multi-year pivot toward more profitable customers. Revenue derived from professional tax preparers increased, despite a decrease in the number of professional preparer units sold, primarily due to growth in average revenue per user, primarily resulting from price increases. Revenue from ancillary services, primarily refund payment transfer, also grew primarily resulting from price increases.

Tax Preparation operating income increased approximately \$12.6 million, due to a \$26.3 million increase in revenue, offset by a \$13.7 million increase in operating expenses. The increase in Tax Preparation segment operating expenses was primarily due to higher spend on marketing, particularly offline media and digital marketing efforts, an increase in engineering development projects, and an increase in consulting expenses primarily related to strategic initiatives.



**Corporate-Level Activity**

<b>(In thousands)</b>	<b>Three months ended September 30,</b>			<b>Nine months ended September 30,</b>		
	<b>2018</b>	<b>2017</b>	<b>Change</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Operating expenses	\$ 4,572	\$ 4,587	\$ (15)	\$ 14,351	\$ 17,823	\$ (3,472)
Stock-based compensation	2,874	3,132	(258)	9,559	8,434	1,125
Depreciation	930	1,023	(93)	4,056	3,216	840
Amortization of acquired intangible assets	8,271	8,665	(394)	25,483	25,337	146
Restructuring	—	106	(106)	291	2,726	(2,435)
Total corporate-level activity	\$ 16,647	\$ 17,513	\$ (866)	\$ 53,740	\$ 57,536	\$ (3,796)

Certain corporate-level activity, including certain general and administrative costs (including personnel and overhead costs), stock-based compensation, depreciation, amortization of acquired intangible assets, and restructuring is not allocated to our segments.

*Three months ended September 30, 2018 compared with three months ended September 30, 2017*

Stock-based compensation decreased primarily due to activity within our Tax Preparation business related to an increase in forfeitures from the prior period.

Amortization expense decreased primarily due to certain assets becoming fully amortized.

*Nine months ended September 30, 2018 compared with nine months ended September 30, 2017*

Operating expenses included in corporate-level activity decreased primarily due to lower Strategic Transformation Costs, which primarily consisted of severance and other personnel-related costs.

Stock-based compensation increased primarily due to activity within our Wealth Management business related to stock options granted to certain HD Vest financial advisors and a decrease in forfeitures from the prior period, offset by lower expenses related to the impact of equity award modifications associated with certain individuals impacted by the relocation of our corporate headquarters in 2017.

Depreciation expense increased primarily due to the abandonment of certain internally-developed software fixed assets in the first quarter of 2018.

Restructuring expense relates to expenses incurred due to the relocation of our corporate headquarters during 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.

OPERATING EXPENSES

**Cost of Revenue**

<u>(In thousands, except percentages)</u>	<u>Three months ended September 30,</u>			<u>Nine months ended September 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Wealth management services cost of revenue	\$ 62,313	\$ 59,607	\$ 2,706	\$ 187,526	\$ 172,444	\$ 15,082
Tax preparation services cost of revenue	1,370	1,314	56	8,182	7,543	639
Amortization of acquired technology	—	50	(50)	99	145	(46)
Total cost of revenue	<u>\$ 63,683</u>	<u>\$ 60,971</u>	<u>\$ 2,712</u>	<u>\$ 195,807</u>	<u>\$ 180,132</u>	<u>\$ 15,675</u>
Percentage of revenue	67%	68%		43%	44%	

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 September 30, 2018 compared with three months ended September 30, 2017*

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, and an increase in stock-based compensation expense related to stock options granted to certain HD Vest financial advisors.

*Nine months ended September 30, 2018 compared with nine months ended September 30, 2017*

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, and an increase in stock-based compensation expense related to stock options granted to certain HD Vest financial advisors.

Tax preparation services cost of revenue increased, primarily due to an increase in cloud migration expenses, offset by lower data center costs.

**Engineering and Technology**

<u>(In thousands, except percentages)</u>	<u>Three months ended September 30,</u>			<u>Nine months ended September 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Engineering and technology	\$ 4,246	\$ 5,051	\$ (805)	\$ 14,225	\$ 14,041	\$ 184
Percentage of revenue	4%	6%		3%	3%	

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

*Three months ended September 30, 2018 compared with three months ended September 30, 2017*

Engineering and technology expenses decreased primarily due to lower headcount.

*Nine months ended September 30, 2018 compared with nine months ended September 30, 2017*

Engineering and technology expenses were comparable to the prior period.

### Sales and Marketing

(In thousands, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Change	2018	2017	Change
Sales and marketing	\$ 15,675	\$ 13,680	\$ 1,995	\$ 94,719	\$ 84,974	\$ 9,745
Percentage of revenue	16%	15%		21%	21%	

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, as well as marketing expenses associated with our HD Vest and TaxAct businesses (which primarily include television, radio, online, text, email, and sponsorship channels), and back office processing support expenses associated with our HD Vest business (occupancy and general office expenses, regulatory fees, and license fees).

*Three months ended September 30, 2018 compared with three months ended September 30, 2017*

Sales and marketing expenses increased primarily due to higher costs incurred in connection with our transition to a new clearing firm, which was completed in the third quarter of 2018, offset by the reclassification of certain regulatory fees following the adoption of ASC 606.

*Nine months ended September 30, 2018 compared with nine months ended September 30, 2017*

Sales and marketing expenses increased primarily due to higher spend on marketing, particularly offline media and digital marketing efforts in our Tax Preparation business, and consulting costs and costs incurred in connection with our transition to a new clearing firm, which was completed in the third quarter of 2018, offset by the reclassification of certain regulatory fees following the adoption of ASC 606.

### General and Administrative

(In thousands, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Change	2018	2017	Change
General and administrative	\$ 13,404	\$ 12,207	\$ 1,197	\$ 43,895	\$ 39,405	\$ 4,490
Percentage of revenue	14%	14%		10%	10%	

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

*Three months ended September 30, 2018 compared with three months ended September 30, 2017*

G&A expenses increased primarily due to an increase in consulting expenses primarily related to strategic initiatives and personnel costs, primarily related to increases in headcount.

*Nine months ended September 30, 2018 compared with nine months ended September 30, 2017*

G&A expenses increased primarily due to an increase in consulting expenses primarily related to strategic initiatives, software expenses primarily related to security enhancements and personnel costs primarily related to increases in headcount.

## Depreciation and Amortization of Acquired Intangible Assets

<u>(In thousands, except percentages)</u>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Change	2018	2017	Change
Depreciation	\$ 798	\$ 867	\$ (69)	\$ 3,706	\$ 2,680	\$ 1,026
Amortization of acquired intangible assets	8,271	8,615	(344)	25,384	25,192	192
Total	\$ 9,069	\$ 9,482	\$ (413)	\$ 29,090	\$ 27,872	\$ 1,218
Percentage of revenue	10%	11%		6%	7%	

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, advisor and sponsor relationships, which are amortized over their estimated lives.

*Three months ended September 30, 2018 compared with three months ended September 30, 2017*

Amortization expense decreased primarily due to certain assets becoming fully amortized.

*Nine months ended September 30, 2018 compared with nine months ended September 30, 2017*

Depreciation expense increased primarily due to the abandonment of certain internally-developed software fixed assets in the first quarter of 2018.

## Restructuring

<u>(In thousands, except percentages)</u>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Change	2018	2017	Change
Restructuring	\$ —	\$ 106	\$ (106)	\$ 291	\$ 2,726	\$ (2,435)
Percentage of revenue	—%	—%		—%	1%	

In connection with the Strategic Transformation, including the 2017 relocation of our headquarters, we have incurred restructuring costs of approximately \$7.3 million, which includes all costs associated with our non-cancelable operating lease for our former corporate headquarters in Bellevue. While the relocation and the related costs were substantially completed by June 2017, the Company incurred some costs in the nine months ended September 30, 2018, primarily related to employees who continued to provide service through that time period.

For the nine months ended September 30, 2017, we had a \$1.9 million fixed asset impairment related to our Bellevue facility's fixed assets, and \$0.7 million of stock-based compensation that included the impact of equity award modifications associated with employment contracts for individuals impacted by our headquarters relocation.

See "Note 4: Restructuring" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

## Other Loss, Net

<u>(In thousands)</u>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Change	2018	2017	Change
Interest income	\$ (119)	\$ (31)	\$ (88)	\$ (217)	\$ (76)	\$ (141)
Interest expense	3,744	4,781	(1,037)	11,772	16,746	(4,974)
Amortization of debt issuance costs	172	177	(5)	659	891	(232)
Accretion of debt discounts	38	53	(15)	125	1,893	(1,768)
Loss on debt extinguishment	—	183	(183)	1,534	19,764	(18,230)
Other	28	78	(50)	(2,023)	(69)	(1,954)
Other loss, net	\$ 3,863	\$ 5,241	\$ (1,378)	\$ 11,850	\$ 39,149	\$ (27,299)

*Three months ended September 30, 2018 compared with three months ended September 30, 2017*

The decrease in interest expense relates to lower balances in the Blucora senior secured credit facilities following several prepayments, and the repricing and lowering, in November 2017, of the applicable interest rate margin of the Blucora senior secured credit facilities to 3.0% for Eurodollar Rate loans and 2.0% for ABR loans. See "Note 6: Debt" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

*Nine months ended September 30, 2018 compared with nine months ended September 30, 2017*

The decrease in interest expense was related to the same factors described above that impacted the quarterly period.

For the nine months ended September 30, 2017 we had a loss on debt extinguishment related to the prepayment of a portion of 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 connection with the refinancing through the Blucora senior secured credit facilities 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.

In the second quarter of 2018, we had a \$2.1 million gain on the sale of an investment.

**Income Taxes**

We recorded income tax (benefit) expense of \$(0.8) million and \$2.1 million in the three and nine months ended September 30, 2018, respectively. The Company's effective income tax rate differed from the 21% statutory rate in 2018 primarily due to the recognition of previously reserved net operating losses to offset current income tax expense, and the effect of state income taxes. We currently expect to continue to release portions of valuation allowances, which were previously recorded in connection with our net operating losses, to offset future federal income tax liabilities. The majority of these net operating losses will expire, if unutilized, between 2020 and 2024.

We recorded income tax expense of \$0.2 million and \$6.0 million in the three and nine months ended September 30, 2017, respectively. The Company's effective income tax rate differed from the 35% statutory rate in 2017 primarily due to the recognition of previously reserved net operating losses to offset current income tax expense, and the effect of state income taxes.

