

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

FORM 10-Q

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

**For the quarterly period ended March 31, 2020
OR**

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

For the transition period from _____ to _____

Commission File Number: 000-25131

BLUCORA™

Blucora, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

91-1718107

(I.R.S. Employer Identification No.)

6333 State Hwy 161, 4th Floor, Irving, Texas 75038

(Address of principal executive offices) (Zip Code)

(972) 870-6400

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes 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.

As of May 1, 2020, 47,849,614 shares of the registrant's Common Stock were outstanding.

TABLE OF CONTENTS

PART I—FINANCIAL INFORMATION

	<u>Page</u>
Item 1.	Financial Statements
	Unaudited Condensed Consolidated Balance Sheets
	Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)
	Unaudited Condensed Consolidated Statements of Stockholders' Equity
	Unaudited Condensed Consolidated Statements of Cash Flows
	Notes to Unaudited Condensed Consolidated Financial Statements
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
Item 3.	Quantitative and Qualitative Disclosures About Market Risk
Item 4.	Controls and Procedures

PART II—OTHER INFORMATION

Item 1.	Legal Proceedings	41
Item 1A.	Risk Factors	41
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	44
Item 3.	Defaults Upon Senior Securities	44
Item 4.	Mine Safety Disclosures	44
Item 5.	Other Information	44
Item 6.	Exhibits	47

Signatures	48
----------------------------	--------------------

Trademarks, Trade Names, and Service Marks

This report includes some of the trademarks, trade names, and service marks of Blucora, Inc. (referred to throughout this report as “Blucora,” the “Company,” “we,” “us,” or “our”), including Blucora, Avantax Wealth Management, HD Vest, 1st Global, TaxAct, Tax-Smart Investing, Capital Gains Analyzer, Tax-Loss Harvester, and Social Security Planner. Each one of these trademarks, trade names, or service marks is either (i) our registered trademark, (ii) a trademark for which we have a pending application, (iii) a trade name or service mark for which we claim common law rights, or (iv) a registered trademark or application for registration that we have been authorized by a third party to use.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

- the impact of the recent coronavirus pandemic on our results of operations and our business, including the impact of the resulting economic downturn, the extension of tax filing deadlines, and other related relief;
- our ability to effectively compete within our industry;
- our ability to attract and retain financial advisors, qualified employees, clients and customers, as well as our ability to provide strong customer/client service;
- our ability to close, finance, and realize all of the anticipated benefits of our recent or pending acquisitions, as well as our ability to integrate the operations of recently acquired businesses;
- 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 performance for our clients and the impact of the financial markets on our clients' portfolios;
- the impact of new or changing legislation and regulations (or interpretations thereof) on our business, including our ability to successfully address and comply with such legislation and regulations (or interpretations thereof) and increased costs, reductions of revenue, and potential fines, penalties, or disgorgement to which we may be subject as a result thereof;
- risks, burdens, and costs, including fines, penalties, or disgorgement, associated with our business being subjected to regulatory inquiries, investigations, or initiatives, including those of the Financial Industry Regulatory Authority and the Securities and Exchange Commission;
- risks associated with legal proceedings, including litigation and regulatory proceedings;
- our ability to manage leadership and employee transitions, including costs and time burdens on management and our board of directors related thereto;
- political and economic conditions 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;
- risks related to goodwill and other intangible asset impairment;
- our ability to develop, establish, and maintain strong brands;
- 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, industry associations, and licensing partners, and our expectations regarding and reliance on the products, tools, platforms, systems, and services provided by these third parties;
- our beliefs and expectations regarding the seasonality of our business;

- *our assessments and estimates that determine our effective tax rate; and*
- *our ability to protect our intellectual property and the impact of any claim that we have infringed on the intellectual property rights of others.*

Forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors that may cause our results, levels of activity, performance, achievements, and prospects to be materially different from those expressed or implied by such forward-looking statements. These risks, uncertainties, and other factors include, among others, the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as supplemented by those identified under Part II, Item 1A, "Risk Factors" and elsewhere in this Form 10-Q, as well as in our other filings with the SEC. All forward-looking statements speak only as of the date of this Form 10-Q. We do not undertake any obligation and do not intend to update or revise any forward-looking statement to reflect new information, events, or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events, except as required by law.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 168,198	\$ 80,820
Cash segregated under federal or other regulations	1,170	5,630
Accounts receivable, net of allowance	25,343	16,266
Commissions receivable	17,719	21,176
Other receivables	6,141	2,902
Prepaid expenses and other current assets, net	13,387	12,349
Total current assets	231,958	139,143
Long-term assets:		
Property and equipment, net	31,807	18,706
Right-of-use assets, net	29,224	10,151
Goodwill, net	391,084	662,375
Other intangible assets, net	282,462	290,211
Deferred tax asset, net	—	9,997
Other long-term assets	4,397	6,989
Total long-term assets	738,974	998,429
Total assets	\$ 970,932	\$ 1,137,572
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 30,085	\$ 10,969
Commissions and advisory fees payable	17,940	19,905
Accrued expenses and other current liabilities	59,760	36,144
Deferred revenue—current	4,425	12,014
Lease liabilities—current	2,187	3,272
Current portion of long-term debt, net	56,229	11,228
Total current liabilities	170,626	93,532
Long-term liabilities:		
Long-term debt, net	381,521	381,485
Deferred tax liability, net	47,502	—
Deferred revenue—long-term	6,941	7,172
Lease liabilities—long-term	31,509	5,916
Other long-term liabilities	6,658	5,952
Total long-term liabilities	474,131	400,525
Total liabilities	644,757	494,057
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock, par \$0.0001—900,000 authorized shares; 49,148 shares issued and 47,842 shares outstanding at March 31, 2020; 49,059 shares issued and 47,753 shares outstanding at December 31, 2019	5	5
Additional paid-in capital	1,584,854	1,586,972
Accumulated deficit	(1,230,285)	(914,791)
Accumulated other comprehensive loss	—	(272)
Treasury stock, at cost—1,306 shares at March 31, 2020 and December 31, 2019	(28,399)	(28,399)
Total stockholders' equity	326,175	643,515
Total liabilities and stockholders' equity	\$ 970,932	\$ 1,137,572

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 March 31,	
	2020	2019
Revenue:		
Wealth management services revenue	\$ 144,989	\$ 89,532
Tax preparation services revenue	118,331	136,236
Total revenue	263,320	225,768
Operating expenses:		
Cost of revenue:		
Wealth management services cost of revenue	102,342	61,374
Tax preparation services cost of revenue	4,013	4,201
Total cost of revenue	106,355	65,575
Engineering and technology	8,515	6,529
Sales and marketing	79,710	55,572
General and administrative	24,728	17,077
Acquisition and integration	5,682	1,797
Depreciation	1,796	1,061
Amortization of other acquired intangible assets	7,748	8,044
Impairment of goodwill	270,625	—
Total operating expenses	505,159	155,655
Operating income (loss)	(241,839)	70,113
Other loss, net	(6,135)	(3,958)
Income (loss) before income taxes	(247,974)	66,155
Income tax expense	(67,520)	(3,985)
Net income (loss) attributable to Blucora, Inc.	\$ (315,494)	\$ 62,170
Net income (loss) per share attributable to Blucora, Inc.:		
Basic	\$ (6.60)	\$ 1.29
Diluted	\$ (6.60)	\$ 1.25
Weighted average shares outstanding:		
Basic	47,827	48,161
Diluted	47,827	49,542
Comprehensive income (loss):		
Net income (loss)	\$ (315,494)	\$ 62,170
Other comprehensive income	272	107
Comprehensive income (loss) attributable to Blucora, Inc.	\$ (315,222)	\$ 62,277

See accompanying notes to unaudited condensed consolidated financial statements.

BLUCORA, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Redeemable Noncontrolling Interests	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Treasury stock		Total
		Shares	Amount				Shares	Amount	
Balance as of December 31, 2019	\$ —	49,059	\$ 5	\$ 1,586,972	\$ (914,791)	\$ (272)	(1,306)	\$ (28,399)	\$ 643,515
Common stock issued for stock options and restricted stock units	—	89	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	(1,201)	—	—	—	—	(1,201)
Tax payments from shares withheld for equity awards	—	—	—	(917)	—	—	—	—	(917)
Cumulative translation adjustment	—	—	—	—	—	272	—	—	272
Net loss	—	—	—	—	(315,494)	—	—	—	(315,494)
Balance as of March 31, 2020	\$ —	49,148	\$ 5	\$ 1,584,854	\$ (1,230,285)	\$ —	(1,306)	\$ (28,399)	\$ 326,175

	Redeemable Noncontrolling Interests	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Treasury stock		Total
		Shares	Amount				Shares	Amount	
Balance as of December 31, 2018	\$ 24,945	48,044	\$ 5	\$ 1,569,725	\$ (961,689)	\$ (446)	—	\$ —	\$ 607,595
Common stock issued for stock options and restricted stock units	—	211	—	283	—	—	—	—	283
Stock-based compensation	—	—	—	2,443	—	—	—	—	2,443
Tax payments from shares withheld for equity awards	—	—	—	(2,425)	—	—	—	—	(2,425)
Reclassification of mandatorily redeemable noncontrolling interests	(22,428)	—	—	—	—	—	—	—	—
Impact of adoption of new leases accounting standard	—	—	—	—	(1,636)	—	—	—	(1,636)
Cumulative translation adjustment	—	—	—	—	—	107	—	—	107
Net income	—	—	—	—	62,170	—	—	—	62,170
Balance as of March 31, 2019	\$ 2,517	48,255	\$ 5	\$ 1,570,026	\$ (901,155)	\$ (339)	—	\$ —	\$ 668,537