Income tax expense for the three and nine months ended September 30, 2018 differed from the prior periods, primarily due to the impact of state income taxes.

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 and income tax (benefit) expense. Restructuring costs relate to the relocation of our corporate headquarters during 2017.

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:

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<u>(In thousands)</u>	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income (loss) attributable to Blucora, Inc.	\$ (13,964)	\$ (16,897)	\$ 66,615	\$ 16,991
Stock-based compensation	2,874	3,132	9,559	8,434
Depreciation and amortization of acquired intangible assets	9,201	9,688	29,539	28,553
Restructuring	—	106	291	2,726
Other loss, net	3,863	5,241	11,850	39,149
Net income attributable to noncontrolling interests	227	164	654	466
Income tax (benefit) expense	(818)	166	2,052	5,952
Adjusted EBITDA	\$ 1,383	\$ 1,600	\$ 120,560	\$ 102,271

*Three months ended September 30, 2018 compared with three months ended September 30, 2017*

The decrease in Adjusted EBITDA was primarily due to an increase in segment operating income of \$0.5 million related to our Wealth Management segment, offset by an increase in segment operating loss of \$0.7 million related to our Tax Preparation segment. Corporate operating expenses were comparable to the prior period.

*Nine months ended September 30, 2018 compared with nine months ended September 30, 2017*

The increase in Adjusted EBITDA was primarily due to an increase in segment operating income of \$12.6 million related to our Tax Preparation segment, an increase in segment operating income of \$2.2 million related to our Wealth Management segment, and a \$3.5 million decrease in corporate operating expenses.

*Non-GAAP net income (loss):* We define non-GAAP net income (loss) as net income (loss) attributable to Blucora, Inc., determined in accordance with GAAP, excluding the effects of stock-based compensation, amortization of acquired intangible assets (including acquired technology), accretion of debt discount and accelerated accretion of debt discount on our Convertible Senior Notes that were outstanding for a portion of 2017 (the "*Notes*"), write-off of debt discount and debt issuance costs on terminated Notes and terminated TaxAct - HD Vest 2015 credit facility, 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. 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.

*Non-GAAP net income (loss) per share:* We define non-GAAP net income per share as non-GAAP net income divided by weighted average diluted share count.

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

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<b>(In thousands, except per share amounts)</b>	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Net income (loss) attributable to Blucora, Inc.	\$ (13,964)	\$ (16,897)	\$ 66,615	\$ 16,991
Stock-based compensation	2,874	3,132	9,559	8,434
Amortization of acquired intangible assets	8,271	8,665	25,483	25,337
Accretion of debt discount on the Notes	—	—	—	1,567
Write-off of debt discount and debt issuance costs on terminated Notes	—	—	—	6,715
Write-off of debt discount and debt issuance costs on terminated TaxAct - HD Vest 2015 credit facility	—	—	—	9,593
Restructuring	—	106	291	2,726
Impact of noncontrolling interests	227	164	654	466
Cash tax impact of adjustments to GAAP net income	(505)	(928)	(1,721)	(3,334)
Non-cash income tax (benefit) expense	(1,333)	224	647	6,325
Non-GAAP net income (loss)	\$ (4,430)	\$ (5,534)	\$ 101,528	\$ 74,820
<i>Per diluted share:</i>				
Net income (loss) attributable to Blucora, Inc.	\$ (0.37)	\$ (0.37)	\$ 1.28	\$ 0.36
Stock-based compensation	0.06	0.07	0.19	0.18
Amortization of acquired intangible assets	0.18	0.20	0.52	0.55
Accretion of debt discount on the Notes	—	—	—	0.03
Write-off of debt discount and debt issuance costs on terminated Notes	—	—	—	0.14
Write-off of debt discount and debt issuance costs on closed TaxAct - HD Vest 2015 credit facility	—	—	—	0.20
Restructuring	—	—	0.01	0.06
Impact of noncontrolling interests	0.08	—	0.08	0.01
Cash tax impact of adjustments to GAAP net income	(0.01)	(0.02)	(0.03)	(0.07)
Non-cash income tax (benefit) expense	(0.03)	—	0.01	0.14
Non-GAAP net income (loss) per share	\$ (0.09)	\$ (0.12)	\$ 2.06	\$ 1.60
Weighted average shares outstanding used in computing per diluted share amounts	47,712	45,459	49,292	46,813

*Three months ended September 30, 2018 compared with three months ended September 30, 2017*

The decrease in non-GAAP net loss was primarily due to an increase in segment operating loss of \$0.7 million related to our Tax Preparation segment, offset by an increase in segment operating income of \$0.5 million related to our Wealth Management segment, a \$1.1 million decrease in interest expense, amortization of debt issuance costs and accretion of debt discounts, primarily relating to lower balances in the Blucora senior secured credit facilities and the repricing and lowering, in 2017, of the applicable interest rate margin of the Blucora senior secured credit facilities. Further contributing to the decrease in non-GAAP net loss was a \$0.2 million decrease in loss on debt extinguishment of the Blucora senior secured credit facilities.

*Nine months ended September 30, 2018 compared with nine months ended September 30, 2017*

The increase in non-GAAP net income was primarily due to an increase in segment operating income of \$12.6 million related to our Tax Preparation segment and an increase in segment operating income of \$2.2 million related to our Wealth Management segment, a \$5.4 million decrease in interest expense, amortization of debt issuance costs and accretion of debt discounts, primarily relating to lower balances in the Blucora senior secured credit facilities and the repricing and lowering, in 2017, of the applicable interest rate margin of the Blucora senior secured credit facilities. Further contributing to the increase in non-GAAP net income was a \$1.9 million decrease in loss on debt extinguishment on the Blucora senior secured credit facilities and a \$3.5 million decrease in corporate operating expenses not allocated to the segments, primarily due to lower Strategic Transformation Costs, which primarily consisted of severance and other personnel-related costs.

## LIQUIDITY AND CAPITAL RESOURCES

### **Cash and Cash Equivalents**

Our principal source of liquidity is our cash and cash equivalents. As of September 30, 2018, we had cash and cash equivalents of approximately \$88.3 million. 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 September 30, 2018, 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. We believe our financial instrument investments held at September 30, 2018 had minimal default risk and short-term maturities.

Historically, 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, regulatory capital requirements at our broker-dealer subsidiary, 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 and we may be required to draw on our \$50.0 million revolving credit facility to meet our capital requirements. For further discussion of the risks to our business related to liquidity, see the Risk Factor "Existing cash and cash equivalents, 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, 2017.

### **Use of Cash**

We may use our cash and cash equivalents 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, for stock buybacks, for returning capital to shareholders, or for other utilizations which we deem to be in the best interests of stockholders.

In May 2017, we entered into a credit agreement with a syndicate of lenders for the Blucora senior secured credit facilities in order to (a) refinance the TaxAct - HD Vest 2015 credit facility, (b) redeem our Notes that were outstanding at the time, and (c) provide a term loan and revolving line of credit for future working capital, capital expenditure and general business purposes (the "*Blucora senior secured credit facilities*"). Consequently, the TaxAct - HD Vest 2015 credit facility was repaid in full and the commitments thereunder were terminated. The Blucora senior secured credit facilities in the aggregate committed amount of \$425.0 million consist of a committed \$50.0 million revolving credit facility (including a letter of credit sub-facility), and a \$375.0 million term loan facility. The final maturity dates of the revolving credit loan and term loan are May 22, 2022 and May 22, 2024, respectively. In November 2017, the credit facility agreement was amended in order to refinance and reprice the initial term loan, such that the applicable interest rate margin is 3.00% for Eurodollar Rate loans and 2.00% for ABR loans. Depending on Blucora's Consolidated First Lien Net Leverage Ratio (as defined in the credit facility agreement), the applicable interest rate margin on the revolving credit facility is from 2.75% to 3.00% for Eurodollar Rate loans and 1.75% to 2.00% for ABR loans. Obligations under the Blucora senior secured credit facilities are guaranteed by certain of Blucora's subsidiaries and secured by the assets of Blucora and those subsidiaries.

The Blucora senior secured credit facilities include 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 September 30, 2018. We initially borrowed \$375.0 million under the term loan and have made prepayments of \$110.0 million towards the term loan since entering into the agreement, of which \$80.0 million was prepaid in the nine months ended September 30, 2018, such that \$265.0 million was outstanding under the term loan at September 30, 2018. We have not borrowed any amounts under the revolving credit loan and do not have any other debt outstanding. Beginning with the fiscal year ending December 31, 2018, we may be required to make annual prepayments of the term loan in an amount equal to a percentage of our excess cash flow during the applicable fiscal year from 0% to 50%, depending on the Consolidated First Lien Net Leverage Ratio (as defined in the credit facility agreement) for such fiscal year. Currently, we do not expect an excess cash flow payment will be required in the fiscal year ending 2018. In the past we have used excess cash flows to make debt



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prepayments, and we currently expect to make further prepayments in 2019. For further detail, see "Note 6: 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 during the nine months ended September 30, 2017 prior to the refinancing.

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 two payments of \$1.3 million and \$0.9 million were made in the first quarters of 2018 and 2017, respectively, and the remaining payment of \$1.3 million is expected in the first quarter of 2019. For further detail, see "Note 5: Fair Value Measurements" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

In connection with our 2015 acquisition of HD Vest, former management of that business has retained an ownership interest in HD Vest. We are party to put and call arrangements, exercisable beginning in 2019, with respect to those interests. These put and call arrangements allow former HD Vest management to require us to purchase their interests or allow us to acquire such interests, respectively. The redemption amount at September 30, 2018 and December 31, 2017 was \$22.2 million and \$12.4 million, respectively, and future redemption amounts could increase, due to several economic factors, including the price of our stock.

#### *Contractual Obligations and Commitments*

The material changes in our contractual obligations and commitments through the third quarter of 2018, outside of the ordinary course of our business, include debt activity (as discussed further in "Note 6: Debt"), payment of a portion of the SimpleTax acquisition-related contingent consideration liability (as discussed further in "Note 5: Fair Value Measurements"), and estimated sublease income of \$2.6 million, primarily related to the sublease of the Bellevue facility. 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, 2017.

#### *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:

<b>(In thousands)</b>	<b>Nine months ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
Net cash provided by operating activities	\$ 105,583	\$ 79,230
Net cash provided (used) by investing activities	(5,340)	3,283
Net cash used by financing activities	(73,952)	(58,649)
Net cash provided by continuing operations	26,291	23,864
Net cash provided by discontinued operations	—	1,028
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(11)	86
Net increase in cash, cash equivalents, and restricted cash	\$ 26,280	\$ 24,978

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

Net cash provided by operating activities was \$105.6 million and \$79.2 million for the nine months ended September 30, 2018 and 2017, respectively. The activity in the nine months ended September 30, 2018 included a \$(2.0) million working capital contribution and approximately \$107.6 million of income (offset by non-cash adjustments). The working capital contribution was primarily driven by accrued expenses and the impact of TaxAct's seasonality.

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The activity in the nine months ended September 30, 2017 included a \$1.2 million working capital contribution and approximately \$78.0 million of income from continuing operations (offset by non-cash adjustments). The working capital contribution primarily related to the impact of TaxAct's seasonality, HD Vest 2016 prepayments, recognition of deferred revenues in our Tax Preparation segment and restructuring activities.

*Net cash from investing activities:* Net cash from investing activities 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 used by investing activities was \$5.3 million for the nine months ended September 30, 2018 and net cash from investing activities was \$3.3 million for the nine months ended September 30, 2017. The activity in the nine months ended September 30, 2018 consisted of approximately \$5.3 million in purchases of property and equipment. The activity in the nine months ended September 30, 2017 consisted of net cash inflows on our available-for-sale investments of \$7.1 million, following the sale of available-for-sale investments, offset by approximately \$3.8 million in purchases of property and equipment.

*Net cash from financing activities:* Net cash from financing activities 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 \$74.0 million and \$58.6 million for the nine months ended September 30, 2018 and 2017, respectively. The activity for the nine months ended September 30, 2018 primarily consisted of prepayments of \$80.0 million towards the term loan under the Blucora senior secured credit facilities, \$6.0 million in tax payments from shares withheld for equity awards, and \$1.3 million in contingent consideration paid related to the 2015 acquisition of SimpleTax. These cash outflows were offset by approximately \$13.3 million in combined proceeds from the issuance of common stock related to stock option exercises and the employee stock purchase plan.

The activity for the nine months ended September 30, 2017 primarily consisted of payments of \$285.0 million in connection with the termination of the TaxAct - HD Vest credit facility, \$172.8 million for redemption in full of the outstanding Notes, \$6.7 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 facilities that were entered into in May 2017 and \$39.7 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 are described in Part II Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2017.

On January 1, 2018, we adopted ASC 606, which is discussed in "Note 2: Summary of Significant Accounting Policies" of the notes to Unaudited Condensed Consolidated Financial Statements in Part I Item I of this report.

### **Recent Accounting Pronouncements**

See "Note 2: Summary of Significant Accounting Policies" and "Note 3: Segment Information and Revenues" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item I of this report.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes to our market risk during the nine months ended September 30, 2018. We borrowed \$375.0 million under the term loan when we entered into the Blucora senior secured credit facilities, and as of September 30, 2018, we had \$265.0 million outstanding. 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 \$2.7 million increase, based upon our September 30, 2018 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, 2017.

#### **Item 4. Controls and Procedures**

##### *Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated (pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934), the effectiveness of our disclosure controls and procedures as of September 30, 2018. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e)) were effective as of September 30, 2018.

##### *Changes in Internal Control over Financial Reporting*

There was no change in our internal control over financial reporting that occurred during the third quarter of 2018 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**

Other than the legal proceedings discussed in "Note 8: Commitments and Contingencies" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report, there are no material pending legal proceedings to which we are a party or of which any of our property is the subject.

##### **Item 1A. Risk Factors**

Our business and future results may be affected by a number of risks and uncertainties that should be considered carefully. In addition, this report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks described in Part I Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2017 and the risks set forth below.

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 set forth below. The occurrence of one or more of the events listed below could have a material adverse effect on the Company's business, prospects, results of operations, reputation, financial condition, cash flows or ability to continue current operations without any direct or indirect impairment or disruption, which is referred to throughout these Risk Factors as a "Material Adverse Effect."

##### ***The transition of our Wealth Management business to a new clearing platform may negatively impact our operations and our advisors and the customers of our Wealth Management business.***

Our Wealth Management business has entered into a new clearing services relationship with Fidelity Clearing & Custody Solutions ("**FCCS**"), which became effective in September 2018 (the "**Conversion**"). The transition of our clearing business to FCCS involved significant operational, technological, and logistical effort, since it required all HD Vest brokerage business and customer accounts to migrate to FCCS's clearing platform, together with all of the underlying customer data. While the Conversion is complete, if a significant number of our advisors or customers are or become dissatisfied by the transition to FCCS, or by the different technology, systems, processes, policies and products FCCS offers, and they leave HD Vest, it could have a Material Adverse Effect.

The movement of business to a new clearing firm is an extremely complex and intensive undertaking and we have committed a significant amount of human, technological, and financial resources to ensure a successful transition. Although the Conversion is complete, given the complexity and magnitude of the transition effort, there can be no guarantee that we will not experience delays, unexpected costs, technological failures, incompatibility of systems or policies, or loss of employees, advisors and customers. In completing the ongoing transition to FCCS, we are dependent on key employees as well as outside contractors. If those employees or contractors leave HD Vest or are unable to work on the project, it could significantly impact the experience of HD Vest advisors or customers or our business, which could result in a Material Adverse Effect.

We may not realize the financial, operational, and customer-experience benefits that we project from our transition to FCCS's clearing platform. The technology, service and product offerings presented by FCCS may not be accepted by our advisors or customers at the levels we anticipate, and may not provide the level of benefits that we expect even if accepted. We also may not realize the level of conversion of direct-to-fund assets onto FCCS's clearing platform that we anticipate. Should

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the number of assets that convert to FCCS's platform fall short of expectations, we will likely receive less economic benefit from the new clearing arrangement than we expected, which could be material. Additionally, our cash sweep program under the new clearing firm is subject to interest rate volatility. Should the Federal Reserve not increase interest rates at the pace or to the levels anticipated, we would likely recognize lower revenue from the cash-sweep program under the new clearing arrangement than expected, potentially in a material amount.

Our Wealth Management business is dependent on the performance, liquidity and continuity of its clearing firm. Should its clearing firm fail to provide clearing services at the contracted levels for any reason, or to suffer a liquidity event, it could result in a Material Adverse Effect.

Simultaneously with the conversion to FCCS, HD Vest transitioned to a new investment advisory platform. Like the clearing firm conversion, the investment advisory platform conversion was very complex and entailed significant effort and commitment from HD Vest employees and contractors. While the investment advisory platform transition is complete, if a significant number of our advisors or customers are or become dissatisfied by the transition to the new investment advisory platform, or by the different technology, systems, processes, policies and products it offers, they could leave HD Vest's investment advisory business, which could have a Material Adverse Effect.

The movement to a new investment advisory platform is an extremely complex undertaking and we have committed a significant amount of human, technological, and financial resources to ensure a successful transition. Although the transition to the new investment advisory platform is complete, there can be no guarantee that we will not experience delays, unexpected costs, technological failures, incompatibility of systems or policies, or loss of employees, advisors and customers. In completing the ongoing transition to the new platform, we are dependent on key employees as well as outside contractors. If those employees or contractors leave HD Vest or are unable to work on the project, it could significantly impact the experience of HD Vest advisors or customers or our business, which could result in a Material Adverse Effect.

***Our Wealth Management business is subject to extensive regulation, and failure to comply with these regulations could have a Material Adverse Effect.***

Our Wealth Management business is heavily regulated by multiple agencies, including the Securities and Exchange Commission ("**SEC**"), the Financial Industry Regulatory Authority ("**FINRA**"), state securities and insurance regulators, and other regulatory authorities. Failure to comply with these regulators' laws, rules, and regulations could result in the restriction of the ongoing conduct or growth, or even liquidation of, parts of our business and otherwise cause a Material Adverse Effect. The regulatory environment in which our Wealth Management business operates is continually evolving, and the level of financial regulation to which we are subject has generally increased in recent years. Among the most significant regulatory changes affecting our Wealth Management business is the Dodd-Frank Act, which mandates broad 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. In addition, the Trump Administration has called for a broad review of, and potentially significant changes to, U.S. fiscal laws and regulations, including the Dodd-Frank Act. If such changes are enacted, they could negatively impact our Wealth Management business and cause a Material Adverse Effect.

On April 18, 2018, the SEC issued draft rulemaking addressing standards of conduct for broker-dealers and disclosure requirements for broker-dealers and investment advisers. As presently drafted, the SEC's proposed rules would impose a "best interest" standard on broker-dealers and their registered representatives, as well as a new disclosure form (Form CRS) that both broker-dealers and investment advisers would have to give clients before providing them investment advice. The SEC's proposed rules, if adopted in their current form, would heighten the standard of care for broker-dealers when making investment recommendations and would impose disclosure and policy and procedural obligations that could impact the compensation HD Vest and its representatives receive for selling certain types of products, particularly those (such as mutual funds) that offer different compensation across different share classes. The SEC's proposed rules would also limit our ability to use the terms "advisor" or "adviser" when referring publicly to our registered representatives who are not also advisory licensed. Based on comments by SEC Commissioners when the proposed rules were first presented, however, we believe that the SEC's proposed rules will substantially change during the public comment process. In addition, the SEC's final rules may not be issued for many months and, even then, could be the subject of litigation. Accordingly, we cannot predict if and when the SEC will complete any final rulemaking or what the contours of the final rules will be. However, the SEC's final rules could result in additional compliance costs, lesser compensation, and management distraction, all of which could have a Material Adverse Effect. Prior to the SEC's proposed rules, the Department of Labor ("**DOL**") enacted the Fiduciary Rule in 2016 to redefine who may be considered a fiduciary under ERISA. In March 2018, a federal court of appeals struck down the

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Fiduciary Rule in its entirety, concluding that DOL lacked authority to enact such rulemaking. That decision is now final and unappealable, and DOL has provided no indication that it intends to pursue similar rulemaking in the future.