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three months ended March 31,	
	2020	2019
Operating activities:		
Net income (loss)	\$ (315,494)	\$ 62,170
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Stock-based compensation	(1,201)	2,443
Depreciation and amortization of acquired intangible assets	10,168	9,354
Impairment of goodwill	270,625	—
Reduction of right-of-use lease assets	1,625	904
Deferred income taxes	57,898	(972)
Amortization of debt issuance costs	313	172
Accretion of debt discounts	68	38
Other	919	—
Cash provided (used) by changes in operating assets and liabilities:		
Accounts receivable	(9,066)	(8,395)
Commissions receivable	3,457	1,180
Other receivables	(3,239)	(42)
Prepaid expenses and other current assets	(1,715)	(3,085)
Other long-term assets	2,560	(841)
Accounts payable	17,744	6,432
Commissions and advisory fees payable	(1,965)	(1,544)
Lease liabilities	(1,289)	—
Deferred revenue	(7,820)	(4,524)
Accrued expenses and other current and long-term liabilities	23,276	6,946
Net cash provided by operating activities	46,864	70,236
Investing activities:		
Purchases of property and equipment	(7,715)	(1,243)
Net cash used by investing activities	(7,715)	(1,243)
Financing activities:		
Proceeds from credit facilities	55,000	—
Payments on credit facilities	(10,313)	—
Proceeds from stock option exercises	—	283
Tax payments from shares withheld for equity awards	(918)	(2,425)
Contingent consideration payments for business acquisition	—	(943)
Net cash provided (used) by financing activities	43,769	(3,085)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	—	15
Net increase in cash, cash equivalents, and restricted cash	82,918	65,923
Cash, cash equivalents, and restricted cash, beginning of period	86,450	85,366
Cash, cash equivalents, and restricted cash, end of period	\$ 169,368	\$ 151,289
Supplemental cash flow information:		
Cash paid for income taxes	\$ 213	\$ 1,031
Cash paid for interest	\$ 5,011	\$ 3,624
Non-cash investing activities		
Purchases of property and equipment through leasehold incentives (investing)	\$ 4,959	\$ —

See accompanying notes to unaudited condensed consolidated financial statements.

BLUCORA, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Description of the Business

Blucora, Inc. (the “**Company**,” “**Blucora**,” “**we**,” “**our**,” or “**us**”) operates two primary businesses: the Wealth Management business and the digital Tax Preparation business.

Wealth Management

The Wealth Management business consists of the operations of Avantax Wealth Management (“**Avantax**,” the “**Wealth Management business**,” or the “**Wealth Management segment**”), which provides tax-focused wealth management solutions for financial advisors, tax preparers, certified public accounting firms, and their clients. Avantax is comprised of what was formerly HD Vest and 1st Global, both of which are discussed below.

On May 6, 2019, we closed the acquisition of all of the issued and outstanding common stock of 1st Global, Inc. and 1st Global Insurance Services, Inc. (together, “**1st Global**”), a tax-focused wealth management company, for a cash purchase price of \$180.0 million (the “**1st Global Acquisition**”). The operations of 1st Global are included in our operating results as part of the Wealth Management segment from the date of the 1st Global Acquisition.

In September 2019, we announced a rebranding of our Wealth Management business to Avantax Wealth Management (the “**Rebranding**”). In connection with the Rebranding, HD Vest (which comprised all of the Wealth Management business prior to the 1st Global Acquisition) was renamed Avantax Wealth Management in September 2019, and 1st Global converted in October 2019.

Tax Preparation

The Tax Preparation business consists of the operations of TaxAct, Inc. (“**TaxAct**,” the “**Tax Preparation business**,” or the “**Tax Preparation segment**”) and provides digital tax preparation solutions for consumers, small business owners, and tax professionals through its website www.TaxAct.com.

The Tax Preparation segment is highly seasonal, with a significant portion of its annual revenue typically earned in the first four months of the 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. In March 2020 and as a result of the coronavirus pandemic, the Internal Revenue Service (“**IRS**”) extended the filing deadline for federal tax returns from April 15, 2020 to July 15, 2020. We expect this filing extension will result in the shifting of a significant portion of Tax Preparation segment revenue that is usually earned in the first and second quarters of 2020 to the third quarter of 2020.

Segments

We have two reportable segments: (1) the Wealth Management segment and (2) the Tax Preparation segment.

Note 2: Summary of Significant Accounting Policies

Interim financial information

The accompanying condensed consolidated financial statements have been prepared by us under the rules and regulations of the Securities and Exchange Commission (the “**SEC**”) for interim financial reporting. These condensed consolidated financial statements are unaudited and, in management’s opinion, include all adjustments, consisting of normal recurring adjustments and accruals, necessary for a fair presentation of the 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 unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2019. 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 and the consolidated statements of cash flows (in thousands):

	March 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 168,198	\$ 80,820
Cash segregated under federal or other regulations	1,170	5,630
Total cash, cash equivalents, and restricted cash	\$ 169,368	\$ 86,450

We generally invest our available cash in high-quality marketable investments. These investments include money market funds invested in securities issued by agencies of the U.S. government. We may invest, from time-to-time, in other vehicles, such as debt instruments issued by the U.S. federal government and its agencies, international governments, municipalities and publicly held corporations, as well as commercial paper and insured time deposits with commercial banks. Specific holdings can vary from period to period depending upon our cash requirements. Such investments are reported at fair value on the consolidated balance sheets.

Cash segregated under federal and other regulations is held in a separate bank account for the exclusive benefit of our Wealth Management business clients and is considered restricted cash.

Recently adopted 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**”). We consider 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 our consolidated financial position and results of operations. We have recently adopted the following ASUs:

Measurement of Credit Losses. In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”)*, which changes how entities account for credit losses of financial assets measured at amortized cost. ASU 2016-13 requires financial assets measured at amortized cost to be presented on the balance sheet at the net amount expected to be collected.

The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. ASU 2016-13 replaces the previous “incurred loss” model with a “current expected credit loss” model that requires consideration of a broader range of information to estimate expected credit losses over the lifetime of the financial asset. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including the interim periods within those fiscal years. Entities must apply ASU 2016-13 using a modified-retrospective approach by recording a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which ASU 2016-13 is effective.

We adopted ASU 2016-13 effective January 1, 2020. Our financial assets within the scope of ASU 2016-13 primarily consisted of our commissions receivable and accounts receivable. While we have implemented the current expected credit loss model and assessed the impact of this new model on our in-scope financial assets, the adoption of ASU 2016-13 did not have a material impact on our consolidated financial statements and did not result in a cumulative-effect adjustment to retained earnings as of January 1, 2020.

Goodwill. In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill (“ASU 2017-04”)*, which simplifies the subsequent measurement of goodwill by eliminating the previously applicable step two from the goodwill impairment test. Under the amended guidance of ASU 2017-04, when required to test goodwill for recoverability, an entity will perform its goodwill impairment test by comparing the fair value of the reporting unit to its carrying value and recognizing an impairment charge for the amount by which the carrying value exceeds the fair value of the reporting unit. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019, and entities must apply ASU 2017-04 on a prospective basis.

We adopted ASU 2017-04 effective January 1, 2020 and applied this new guidance to the goodwill impairment test we performed as of March 31, 2020. For more information on this impairment test, see “Note 5—Goodwill and Other Intangible Assets.”

Note 3: 1st Global Acquisition

On May 6, 2019, we closed the 1st Global Acquisition, pursuant to which we acquired all of the issued and outstanding common stock of 1st Global for a cash purchase price of \$180.0 million. The purchase price was allocated to 1st Global's tangible assets, identifiable intangible assets, and assumed liabilities based on their estimated fair values at the time of the 1st Global Acquisition.

As of March 31, 2020, the fair values of assets acquired and liabilities assumed in the 1st Global Acquisition were as follows (in thousands):

	Purchase Price Allocation at December 31, 2019	Purchase Price Allocation Adjustments Since December 31, 2019	Purchase Price Allocation at March 31, 2020
Assets acquired:			
Tangible assets acquired, including cash of \$12,389	\$ 38,413	\$ —	\$ 38,413
Goodwill	117,792	(666)	117,126
Identifiable intangible assets	83,980	—	83,980
Liabilities assumed:			
Contingent liability	(11,052)	—	(11,052)
Deferred revenues	(17,715)	—	(17,715)
Other current liabilities	(12,956)	281	(12,675)
Deferred tax liabilities, net	(18,462)	385	(18,077)
Total assets acquired and liabilities assumed	<u>\$ 180,000</u>	<u>\$ —</u>	<u>\$ 180,000</u>

During the three months ended March 31, 2020, we adjusted the fair values of goodwill, other current liabilities, and deferred tax liabilities, net, due to the pre-acquisition 1st Global tax returns being filed in the first quarter of 2020. The primary area of acquisition accounting that had not yet been finalized as of March 31, 2020 related to a pre-acquisition 1st Global state tax return that is still to be filed. The filing of this state tax return could result in additional purchase price allocation adjustments.

As part of the 1st Global Acquisition, we assumed a contingent liability related to a regulatory inquiry and recorded the contingent liability as part of the opening balance sheet. While the inquiry is still on-going, we evaluated a range of possible losses, resulting in a contingent liability reserve balance (including accrued interest) of \$11.3 million at March 31, 2020.