Legislatures and securities regulators in certain states in which we do business have enacted (or have considered enacting) their own standard of conduct rules for broker-dealers, insurance agents and investment advisers. To date, the States of Nevada, Connecticut, New Jersey and New York have passed legislation or proposed regulations of this sort. The requirements and scope of these state rules are not uniform. Accordingly, we may have to adopt different policies and procedures in different states, which could create added compliance, supervision and sales costs for our Wealth Management business. Should more states enact similar legislation or regulation, it could result in material additional compliance costs and could have a Material Adverse Effect.

Our Wealth Management business distributes its products and services through financial advisors who affiliate with us 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.

In addition, the SEC and FINRA have extensive rules and regulations with respect to capital requirements. As a registered broker-dealer, our Wealth Management business is subject to Rule 15c3-1 (the "*Net Capital Rule*") under the Securities Exchange Act of 1934, as amended, and related requirements of self-regulatory organizations, which specify minimum capital requirements that are intended to ensure the general soundness and liquidity of broker-dealers. As a result of the Net Capital Rule, our ability to withdraw capital from our subsidiaries that comprise our Wealth Management business could be restricted, which in turn could limit our ability to repay debt, redeem or purchase shares of our outstanding stock, or pay dividends, which could have a Material Adverse Effect. A large operating loss or charge against net capital could adversely affect our ability to expand or even maintain our present levels of business.

Our Wealth Management business offers products sponsored by third parties, including but not limited to mutual funds, insurance, annuities and alternative investments. These products are subject to complex regulations that change frequently. Although we have controls in place to facilitate compliance with such regulations, there can be no assurance that our interpretation of the regulations will be consistent with various regulators' interpretations, that our procedures will be viewed as adequate by regulatory examiners, or that the operating subsidiaries will be deemed to be in compliance with regulatory requirements in all material respects. If products sold by our Wealth Management business do not perform as anticipated due to market factors or otherwise, or if product sponsors become insolvent or are otherwise unable to meet their obligations, this could result in material litigation and regulatory action against us. In addition, we could face liabilities for actual or alleged breaches of legal duties to customers with respect to the suitability of the financial products we make available in our open architecture product platform or the investment advice of our financial advisors.

**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.

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**Item 6. Exhibits**

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>Date of First Filing</u>	<u>Exhibit Number</u>	<u>Filed Herewith</u>
10.1	<a href="#">Employment Agreement by and between Blucora, Inc. and Transient Taylor dated September 18, 2018</a>				X
10.2	<a href="#">Form of Restricted Stock Unit Grant Notice and Award Agreement for Initial Grants to Newly-Hired Executive Officers under the Blucora, Inc. 2016 Equity Inducement Plan, as amended</a>				X
31.1	<a href="#">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))</a>				X
31.2	<a href="#">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))</a>				X
32.1	<a href="#">Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. section 1350)</a>				X
32.2	<a href="#">Certification of Principal Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. section 1350)</a>				X
101	The following financial statements from the Company's 10-Q for the fiscal quarter ended September 30, 2018, 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

**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/ Davinder Athwal  
Davinder Athwal  
Chief Financial Officer  
(On behalf of the Registrant and as Principal Financial Officer)

Date: October 31, 2018

## EMPLOYMENT AGREEMENT

This Employment Agreement (this “*Agreement*”) is made and entered into as of September 18, 2018, by and between Transient Taylor (the “*Executive*”) and Blucora, Inc. (the “*Company*”).

### RECITALS

WHEREAS, the Company desires to employ the Executive as the Chief Human Resources Officer of the Company beginning on or about October 8, 2018, with the start date for Executive being the effective date of this Agreement (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. Certain Definitions

(a) “*Base Salary*” has the meaning set forth in Section 5(a).

(b) “*Board*” means the Board of Directors of the Company.

(c) “*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 Confidentiality and Non-Competition 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(c)(iii), the Board must give the Executive notice and 60 days to cure the substantial nonperformance.

(d) “*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.

(e) “*Code*” means the Internal Revenue Code of 1986, as amended.

(f) “*Compensation Committee*” means the Compensation Committee of the Board.

(g) “*Confidentiality and Non-Competition Agreement*” means the Confidentiality and Non-Competition Agreement attached hereto as **Exhibit A**.

(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), 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(c).

## 2. Duties and Scope of Employment

The Company shall employ the Executive in the position of Chief Human Resources Officer of the Company. 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 Company’s 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 Confidentiality and Non-Competition 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 \$370,000, 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) Annual Bonus. 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 80% of Base Salary. The Executive’s Target Bonus amount for 2018 will be pro-rated to reflect the number of days of the Executive’s employment in 2018. The payout of any 2018 bonus will occur following the end of the Company’s Executive Bonus Plan (the “**Plan**”) year, which is December 31, 2018, and will be paid in accordance with the terms and conditions of the Plan. Payment of any bonus pursuant to this Section 5(c) is subject to the Executive’s employment by the Company on the date required in the Plan. The Company reserves the right to change the Plan at any time at its discretion.

(c) Equity Awards. 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. In 2019, the Company’s President and Chief Executive Officer shall recommend that the Board (or a committee thereof) grant the Executive, for 2019, equity award(s) with a total aggregate target value of \$600,000 on the date of grant, with such award(s) consisting of a combination of the following types of awards as determined by the Board (or a committee thereof), in its sole discretion: time-based restricted stock units (vesting over three years), performance-based restricted stock units (eligible for vesting based on performance following a three-year performance period that ends December 31, 2022), and/or nonqualified stock options (vesting over three years); provided, however, that the Board (or committee thereof) retains the sole discretion to establish the terms and the types of awards that are granted to the Executive with respect to 2019.

(d) 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.

(e) 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.

(f) Replacement Compensation and Signing Bonus.

(i) Bonus Replacement. The Company will pay the Executive a bonus amount equal to \$476,000 (the "**Bonus Replacement**"), less social security contributions, income tax withholding, and any other applicable deductions, on January 31, 2019. If the Executive resigns his employment with the Company for any reason and such resignation occurs on or before the one-year anniversary of the Effective Date, the Executive will repay the Company all amounts paid to Executive as the Bonus Replacement.

(ii) Signing Bonus. The Company will pay Executive a signing bonus of \$350,000, less social security contributions, income tax withholding, and any other applicable deductions, within 30 days following the Effective Date ("**Signing Bonus**"). If Executive resigns his 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 one-year anniversary of the Effective Date, Executive will repay to the Company the Signing Bonus.

(iii) Initial Equity and Replacement Awards. As a material inducement to the Executive's willingness to accept employment with the Company and to compensate the Executive for equity granted by his prior employer that he forfeited by accepting employment with the Company, on or shortly following the Effective Date, the Executive shall be granted an award of time-based restricted stock units having an aggregate value of \$133,000 on the date of grant that vest on the one-year anniversary of the date of grant so long as Executive is employed by the Company on such date (the "**Replacement RSUs**").

The number of Replacement RSUs granted to the Executive in accordance with this Section 5(g)(ii) shall be determined by dividing the value of the Replacement RSUs being awarded by the closing price of the Company's common stock on the date of grant and rounding down for any fractional shares. The Replacement RSUs may be granted under the Blucora, Inc. 2016 Equity Inducement Plan, as amended (the "**Inducement Plan**"), or the Blucora, Inc. 2018 Long-Term Incentive Plan (the "**LTIP**") and will vest in accordance with, and have such other terms and conditions as are specified in, the Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement approved by the Compensation Committee with respect to such award (the "**Restricted Stock Unit Agreement**") and shall otherwise be subject to the terms and conditions of the Inducement Plan or LTIP and the Restricted Stock Unit Agreement; provided, however, that notwithstanding the foregoing, in the event of a conflict between the terms and conditions of the Restricted Stock Unit 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.

(b) Any Termination by Company or the Executive. 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(c), to the extent earned through the Termination Date, subject to the terms of the Company's Executive Bonus Plan (or any successor plan thereto); 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 his termination of employment pursuant to Section 6(c), 6(d), 6(e), or 6(f) as applicable. 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) Termination by Company Without Cause or Constructive Termination. 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 14(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 14(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 14(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 14(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 14(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 14(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 Confidentiality and Non-Competition 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. Confidentiality and Non-Competition Agreement

The Confidentiality and Non-Competition Agreement is incorporated by reference as if set forth fully herein. The Confidentiality and Non-Competition Agreement shall survive the termination of this Agreement and/or the Executive’s employment with the Company.

10. Cooperation

The Executive hereby agrees to provide the Executive’s full cooperation, at the request of the Company, with any of the Company Releasees (as defined in the Release) in any and all such lawsuits, investigations or other legal, equitable or business matters or proceedings which involve any matters for which the Executive worked on or had responsibility during the Executive’s employment with the Company. The Executive also agrees to be available to the Company and its representatives (including attorneys) to provide general advice or assistance as requested by the Company. This includes but is not limited to testifying (and preparing to testify) as a witness in any proceeding or otherwise providing information or reasonable assistance to the Company in connection with any investigation, claim or suit, and cooperating with the Company regarding any investigation, litigation, claims or other disputed items involving the Company that relate to matters within the knowledge or responsibility of the Executive. Specifically, the Executive agrees (i) to meet with the Company’s representatives, its counsel or other designees at reasonable times and places with respect to any items within the scope of this provision; (ii) to provide truthful testimony regarding same to any court, agency or other adjudicatory body; (iii) to provide the Company with immediate notice of contact or subpoena by any non-governmental adverse party (known to the Executive to be adverse to the Company or its interests); and (iv) to not voluntarily assist any such non-governmental adverse party or such non-governmental adverse party’s representatives. The Executive acknowledges and understands that the Executive’s obligations of cooperation under this Section 10 are not limited in time and may include, but shall not be limited to, the need for or availability for testimony. The Executive shall receive no additional compensation for time spent assisting the Company pursuant to this Section other than the compensation and benefits provided for in this Agreement, provided that the Executive shall be entitled to be reimbursed for any reasonable out-of-pocket expenses incurred in fulfilling the Executive’s obligations pursuant to subsections (i) and (ii) above. Notwithstanding the foregoing, nothing in this Section 10 is intended to interfere with the Executive’s No Interference rights set forth in Section 1(c) of the Confidentiality and Non-Competition Agreement.

11. Arbitration

(a) The 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 the Executive that underlies, relates to and/or results from the Executive’s employment relationship with the Company or the termination of that relationship or any of the terms of this Agreement, except for any dispute or claim arising from or relating to the Confidentiality and Non-Competition Agreement, that cannot be resolved by mutual agreement of the Company and the 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 he 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) This arbitration provision does not apply to any dispute or claim arising from or relating to the Confidentiality and Non-Competition Agreement.