Note 4: Segment Information and Revenues

We have two reportable segments: (1) the Wealth Management segment and (2) the Tax Preparation segment. Our Chief Executive Officer is the 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.

We do not allocate certain general and administrative costs (including personnel and overhead costs), stock-based compensation, depreciation, amortization of intangible assets, acquisition and integration costs, executive transition costs, headquarters relocation costs, and impairment of goodwill to the reportable segments. Such amounts are reflected in the table below under the heading "Corporate-level activity." In addition, we do not allocate other loss, net, and income taxes to the reportable segments. We do not report assets or capital expenditures by segment to the chief operating decision maker.

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

	Three Months Ended March 31,	
	2020	2019
Revenue:		
Wealth Management	\$ 144,989	\$ 89,532
Tax Preparation	118,331	136,236
Total revenue	263,320	225,768
Operating income:		
Wealth Management	22,598	11,540
Tax Preparation	37,753	79,272
Corporate-level activity	(302,190)	(20,699)
Total operating income (loss)	(241,839)	70,113
Other loss, net	(6,135)	(3,958)
Income tax expense	(67,520)	(3,985)
Net income (loss) attributable to Blucora, Inc.	\$ (315,494)	\$ 62,170

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

	Three Months Ended March 31,	
	2020	2019
Wealth Management:		
Advisory	\$ 78,757	\$ 39,757
Commission	50,580	37,160
Asset-based	10,579	9,693
Transaction and fee	5,073	2,922
Total Wealth Management revenue	\$ 144,989	\$ 89,532
Tax Preparation:		
Consumer	\$ 103,821	\$ 123,942
Professional	14,510	12,294
Total Tax Preparation revenue	\$ 118,331	\$ 136,236

Wealth Management revenue recognition

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

The timing of Wealth Management revenue recognition was as follows (in thousands):

	Three months ended March 31,					
	2020			2019		
	Recognized Upon Transaction	Recognized Over Time	Total	Recognized Upon Transaction	Recognized Over Time	Total
Advisory revenue	\$ —	\$ 78,757	\$ 78,757	\$ —	\$ 39,757	\$ 39,757
Commission revenue	23,381	27,199	50,580	15,684	21,476	37,160
Asset-based revenue	—	10,579	10,579	—	9,693	9,693
Transaction and fee revenue	1,859	3,214	5,073	770	2,152	2,922
Total Wealth Management revenue	\$ 25,240	\$ 119,749	\$ 144,989	\$ 16,454	\$ 73,078	\$ 89,532

Tax Preparation revenue recognition

We generate revenue from the sale of tax preparation digital services, packaged tax preparation software, ancillary services, and multiple element arrangements that may include a combination of these items.

The timing of Tax Preparation revenue recognition was as follows (in thousands):

	Three months ended March 31,					
	2020			2019		
	Recognized Upon Transaction	Recognized Over Time	Total	Recognized Upon Transaction	Recognized Over Time	Total
Consumer	\$ 103,821	\$ —	\$ 103,821	\$ 123,015	\$ 927	\$ 123,942
Professional	12,994	1,516	14,510	10,842	1,452	12,294
Total Tax Preparation revenue	\$ 116,815	\$ 1,516	\$ 118,331	\$ 133,857	\$ 2,379	\$ 136,236

Note 5: Goodwill and Other Intangible Assets

The following table presents goodwill by reportable segment (in thousands):

	Wealth Management	Tax Preparation	Total
Balance as of December 31, 2019	\$ 473,833	\$ 188,542	\$ 662,375
Purchase accounting adjustment	(666)	—	(666)
Impairment	(270,625)	—	(270,625)
Balance as of March 31, 2020	\$ 202,542	\$ 188,542	\$ 391,084

Goodwill represents the cost of an acquisition less the fair value of the net identifiable assets of the acquired business. We evaluate goodwill for impairment annually, as of November 30, or more frequently when events or circumstances indicate it is more likely than not that the fair value of one or more of our reporting units is less than its carrying amount. To determine whether it is necessary to perform a goodwill impairment test, we first assess qualitative factors to evaluate whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. We may elect to perform a goodwill impairment test without completing a qualitative assessment.

In March 2020, the coronavirus pandemic had a significant negative impact on the U.S. and global economy and caused substantial disruption in the U.S. and global securities markets, and as a result, negatively impacted certain key Wealth Management business drivers, such as client asset levels and interest rates. These macroeconomic and Company-specific factors, in totality, served as a triggering event that resulted in the testing of the goodwill of the Wealth Management reporting unit and the Tax Preparation reporting unit for potential impairment.

As part of the goodwill impairment test, we compared the estimated fair values of the Wealth Management and Tax Preparation reporting units to their respective carrying values. Estimated fair value was calculated using Level 3 inputs and utilized a blended valuation method that factored in the income approach and the market approach as of March 31, 2020. The income approach estimated fair value by using the present value of future discounted cash flows. Significant estimates used in the discounted cash flow model included our forecasted cash flows, our long-term rates of growth, and our weighted average cost of capital. The weighted average cost of capital factors in the relevant risk associated with business-specific characteristics and the uncertainty related to the ability to achieve our projected cash flows. The market approach estimated fair value by taking income-based valuation multiples for a set of comparable companies and applying the valuation multiple to each reporting unit's income.

For the Wealth Management reporting unit, the carrying value of the reporting unit exceeded its fair value by \$270.6 million. Therefore, we recorded an impairment of goodwill of \$270.6 million for the three months ended March 31, 2020. For the Tax Preparation reporting unit, the carrying value of the reporting unit was significantly below its fair value, and therefore, no impairment of goodwill was deemed necessary.

The Wealth Management reporting unit is considered to be at risk for a future impairment of its goodwill in the event of a further decline in general economic, market, or business conditions, or any significant unfavorable changes in our forecasted revenue, expenses, cash flows, weighted average cost of capital, and/or market valuation multiples. We will continue to monitor for events and circumstances that could negatively impact the key assumptions in determining the fair value of the Wealth Management reporting unit.

Note 6: Debt

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

	March 31, 2020				December 31, 2019			
	Principal amount	Discount	Debt issuance costs	Net carrying value	Principal amount	Discount	Debt issuance costs	Net carrying value
Senior secured credit facility	\$ 444,375	\$ (1,297)	\$ (5,328)	\$ 437,750	\$ 399,687	\$ (1,366)	\$ (5,608)	\$ 392,713
Less: Current portion of long-term debt, net				(56,229)				(11,228)
Long-term debt, net				<u>\$ 381,521</u>				<u>\$ 381,485</u>

In May 2017, we entered into a credit agreement (as the same has been amended, the **"Credit Agreement"**) with a syndicate of lenders that provides for a term loan facility (the **"Term Loan"**) and a revolving line of credit (including a letter of credit sub-facility) (the **"Revolver"**) for working capital, capital expenditures, and general business purposes (as amended, the **"Senior Secured Credit Facility"**). We increased the outstanding principal amount of the Term Loan by \$125.0 million to finance the 1st Global Acquisition, and after giving effect to such increase, the Senior Secured Credit Facility provides for up to \$565.0 million, consisting of a committed \$65.0 million under the Revolver and a \$500.0 million Term Loan that mature on May 22, 2022 and May 22, 2024, respectively. Obligations under the Senior Secured Credit Facility are guaranteed by certain of the Company's subsidiaries and secured by substantially all the assets of the Company and certain of its subsidiaries.

As of March 31, 2020, we had \$389.4 million and \$55.0 million in principal amount outstanding under the Term Loan and the Revolver, respectively. For the three months ended March 31, 2020, our total borrowings under the Revolver increased from \$10.0 million to \$55.0 million, which consisted of \$55.0 million of additional borrowings, partially offset by \$10.0 million of payments on the Revolver. Based on aggregate loan commitments as of March 31, 2020, approximately \$10.0 million was available for future borrowing under the Senior Secured Credit Facility applicable to the Company. On April 23, 2020, we made a \$37.0 million payment to reduce the outstanding principal balance on the Revolver to \$18.0 million.

The interest rate on the Term Loan is variable at the London Interbank Offered Rate, plus the applicable interest rate margin of 3.00% for Eurodollar Rate loans and 2.00% for ABR loans.

Commencing December 31, 2019, principal payments of the Term Loan are due on a quarterly basis in an amount equal to \$0.3 million (subject to reduction for prepayments), with the remaining principal amount due on the maturity date of May 22, 2024. We have the right to prepay the Term Loan and outstanding amounts under the Revolver without any premium or penalty (other than customary Eurodollar breakage costs). Prepayments on the Term Loan are subject to certain prepayment minimums. We 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 Agreement) for such fiscal year. For the three months ended March 31, 2020, we made prepayments of \$0.3 million towards the Term Loan.

Depending on the Consolidated First Lien Net Leverage Ratio, the applicable interest rate margin on the Revolver is from 2.75% to 3.25% for Eurodollar Rate loans and 1.75% to 2.25% for ABR loans. Interest is payable at the end of each interest period.