(d) The Company, as further consideration for the 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.

## 12. 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.

## 13. 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 and Chief Executive Officer.

## 14. 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 14(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 14(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.

#### 15. 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) Disclaimer of Reliance. Except for the specific representations expressly made by the Company in this Agreement, the Executive specifically disclaims that the Executive is relying upon or has relied upon any communications, promises, statements, inducements, or representation(s) that may have been made, oral or written, regarding the subject matter of this Agreement. The Executive represents that the Executive relied solely and only on the Executive's own judgment in making the decision to enter into this Agreement.

(d) 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.

(e) 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.

(f) 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 15(f) shall be void.

(g) 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.

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

(i) 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.

(j) 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/ Transient  
Taylor  
Transient Taylor

**EXHIBIT A**

**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**

This Confidentiality and Non-Competition ("**Agreement**") is entered into by and between Blucora, Inc., its subsidiaries, affiliates, successors and/or assigns (the "**Company**") and Transient Taylor ("**Executive**"). The Effective Date of this Agreement is the date of Executive's execution of this Agreement. The Company and Executive shall be referred to herein individually as a "**Party**" and collectively as the "**Parties**."

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, Executive's position with the Company, the Confidential Information (defined below), compensation and benefits provided to Executive, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, the Parties agree as follows:

1. **Confidential Information and Executive's Non-Disclosure Agreement.**

(a) Confidential Information. During Executive's employment with the Company, the Company shall provide Executive with Confidential Information (defined below), which is not known to the Company's competitors or within the Company's industry generally, which was developed by the Company over a long period of time and/or at its substantial expense, and which is of great competitive value to the Company. For purposes of this Agreement, "**Confidential Information**" includes all documents or information, in whatever form or medium, concerning or relating to any of the following: all trade secrets and confidential and

proprietary information of or relating to the Company, including, but not limited to: (A) financial models, business records, business plans or processes, strategies (including, without limitation, economic and market research selection and analysis strategies and business development and market segment exploitation strategies), tactics, policies, resolutions, processes, inventions, patents, trademarks, trade secrets, know how, patent or trademark applications and other intellectual property, (B) information regarding litigation or negotiations, (C) any marketing information, sales or product plans, prospects and market research data relating to the business, (D) financial information, cost and performance data and any debt arrangements, equity ownership or securities transaction information, (E) technical information, technical drawings and designs, (F) personnel information, personnel lists, resumes, personnel data, organizational structure, compensation and performance evaluations, (G) customer, consumer, consultants or supplier information, including but not limited to any data regarding any current, prospective or former customers, consumers, consultants or suppliers of Company, (H) information regarding the existence or terms of any agreement or relationship between the Company or any of its subsidiaries or affiliates and any other party, (I) information subject to Section 628 of the Fair Credit Reporting Act and any regulations or guidelines thereunder and (J) any other information of whatever nature, including, without limitation, information which gives to the Company or any of its subsidiaries or affiliates an opportunity to obtain an advantage over its competitors who or which do not have access to such information. Confidential Information, whether prepared or compiled by Executive and/or the Company or furnished to Executive during Executive's employment with the Company, shall be the sole and exclusive property of the Company, and none of such Confidential Information or copies thereof, shall be retained by Executive. Executive agrees not to dispute, contest, or deny any such ownership rights either during or after Executive's employment with the Company. Executive acknowledges that the Company does not voluntarily disclose Confidential Information, but rather takes precautions to prevent dissemination of Confidential Information beyond those employees such as Executive entrusted with such information. Executive further acknowledges that the Confidential Information: (a) is entrusted to Executive because of Executive's position with the Company; and (b) is of such value and nature as to make it reasonable and necessary for Executive to protect and preserve the confidentiality and secrecy of the Confidential Information. Executive acknowledges and agrees that the Confidential Information is proprietary to and a trade secret of the Company and, as such, is a valuable, special and unique asset of the Company, the unauthorized use or disclosure of which will cause irreparable harm, substantial injury and loss of profits and goodwill to the Company. "**Confidential Information**" does not include any information which is generally available to and known by the public or becomes generally available to and known by the public (other than as a result of Executive's breach of this Agreement or any other agreement or obligation to keep such information confidential).

(b) Non-Disclosure.

(i) Executive agrees to preserve and protect the confidentiality of all Confidential Information. Executive agrees that during the period of Executive's employment with the Company and at any time thereafter (regardless of the reason for Executive's separation or termination of employment): (A) Executive shall hold all Confidential Information in the strictest confidence, take all reasonable precautions and steps to safeguard all Confidential Information and prevent its wrongful use by or wrongful or inadvertent disclosure or dissemination to any unauthorized person or entity, and follow all policies and procedures of the Company protecting or regarding the Confidential Information; and (B) without prior written authorization of the Company, Executive shall not, directly or indirectly, use for Executive's own account, use in any way or for any other purpose, disclose to anyone, publish, exploit, destroy, copy or remove from the offices of the Company, nor solicit, allow or assist another person or entity to use, disclose, publish, exploit, destroy, copy or remove from the offices of the Company, any Confidential Information or part thereof, except: (1) as permitted in the proper performance of Executive's duties for the Company; (2) as permitted in the ordinary course of the Company's business for the benefit of the Company; or (3) as otherwise permitted or required by law. Executive shall immediately notify the Company if Executive learns of or suspects any actual or potential unauthorized use or disclosure of Confidential Information concerning the Company. Further, the Executive shall not, directly or indirectly, use the Company's Confidential Information to: (1) call upon, solicit business from, attempt to conduct business with, conduct business with, interfere with or divert business away from any customer, client, service provider, supplier or vendor of the Company with whom or which the Company conducted business; and/or (2) recruit, solicit, hire or attempt to recruit, solicit, or hire, directly or by assisting others, any persons employed by the Company. In the event Executive is subpoenaed, served with any legal process or notice, or otherwise requested to produce or divulge, directly or indirectly, any Confidential Information by any entity, agency or person in any formal or informal proceeding including, but not limited to, any interview, deposition, administrative or judicial hearing and/or trial, except where prohibited by law, Executive should immediately notify the Company and deliver a copy of the subpoena, process, notice or other request to the Company as promptly as possible, but under no circumstances more than ten (10) days following Executive's receipt of same; provided, however, Executive is not required to notify the Company or provide a copy of the subpoena, process, notice or other request where Executive is permitted to make such disclosure of Confidential Information pursuant to this Agreement or applicable law or regulation, as set forth in Section 1(c) and Section 1(d).

(ii) Subject to Section 1(b)(iii), Executive agrees that Executive will not use or disclose any confidential, proprietary or trade secret information belonging to any former employer or third party, and Executive will not bring onto the premises of the Company or onto any Company property, any confidential, proprietary or trade secret information belonging to any former employer or third party without such third party's written consent. Executive acknowledges that that the Company has specifically instructed Executive not to disclose to the Company, use, or induce the Company to use, any confidential, proprietary or trade secret information belonging to any previous employer or others.

(iii) During Executive's employment, the Company will receive from third parties their confidential and/or proprietary information, subject to a duty on the Company's part to maintain the confidentiality of and to use such information only for certain limited purposes. Executive agrees to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person or organization or to use it except as necessary in the course of Executive's employment with the Company and in accordance with the Company's agreement with such third party.

(iv) Except in the proper performance of Executive's duties and responsibilities, Executive agrees that Executive shall not remove, destroy, deface, damage or delete any Property of the Company. For purposes of this Agreement, the term "**Property**" means all property or information, in whatever form or media, and all copies thereof whether or not the original was deleted or destroyed, of the Company, including, without limitation, any Confidential Information, software, hardware, including any and all Company-issued equipment, devices, cellular telephones, tablets, computers, laptops, hard drives, keys, access cards, access codes or passwords belonging to the Company, databases, files, records, reports, memoranda, research, plans, proposals, lists, forms, drawings, specifications, notebooks, manuals, correspondence, materials, e-mail, electronic or magnetic recordings or data, and any other physical or electronic documents that Executive receives from or sends to any employee of the Company, that Executive copies from the files or records of the Company, or that Executive otherwise has access to during Executive's employment.

(c) No Interference. Notwithstanding any other provision of this Agreement, (i) Executive may disclose Confidential Information when required to do so by a court of competent jurisdiction, by any governmental agency having authority over Executive or the business of the Company or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order Executive to divulge, disclose or make accessible such information; and (ii) nothing in this Agreement is intended to interfere with Executive's right to (A) report possible violations of state or federal law or regulation to any governmental or law enforcement agency or entity; (B) make other disclosures that are protected under the whistleblower provisions of state or federal law or regulation; (C) file a claim or charge with any governmental agency or entity; or (D) testify, assist, or participate in an investigation, hearing, or proceeding conducted by any governmental or law enforcement agency or entity, or any court. For purposes of clarity, in making or initiating any such reports or disclosures or engaging in any of the conduct outlined in subsection (ii) above, Executive may disclose Confidential Information to the extent necessary to such governmental or law enforcement agency or entity or such court, need not seek prior authorization from the Company, and is not required to notify the Company of any such reports, disclosures or conduct.

(d) Defend Trade Secrets Act. Executive is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

(e) Inventions.

(i) Prior Inventions Retained and Licensed. In Exhibit A-1 to this Agreement, Executive has provided a list describing all Inventions (defined below) that Executive: (A) conceived, created, developed, made, reduced to practice or completed, either alone or with others, prior to Executive's employment with the Company; (B) claims a proprietary right or interest in; and (C) does not assign to the Company hereunder (collectively referred to as the "**Prior Inventions**"). If no such list is attached, Executive represents that there are no such Prior Inventions. Executive understands and agrees that the Company makes no attempt to verify Executive's claim of ownership to any of the Prior Inventions. Executive agrees that Executive shall not incorporate in any work that Executive performs for the Company any Prior Inventions or any of the technology described in any Prior Inventions. Nonetheless, if in the course of Executive's employment with the Company, Executive incorporates Prior Inventions into a product, service, process or machine of the Company, Executive hereby grants and shall be deemed to have granted the Company a nonexclusive, royalty-free, irrevocable, sublicensable, transferable, perpetual, and worldwide license to make, have made, modify, use, import, reproduce, distribute, prepare and have prepared derivative works of, offer to sell, sell and otherwise exploit such Prior Inventions. For purposes of this Agreement, the term "**Inventions**" means all tangible and intangible materials, work product, information, methods, designs, computer programs, software, databases, formulas, models, prototypes, reports, discoveries, ideas, improvements, know-how, compositions of matter, processes, photographs, drawings, illustrations, sketches, developments, and all related intellectual property, including inventions, original works of authorship, moral rights, mask works, trade secrets and trademarks.