The Senior Secured Credit Facility includes financial and operating covenants, including a Consolidated Total Net Leverage Ratio (as defined in the Credit Agreement) that governs the Revolver. On May 1, 2020, we entered into Amendment No. 3 to the Credit Agreement (the **"Credit Agreement Amendment"**). Pursuant to the Credit Agreement Amendment, the Credit Agreement was amended to, among other things: (i) provide that, during the period commencing on the effective date of the Credit Agreement Amendment and ending on December 31, 2020

(the “**Third Amendment Relief Period**”), if an advance under the Revolver is requested, then the Company must be in pro forma compliance with certain covenants, (ii) provide that, for purposes of determining compliance with the Consolidated Total Net Leverage Ratio for the Revolver, during the Third Amendment Relief Period certain limitations to add-backs do not apply when calculating Consolidated EBITDA (as defined in the Credit Agreement), (iii) solely with respect to the Revolver, add restrictions on certain restricted payments during the Third Amendment Relief Period, and (iv) solely with respect to the Revolver, if the Revolver usage is over \$0 on the last day of any calendar quarter during the Third Amendment Relief Period, impose a minimum liquidity financial covenant that requires the Company and its Restricted Subsidiaries (as defined in the Credit Agreement) to maintain liquidity of at least \$115.0 million on the last day of such quarter. Solely with respect to the Revolver and solely if the Revolver usage exceeds \$0 on the last day of any calendar quarter during the Third Amendment Relief Period, the Credit Agreement Amendment increases the maximum Consolidated Total Net Leverage Ratio to (i) 5.75 to 1.00 for the fiscal quarter ending June 30, 2020 and (ii) 3.75 to 1.00 for the fiscal quarters ending September 30, 2020 and December 31, 2020.

Note 7: Leases

Our leases are primarily related to office space and are classified as operating leases. Operating lease expense is recognized in “General and administrative” expense on the condensed consolidated statements of comprehensive income (loss) as follows (in thousands):

	Three Months Ended March 31,	
	2020	2019
Fixed lease expense	\$ 2,036	\$ 1,026
Variable lease expense	301	348
Total lease expense	\$ 2,337	\$ 1,374

In addition, we recognized sublease income of \$0.3 million for both the three months ended March 31, 2020 and 2019.

As of March 31, 2020, our weighted-average remaining operating lease term was approximately 11.1 years, and our weighted-average operating lease discount rate was 5.5%.

Operating leases were recorded on the condensed consolidated balance sheets as follows (in thousands):

	March 31, 2020	December 31, 2019
Lease liabilities—current	2,187	3,223
Lease liabilities—long-term	31,509	5,865
Total operating lease liabilities	\$ 33,696	\$ 9,088

The maturities of the Company's operating lease liabilities as of March 31, 2020 were as follows (in thousands):

(in thousands)		
Undiscounted cash flows:		
Remainder of 2020 (1)	\$	(2,344)
2021		2,270
2022		4,706
2023		4,808
2024		4,911
Thereafter	\$	35,337
Total undiscounted cash flows	\$	49,688
Imputed interest		(15,992)
Present value of cash flows	\$	33,696

(1) Undiscounted cash flows for the remainder of 2020 used to calculate the lease liability are reduced by the tenant improvement allowance related to the new corporate headquarters lease. See below for more information.

Cash paid on operating lease liabilities was \$1.2 million and \$0.9 million for the three months ended March 31, 2020 and 2019, respectively. Lease liabilities from new right-of-use assets obtained in the three months ended March 31, 2020 and 2019 were \$20.4 million and \$9.4 million, respectively.

In 2019, we signed a new corporate headquarters lease, which commenced in January 2020 and, therefore, a right-of-use asset of \$20.7 million and a lease liability of \$20.4 million was reflected on the condensed consolidated financial statements beginning in January 2020. The new headquarters lease is classified as an operating lease, and the term of the lease extends to June 2033. Lease payments will begin in August 2021 and will result in \$45.2 million in undiscounted fixed lease payments, which are partially offset by a \$9.7 million tenant improvement allowance. Under the new lease, we will also make variable payments for operating expenses and utilities.

Note 8: Balance Sheet Components

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

	March 31, 2020	December 31, 2019
Prepaid expenses	\$ 9,706	\$ 7,982
Prepaid regulatory license fees	1,493	1,991
Prepaid insurance	1,181	1,492
Prepaid advertising	421	322
Other current assets	586	562
Total prepaid expenses and other current assets, net	\$ 13,387	\$ 12,349

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

	March 31, 2020	December 31, 2019
Salaries and related expenses	14,927	15,053
Contingent liability from 1st Global Acquisition	11,328	11,052
Retained purchase price from 1st Global Acquisition	90	1,050
Accrued vendor and advertising costs	18,628	4,351
Accrued taxes	10,586	1,173
Other	4,201	3,465
Total accrued expenses and other current liabilities	\$ 59,760	\$ 36,144

Note 9: Fair Value Measurements

In accordance with ASC 820, *Fair Value Measurements and Disclosures*, certain of our assets and liabilities are carried at fair value and are valued using inputs that are classified in one of the following three categories:

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

Assets measured on a recurring basis

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

	Fair value measurements at the reporting date using			
	March 31, 2020	Quoted prices in active markets using identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents: money market and other funds	\$ 4,278	\$ 4,278	\$ —	\$ —
Total assets at fair value	<u>\$ 4,278</u>	<u>\$ 4,278</u>	<u>\$ —</u>	<u>\$ —</u>

	Fair value measurements at the reporting date using			
	December 31, 2019	Quoted prices in active markets using identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents: money market and other funds	\$ 4,264	\$ 4,264	\$ —	\$ —
Total assets at fair value	<u>\$ 4,264</u>	<u>\$ 4,264</u>	<u>\$ —</u>	<u>\$ —</u>

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

Fair value of financial instruments

We consider 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.