(ii) Assignment of Inventions. During Executive's employment with the Company and following the termination of Executive's employment for any reason, Executive agrees that Executive shall promptly make full written disclosure to the Company, shall hold in trust for the sole right and benefit of the Company, and hereby assigns and shall be deemed to have assigned to the Company or its designee, all of Executive's right, title, and interest in and to any and all Inventions that have been or may be conceived, created, developed, completed, reduced to practice or otherwise made by Executive, solely or jointly with others, during the period of Executive's employment with the Company which (A) relate in any manner to the existing or contemplated business, work, or investigations of the Company; (B) are suggested by, result from, or arise out of any work that Executive may do for or on behalf of

the Company; (C) result from or arise out of any Confidential Information that may have been disclosed or otherwise made available to Executive as a result of duties assigned to Executive by the Company; or (D) are otherwise made through the use of the time, information, equipment, facilities, supplies or materials of the Company, even if developed, conceived, reduced to practice or otherwise made during other than working hours (collectively referred to as “*Company Inventions*”). Executive further acknowledges that all original works of authorship that are made by Executive (solely or jointly with others) within the scope of Executive’s employment with the Company and that are protectable by copyright are “*Works Made for Hire*,” as that term is defined in the United States Copyright Act. Executive understands and agrees that the decision whether or not to commercialize or market any Company Inventions is within the Company’s sole discretion and for the Company’s sole benefit, and that no royalty will be due to Executive as a result of the Company’s efforts to commercialize or market any such Company Invention.

(iii) Maintenance of Records. Executive agrees to keep and maintain adequate and current hard-copy and electronic records of all Company Inventions. The records will be available to and remain the sole property of the Company during Executive’s employment with the Company and at all times thereafter.

(f) Patent and Copyright Registrations. Executive agrees to assist the Company or its designee, at the Company’s expense, in every proper way to secure the Company’s rights in Company Inventions in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments, affidavits, and all other instruments which the Company shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Company and/or its successors, assigns and nominees, the sole and exclusive rights, title and interest in and to such Company Inventions. Executive further agrees that Executive’s obligation to execute or cause to be executed, when it is in Executive’s power to do so, any such instrument or papers shall continue after the termination of this Agreement. Executive hereby appoints the General Counsel of the Company as Executive’s attorney-in-fact to execute documents on Executive’s behalf for this purpose. Executive agrees that this appointment is coupled with an interest and will not be revocable.

(g) Return of Company Property. Upon request by the Company or upon the termination of Executive’s employment for any reason, Executive shall immediately return and deliver to the Company any and all Property, including, without limitation, Confidential Information, software, hardware, including any and all Company-issued equipment, devices, cellular telephones, tablets, computers, laptops, hard drives, keys, access cards, access codes or passwords, databases, files, documents, records, reports, memoranda, research, plans, proposals, lists, papers, books, forms, drawings, specifications, notebooks, manuals, correspondence, materials, e-mail, electronic or magnetic recordings or data, including all copies thereof (in electronic or hard copy format), which belong to the Company or which relate to the Company’s business and which are in Executive’s possession, custody or control, whether prepared by Executive or others. Executive further agrees that after Executive provides such Property to the Company, Executive will immediately destroy any information or documents, whether prepared by Executive or others, containing or reflecting any Confidential Information or relating to the business of the Company from any computer, cellular phone or other digital or electronic device in Executive’s possession, custody or control, and Executive shall certify such destruction in writing to the Company. Upon request by the Company, Executive shall provide such computer, cellular phone or other digital or electronic device to the Company or the Company’s designee for inspection to confirm that such information and documents have been destroyed. If at any time after the termination of Executive’s employment for any reason, Executive or the Company determines that Executive has any Property in Executive’s possession, custody or control, Executive shall immediately return all such Property, including all copies and portions thereof, to the Company.

2. Restrictive Covenants. In consideration for (i) the Company’s promise to provide Confidential Information; (ii) the substantial economic investment made by the Company in the Confidential Information and goodwill of the Company, and/or the business opportunities disclosed or entrusted to Executive; (iii) access to the customers and clients of the Company; and (iv) the Company’s employment of Executive in an executive position and the compensation and other benefits provided by the Company to Executive (including the consideration provided for in the Incentive Retention Letter), to protect the Confidential Information and business goodwill of the Company, Executive agrees to the following restrictive covenants.

(a) Non-Competition. Executive agrees that during the Executive’s employment with the Company and for a period of twelve (12) months after the Executive’s employment terminates for any reason (the “*Restricted Period*”), other than in connection with Executive’s performance of his duties for the Company, Executive shall not, and shall not use any Confidential Information to, without the prior written consent of an officer of the Company, directly or indirectly, either individually or as a principal, partner, stockholder, manager, agent, consultant, contractor, distributor, employee, lender, investor, or as a director or officer of any corporation or association, or in any other manner or capacity whatsoever, (i) control, manage, operate, establish, take steps to establish, lend money to, invest in, solicit investors for, or otherwise provide capital to, or (ii) become employed by, join, perform services for, consult for, do business with or otherwise engage in any Competing Business within the Restricted Area. For purposes of this Consulting Agreement, given the scope of Confidential Information to be provided to Executive and job duties to be performed by the Executive, “*Restricted Area*” means the United States, and any other geographic area for which Executive performed any services or about which Executive received Confidential Information. For purposes of this Agreement, “*Competing Business*” means any business, individual, partnership, firm, corporation or other entity that is competing or that is preparing to compete with any aspect of the Company’s

business, which includes, but is not limited to (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 the Executive's employment with the Company.

(b) **Non-Solicitation.** During the Restricted Period, other than in connection with Executive's duties for the Company, Executive shall not, and shall not use any Confidential Information to, directly or indirectly, either as a principal, manager, agent, employee, consultant, officer, director, stockholder, partner, investor or lender or in any other capacity, and whether personally or through other persons, solicit business from, interfere with, or induce to curtail or cancel any business or contracts with the Company, or attempt to solicit business with, interfere with, or induce to curtail or cancel any business or contracts with the Company, or do business with any actual or prospective customer or client of the Company with whom the Company did business or who the Company solicited within the preceding two (2) years, and who or which: (1) Executive contacted, called on, serviced or did business with during Executive's employment with the Company; (2) Executive learned of as a result of Executive's employment with the Company; or (3) about whom Executive received Confidential Information. This restriction applies only to business which is in the scope of services or products provided by the Company.

(c) **Non-Recruitment.** During the Restricted Period, other than in connection with Executive's duties for the Company, Executive shall not, on behalf of Executive or on behalf of any other person or entity, directly or indirectly, hire, solicit or recruit, or attempt to hire, solicit or recruit, or encourage to leave or otherwise cease his/her employment or engagement with the Company, any individual who is an employee or independent contractor of the Company or who was an employee or independent contractor of the Company within the twelve (12) month period prior to Executive's separation from employment with the Company.

(d) **Non-Disparagement.** Executive agrees that the Company's goodwill and reputation are assets of great value to the Company, which have been obtained and maintained through great costs, time and effort. Therefore, Executive agrees that during Executive's employment and after the termination of Executive's employment, Executive shall not make, publish or otherwise transmit any knowingly false statements, whether written or oral, regarding the Company and its officers, directors, executives, employees, contractors, consultants, products, services, business or business practices. A violation or threatened violation of this Section 2(d) may be enjoined by the courts. The rights afforded the Company under this provision are in addition to any and all rights and remedies otherwise afforded by law. However, nothing in this Section 2(d) restricts or prevents Executive from providing truthful testimony as required by court order or other legal process or is intended to interfere with Executive's rights set forth in Section 1(c).

(e) **Tolling.** If Executive violates any of the covenants contained in this Section 2, the Restricted Period applicable to such covenant(s) shall be suspended and shall not run in favor of Executive from the time of the commencement of such violation until the time that Executive cures the violation to the satisfaction of the Company and the period of time in which Executive is in breach shall be added to the Restricted Period applicable to such covenant(s).

3. **Reasonableness.** Executive hereby represents to the Company that Executive has read and understands, and agrees to be bound by, the terms of Section 1 and Section 2. Executive acknowledges that the scope and duration of the restrictions and covenants contained in Section 1 and Section 2 are fair and reasonable in light of (i) the nature and scope of the operations of the Company's business; and (ii) the amount of compensation and Confidential Information (including, without limitation, trade secrets) that Executive is receiving in connection with Executive's employment with the Company and the Incentive Retention Letter. It is the desire and intent of the Parties that the provisions of Section 1 and Section 2 be enforced to the fullest extent permitted under applicable law, whether now or hereafter in effect and therefore, to the extent permitted by applicable law, Executive and the Company hereby waive any provision of applicable law that would render any provision of Section 1 and/or Section 2 invalid or unenforceable.

4. **Remedies.** Executive acknowledges that the restrictions and covenants contained in Section 1 and Section 2, in view of the nature of the Company's business and Executive's position with the Company, are reasonable and necessary to protect the Company's legitimate business interests, goodwill and reputation, and that any violation of Section 1 or Section 2 would result in irreparable injury and continuing damage to the Company, and that money damages would not be a sufficient remedy to the Company for any such breach or threatened breach. Therefore, Executive agrees that the Company shall be entitled to a temporary restraining order and injunctive relief restraining Executive from the commission of any breach or threatened breach of Section 1 and/or Section 2, without the necessity of establishing irreparable harm or the posting of a bond, and to recover from Executive damages incurred by the Company as a result of the breach, as well as the Company's attorneys' fees, costs and expenses related to any breach or threatened breach of this Agreement and enforcement of this Agreement. Nothing contained in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies available to it for any breach or threatened breach, including, without limitation, the recovery of money damages, attorneys' fees, and costs. The existence of any claim or cause of action by Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the restrictions or covenants contained in Section 1 or Section 2, or preclude injunctive relief.

5. **Business Opportunities.** Executive, without further compensation, assigns and agrees to assign to the Company and its

successors, assigns or designees, all of Executive's right, title and interest in and to all Business Opportunities (defined below), and further acknowledges and agrees that all Business Opportunities constitute the exclusive property of the Company. Executive shall present all Business Opportunities to the Company, and shall not exploit a Business Opportunity. For purposes of this Agreement, "**Business Opportunities**" means all business ideas, prospects, or proposals pertaining to any aspect of the Company's business and any business the Company prepared to conduct or contemplated conducting during Executive's employment with the Company, which are developed by Executive or originated by any third party and brought to the attention of Executive, together with information relating thereto. For the avoidance of doubt, this Section 5 is not intended to limit or narrow Executive's duties or obligations under federal or state law with respect to corporate opportunities.

6. **Conflicting Activities.** Executive agrees that, during Executive's employment with the Company, Executive shall not engage in any employment, consulting relationship, business or other activity that (i) is in any way competitive with the business or proposed business of the Company (except that Executive may invest less than one percent (1%) of the shares of a company traded on a registered stock exchange); (ii) conflicts with Executive's duty of loyalty, responsibilities or obligations to the Company or interferes with the independent exercise of Executive's judgment in the Company's best interests; or (iii) adversely affects the performance of Executive's job duties and responsibilities with the Company. Executive agrees to not assist any other person or organization in competing with the Company or in preparing to engage in competition with the Company or proposed business of the Company. Executive further agrees that, during Executive's employment with the Company, Executive shall not actively engage in any other employment, occupation or consulting activity for any direct or indirect remuneration without the prior approval of Executive's direct supervisor or the Company's Legal Department. Executive has listed on the Company's Outside Activity Disclosure form, attached hereto as Exhibit B-1, any business activities or ventures with which Executive is involved. If no such list is attached, Executive represents that there are no such outside activities as of the date of this Agreement.

7. **Breach** Executive acknowledges that Executive is subject to immediate dismissal by the Company for any breach of this Agreement and that such a dismissal will not relieve Executive from any continuing obligations under this Agreement or from the imposition by a court of any judicial remedies, including, without limitation, money damages and/or injunctive relief for such breach.

8. **Notice.** If Executive, in the future, seeks or is offered employment, or any other position or capacity with another company, entity or person, Executive agrees to inform each such company, entity or person of the existence of the restrictions in Section 1 and Section 2. The Company shall be entitled to advise such company, entity or person and third parties of the provisions of Section 1 and Section 2 and to otherwise deal with such company, entity, person or third party to ensure that the provisions of Section 1 and Section 2 are enforced and duly discharged.

9. **Reformation.** The Company and Executive agree that in the event any of the terms, provisions, covenants or restrictions contained in this Agreement, or any part thereof, shall be held by any court of competent jurisdiction to be effective in any particular area or jurisdiction only if said term, provision, covenant or restriction is modified to limit its duration or scope, then the court shall have such authority to so reform the term, provision, covenant or restriction and the Parties hereto shall consider such term, provision, covenant or restriction to be amended and modified with respect to that particular area or jurisdiction so as to comply with the order of any such court and, as to all other jurisdictions, the term, provision, covenant or restriction contained herein shall remain in full force and effect as originally written. By agreeing to this contractual modification prospectively at this time, the Company and Executive intend to make Section 1 and Section 2 enforceable under the law or laws of all applicable jurisdictions so that the restrictive covenants in their entirety and this Agreement as prospectively modified shall remain in full force and effect and shall not be rendered void or illegal.

10. **Severability.** In the event any court of competent jurisdiction or any foreign, federal, state, county or local government or any other governmental regulatory or administrative agency or authority holds any provision of this Agreement to be invalid, illegal or unenforceable, such invalid, illegal or unenforceable portion(s) shall be limited or excluded from this Agreement to the minimum extent required, and the remaining provisions shall not be affected or invalidated and shall remain in full force and effect.

11. **Binding Effect of Agreement and Assignment.** This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, successors, legal representatives and permitted assigns. Executive may not assign this Agreement to a third party. The Company may assign its rights, together with its obligations hereunder, to any affiliate and/or subsidiary of the Company or any successor thereto or any purchaser of substantially all of the assets of the Company, without Executive's consent and without advance notice.

12. **Survival.** Executive agrees that Executive's obligations under this Agreement shall continue in effect after the termination of Executive's employment, regardless of the reason(s) for termination, and whether such termination is voluntary or involuntary.

13. **Waiver.** The failure of either Party to insist in any one or more instances upon performance of any terms or conditions of this Agreement shall not be construed as a waiver of future performance of any such term, covenant or condition, but the obligations of either Party with respect thereto shall continue in full force and effect. No waiver of any breach of this Agreement shall be construed to

be a waiver as to succeeding breaches and no waiver of any provisions of this Agreement shall constitute a waiver of any other provision of this Agreement. The breach by one Party to this Agreement shall not preclude equitable relief, injunctive relief or the obligations in Section 1 or Section 2.

14. **Controlling Law.** This Agreement shall be governed by and construed under the laws of the State of Texas, without regard to any applicable conflict of law or choice of law rules.

15. **Venue.** Venue of any dispute arising out of, in connection with or in any way related to this Agreement shall be in a state district court of competent jurisdiction in Dallas County, Texas, or the United States District Court for the Northern District of Texas. Executive consents to personal jurisdiction of the state district courts of Dallas County, Texas and to the United States District Court for the Northern District of Texas for any dispute arising out of, in connection with or in any way related to this Agreement, and agrees that Executive shall not challenge personal jurisdiction in such courts. Executive waives any objection that Executive may now or hereafter have to the venue or jurisdiction of any proceeding in such courts or that any such proceeding was brought in an inconvenient forum (and agrees not to plead or claim the same).

16. **WAIVER OF JURY TRIAL.** WITH RESPECT TO ANY DISPUTE BETWEEN EXECUTIVE AND THE COMPANY ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY RELATED TO THIS AGREEMENT, EMPLOYEE AGREES TO RESOLVE SUCH DISPUTE(S) BEFORE A JUDGE WITHOUT A JURY. EMPLOYEE HAS KNOWLEDGE OF THIS PROVISION, AND WILL PROVIDE SERVICES TO THE COMPANY THEREAFTER, HEREBY WAIVING EXECUTIVE'S RIGHT TO TRIAL BY JURY AND AGREES TO HAVE ANY DISPUTE(S) ARISING BETWEEN THE COMPANY AND EXECUTIVE ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY RELATED TO THIS AGREEMENT RESOLVED BY A JUDGE OF A COMPETENT COURT IN DALLAS COUNTY, TEXAS, SITTING WITHOUT A JURY.

17. **Entire Agreement.** This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof, and fully supersedes any and all prior and contemporaneous agreements, understandings and/or representations between the Parties, whether oral or written, pertaining to the subject matter of this Agreement; provided, however, Executive's obligations under this Agreement are in addition to Executive's obligations under any applicable law or regulation and the Company's policies and procedures. No oral statements or prior written material not specifically incorporated in this Agreement shall be of any force and effect, and no changes in or additions to this Agreement shall be recognized, unless incorporated in this Agreement by written amendment, such amendment to become effective on the date stipulated in it. Any amendment to this Agreement must be signed by all parties to this Agreement.

18. **Disclaimer of Reliance.** Except for the specific representations expressly made by the Company in this Agreement, Executive specifically disclaims that Executive is relying upon or has relied upon any communications, promises, statements, inducements, or representation(s) that may have been made, oral or written, regarding the subject matter of this Agreement. Executive represents that Executive relied solely and only on Executive's own judgment in making the decision to enter into this Agreement.

19. **Voluntary Agreement.** Executive (i) acknowledges that Executive has read and understands the terms of this Agreement and believes them to be reasonable, (ii) agrees that the consideration provided by the Company for this Agreement is reasonable, and (iii) is voluntarily executing this Agreement as signified by Executive's signature hereto,.

20. **Execution in Multiple Counterparts.** This Agreement may be executed in multiple counterparts, whether or not all signatories appear on these counterparts, and each counterpart shall be deemed an original for all purposes.

*[Signature Page Follows]*

**The signatures below indicate that the Parties have read, understand and will comply with this Agreement.**

**EXECUTIVE:**

Signature:

Printed Name: Transient Taylor

Date:

**THE COMPANY:**

**Blucora, Inc.:**

Signature:

Name:

Title:

Date:

**EXHIBIT A-1**  
**LIST OF PRIOR INVENTIONS**

Title	Date	Identifying Number or Brief Description

\_\_\_\_ No Inventions

\_\_\_\_ Additional Sheets Attached

Signature of Employee

Print Name of Employee

Date

**EXHIBIT A-2**  
**OUTSIDE ACTIVITIES**



## EXHIBIT B

### GENERAL RELEASE OF ALL CLAIMS

This General Release and Waiver of Claims (this “**Release**”) is executed by Transient Taylor (“**Executive**”) and Blucora, Inc. (the “**Company**”) 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 the Company pursuant to the Employment Agreement between Executive and the Company dated as of \_\_\_\_\_, 2018 (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 he 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. Consideration

The Company shall pay Executive the severance benefits pursuant to the Employment Agreement. The Parties agree that but for signing this Release, Executive would not be entitled to the severance benefits set forth in the Employment Agreement. The severance benefits are adequate to make this Release final and binding, and are in addition to payments and benefits to which Executive would otherwise be entitled to as an employee or former employee of the Company.

#### 3. 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 3 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.

(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 he 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 he has the full right and power to grant, execute and deliver the releases, undertakings, and agreements contained herein.

(e) Subject to Section 4, Executive represents that Executive 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.

#### **4. No Interference**

Nothing in this Agreement is intended to interfere with Executive's right to report possible violations of federal, state or local law or regulation to any governmental or law enforcement agency or entity, or to make other disclosures that are protected under the whistleblower provisions of federal, state or local law or regulation. Executive further acknowledges that nothing in this Agreement is intended to interfere with Executive's right to file a claim or charge with, or testify, assist, or participate in an investigation, hearing, or proceeding conducted by, the Equal Employment Opportunity Commission (the "**EEOC**"), any state human rights commission, or any other government agency or entity. However, by executing this Agreement, Executive hereby waives the right to recover any damages or benefits in any proceeding Executive may bring before the EEOC, any state human rights commission, or any other government agency or entity or in any proceeding brought by the EEOC, any state human rights commission, or any other government agency or entity on Executive's behalf with respect to any claim released in this Agreement *except that* Executive may receive bounty money awarded by the U.S. Securities and Exchange Commission pursuant to Section 21F of the Securities Exchange Act of 1934 or any similar provision.

#### **5. 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.

#### **6. Legal Disclosure**

Subject to Section 4, by signing this Agreement, Executive warrants and represents that Executive has reported to Human Resources or Legal all pending and/or threatened legal proceedings of any kind involving or relating to the Company that Executive became aware of during Executive's tenure with the Company. Executive further warrants and represents that Executive has reported to Human Resources or Legal any alleged violations of law (including alleged securities violations) by the Company that Executive became aware of during Executive's tenure with the Company.

#### **7. 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 3 applies.

#### **8. Other Agreements**

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

#### **9. Knowing and Voluntary Agreement; Consideration and Revocation Periods**

(a) Executive acknowledges that Executive 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 Executive signs this Release before the 21-day period has ended he knowingly and voluntarily waives some or all of such 21-day period.

(b) Executive represents that (i) Executive has read this Release carefully, (ii) Executive 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) Executive fully understands that by signing below he is giving up certain rights which he might otherwise have to sue or assert a claim against any of the Company Releasees, and (iv) Executive 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 Executive 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 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.

**10. Disclaimer of Reliance**

Except for the specific representations expressly made by the Company in the Employment Agreement, Executive specifically disclaims that Executive is relying upon or has relied upon any communications, promises, statements, inducements, or representation(s) that may have been made, oral or written, regarding the subject matter of this Release. Executive represents that Executive relied solely and only on Executive's own judgment in making the decision to enter into this Release.

**11. Execution in Multiple Counterparts**

This Release may be executed by the parties in multiple counterparts, whether or not all signatories appear on these counterparts (including via electronic signatures and exchange of PDF documents via email), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**12. Effective Date**

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

*[Signature Page Follows]*

EXECUTIVE HAS ELECTED FREELY AND VOLUNTARILY TO EXECUTE THIS RELEASE, TO FULFILL THE PROMISES SET FORTH IN THE EMPLOYMENT AGREEMENT, AND TO RECEIVE THEREBY THE PAYMENT AND OTHER CONSIDERATION DESCRIBED IN THE EMPLOYMENT AGREEMENT. EXECUTIVE UNDERSTANDS THAT, BY SIGNING THIS RELEASE, EXECUTIVE IS AGREEING TO WAIVE AND SETTLE THE RELEASED CLAIMS HEREIN THAT EXECUTIVE HAS OR MIGHT HAVE AGAINST THE COMPANY INCLUDING CLAIMS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT. EXECUTIVE'S SIGNATURE BELOW MEANS THAT EXECUTIVE HAS READ THE RELEASE AND UNDERSTANDS AND AGREES THAT EXECUTIVE IS RELEASING ALL CLAIMS AND AGREES AND CONSENTS TO THE TERMS AND CONDITIONS OF THIS EMPLOYMENT AGREEMENT AND THIS RELEASE.

**EXECUTIVE:**

Signature:

Printed Name: Transient Taylor

Date:

**THE COMPANY:**

**Blucora, Inc.:**

Signature:

Name:

Title:

Date:

**BLUCORA, INC.**  
**2016 EQUITY INDUCEMENT PLAN, AS AMENDED**  
**FORM OF RESTRICTED STOCK UNIT GRANT NOTICE**

TO: \_\_\_\_\_ (“**Employee**”)

We are pleased to inform you that you have been selected by Blucora, Inc. (the “**Company**”) to receive a Restricted Stock Unit Award (the “**Award**”) under the Blucora, Inc. 2016 Equity Inducement Plan, as amended (the “**2016 Inducement Plan**”). Each restricted stock unit (an “**RSU**”) subject to the Award has a notional value equivalent to one share of the Company’s Common Stock for purposes of determining the number of shares of Common Stock (the “**Shares**”) subject to the Award.

The Award is subject to all the terms and conditions set forth in this Restricted Stock Unit Grant Notice (the “**Notice of Grant**”) and in the Restricted Stock Unit Agreement attached hereto as **Exhibit A** (the “**Agreement**”) and the 2016 Inducement Plan, each of which are incorporated by reference into the Notice of Grant. Capitalized terms that are not defined in the Notice of Grant have the meanings given to them in the Agreement, and if not defined in the Agreement, the meanings given to them in the 2016 Inducement Plan.

**Grant Date:** \_\_\_\_\_

**Number of RSUs  
Subject to the Award:** \_\_\_\_\_

**Vesting  
Commencement Date:** \_\_\_\_\_

**Vesting Schedule:** 100% of the RSUs shall vest in full on the one-year anniversary of the Grant Date; provided that vesting will cease upon your Termination of Employment and the unvested portion of the Award will terminate.

**Additional Terms/Acknowledgment:** You acknowledge and agree that the Notice of Grant and the vesting schedule set forth herein do not constitute an express or implied promise of your continued engagement as an employee for the vesting period, for any period, or at all, and shall not interfere with your right or the Company’s right to terminate your employment relationship with the Company or its Related Companies at any time, with or without cause.

**Employment Agreement:** If there is a written employment agreement in effect between you and the Company or a Related Company (the “**Employment Agreement**”), then the Award shall

be subject to the terms of such Employment Agreement, so long as such Employment Agreement remains in effect (as it may be amended, supplemented or restated from time to time) and the terms set forth in the Employment Agreement are applicable to the Award.

**Committee Decisions/Interpretations:** You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the 2016 Inducement Plan and the Award.

**By your signature below or electronic acceptance, you agree that the Notice of Grant, the Agreement, the Employment Agreement (if applicable) and the 2016 Inducement Plan constitute your entire agreement, and except as set forth therein, with respect to the Award and may not be modified except by means of a writing signed by the Company and you. This Notice of Grant and Agreement may be executed and/or accepted electronically and/or executed in duplicate counterparts, the production of either of which (including a signature or proof of electronic acceptance) shall be sufficient for all purposes for the proof of the binding terms of this Award.**

BLUCORA, INC.

EMPLOYEE

By: \_\_\_\_\_  
Its: \_\_\_\_\_

\_\_\_\_\_  
Signature

Date: \_\_\_\_\_

Address: \_\_\_\_\_

Taxpayer ID: \_\_\_\_\_

**Attachments:**

1. Restricted Stock Unit Agreement
2. 2016 Equity Inducement Plan

**EXHIBIT A**

**BLUCORA, INC.**

**2016 EQUITY INDUCEMENT PLAN**

**RESTRICTED STOCK UNIT AGREEMENT**

1. **Grant.** The Company hereby grants to the employee listed on the Notice of Grant (the "**Employee**") 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 2016 Inducement Plan. Unless otherwise defined herein, the capitalized terms used herein shall have the same meanings given to them in the Notice of Grant, and if not defined in the Notice of Grant, the meanings given to them in the Inducement Plan.

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

3. **Vesting Schedule.** Subject to paragraph 4 hereof, to Section 10.2 of the 2016 Inducement Plan and to any other relevant 2016 Inducement Plan provisions, the RSUs awarded by this Agreement will vest in the Employee according to the vesting schedule specified in the Notice of Grant. The effect of a Company approved unpaid leave of absence on the terms and conditions of the RSUs will be determined by the Committee.

4. **Forfeiture upon Termination of Employment.** Notwithstanding any contrary provision of this Agreement or the Notice of Grant, if the Employee has a Termination of Employment 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.** Subject to Section 21 hereof, any RSUs that vest in accordance with paragraph 3 will be paid to the Employee (or in the event of the Employee's death, to his or her estate) in Shares on, or as soon as practicable after, the applicable vesting date (but in any event within sixty (60) days of the date on which the RSUs vest).

6. **Withholding Taxes.** As a condition to the payment of any vested RSUs, the Employee must make such arrangements as the Company may require for the satisfaction of any federal, state or local withholding tax obligations that may arise in connection with such payment. The Company may permit or require the Employee to satisfy all or part of the Employee's tax withholding obligations by (a) paying cash to the Company or a Related Company, as applicable; (b) having the Company or a

Related Company, as applicable, withhold an amount from any cash amounts otherwise due or to become due from the Company or a Related Company, as applicable, to the Participant; (c) having the Company withhold a number of Shares that would otherwise be issued to the Employee having a Fair Market Value equal to the tax withholding obligations; (d) surrendering a number of Shares the Employee already owns having a Fair Market Value equal to the tax withholding obligations; or (e) any combination of (a), (b), (c) or (d) above. The value of the Shares so withheld or tendered may not exceed the employer's minimum required tax withholding rate.

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

8. **Rights as Stockholder.** Neither the Employee nor any person claiming under or through the Employee 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 2016 Inducement Plan. Except as otherwise provided in Paragraph 9, no adjustment shall be made for dividends or other rights for which the record date is prior to the issuance of any Shares subject to the Award. The Employee agrees to execute any documents requested by the Company in connection with the issuance of any Shares.

9. **Adjustments.** The number of Shares covered by the Award shall be subject to adjustment in accordance with Section 15 of the Inducement Plan.

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

11. **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.

12. **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.

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

14. **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 Employee (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.

15. **2016 Inducement Plan Governs.** This Agreement and the Notice of Grant are subject to all terms and provisions of the 2016 Inducement 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 2016 Inducement Plan, the provisions of the 2016 Inducement Plan will govern.

16. **Plan Administrator Authority.** The Plan Administrator will have the power to interpret this Agreement, the Notice of Grant and the 2016 Inducement Plan, and to adopt such rules for the administration, interpretation and application of the 2016 Inducement 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 conclusive and binding upon the Employee, 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 2016 Inducement Plan or this Agreement.

17. **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.

18. **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.



**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: October 31, 2018

/s/ John S. Clendening

John S. Clendening

Chief Executive Officer and President  
(Principal Executive Officer)

**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, Davinder Athwal, 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: October 31, 2018

/s/ Davinder Athwal

Davinder Athwal

Chief Financial Officer  
(Principal Financial Officer)

**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 September 30, 2018 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: October 31, 2018

By: /s/ John S. Clendening  
Name: John S. Clendening  
Title: Chief Executive Officer and President  
(Principal Executive Officer)

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

I, Davinder Athwal, 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 September 30, 2018 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: October 31, 2018

By: /s/ Davinder Athwal

Name: Davinder Athwal

Title: Chief Financial Officer  
(Principal Financial Officer)