As of March 31, 2020, the Term Loan's principal amount was \$389.4 million, and the fair value of the Term Loan's principal amount was \$346.5 million. The fair value of the Term Loan's principal amount was based on Level 2 inputs from a third-party market quotation. As of December 31, 2019, the Term Loan's principal amount approximated its fair value as the Term Loan is a variable rate instrument and its applicable margin at that date approximated market conditions.

As of March 31, 2020 and December 31, 2019, the Revolver's principal amount outstanding approximated its fair value as the Revolver is a variable rate instrument and its applicable margin approximated market conditions.

Note 10: Commitments and Contingencies

From time to time, we are subject to various legal proceedings, regulatory matters or fines, or claims that arise in the ordinary course of business. We accrue a liability when management believes that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated.

Aside from the contingent liability disclosed in "Note 3—1st Global Acquisition," we are not currently party to any such matters for which we have incurred a material liability on our consolidated balance sheets.

Note 11: Other Loss, Net

"Other loss, net" on the condensed consolidated statements of comprehensive income consisted of the following (in thousands):

	Three months ended March 31,	
	2020	2019
Interest expense	\$ 5,316	\$ 3,776
Amortization of debt issuance costs	313	172
Accretion of debt discounts	68	38
Total interest expense	5,697	3,986
Interest income	(14)	(140)
Other	452	112
Other loss, net	\$ 6,135	\$ 3,958

Note 12: Income Taxes

The Company recorded income tax expense of \$67.5 million for the three months ended March 31, 2020. The Company's effective income tax rate for the three months ended March 31, 2020 differed from the 21% statutory rate primarily due to expiring net operating loss tax benefits in the current year, an adjustment to the valuation allowance against the deferred tax assets for net operating losses expected to expire in future years of \$15.5 million, and non-deductible officer compensation expense. The goodwill impairment charge of \$270.6 million did not have an impact on the estimated annual effective income tax rate.

The Company recorded income tax expense of \$4.0 million for the three months ended March 31, 2019. Income taxes for the three months ended March 31, 2019 differed from the 21% statutory rate primarily due to the release of valuation allowances and the effect of state income taxes.

Note 13: Net Income Per Share

"Basic net income (loss) per share" is calculated using the weighted average number of common shares outstanding during the period. "Diluted net income (loss) per share" is calculated 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 calculation of diluted net income per share if their effect is antidilutive.

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

	Three months ended March 31,	
	2020	2019
Numerator:		
Net income (loss) attributable to Blucora, Inc.	\$ (315,494)	\$ 62,170
Denominator:		
Weighted average common shares outstanding—basic	47,827	48,161
Dilutive potential common shares	—	1,381
Weighted average common shares outstanding—diluted	47,827	49,542
Net income (loss) per share attributable to Blucora, Inc.:		
Basic	\$ (6.60)	\$ 1.29
Diluted	\$ (6.60)	\$ 1.25
Shares excluded	3,093	256

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

Note 14: Subsequent Event

HKFS Acquisition

As previously announced, on January 6, 2020, we entered into a Stock Purchase Agreement (the “**Purchase Agreement**”) with Honkamp Krueger Financial Services, Inc. (“**HKFS**”), the selling stockholders named therein (the “**Sellers**”), and JRD Seller Representative, LLC, as the Sellers’ representative (the “**Sellers’ Representative**”). Pursuant to the terms and conditions of the Purchase Agreement, the Company agreed to acquire (the “**HKFS Acquisition**”) all of the issued and outstanding common stock of HKFS for a cash purchase price of \$160 million, subject to customary purchase price adjustments, a post-closing adjustment for assets under administration and certain indemnity escrows as described more fully in the Purchase Agreement. HKFS is a registered investment advisor and wealth management business that partners with CPA firms in order to provide their consumer and small business clients with holistic planning and financial advisory services.

On April 7, 2020, the Company, HKFS, the Sellers, and the Sellers’ Representative entered into the First Amendment to the Stock Purchase Agreement (the “**HKFS Amendment**”). The parties mutually agreed to enter into the HKFS Amendment in response to current economic conditions. The HKFS Amendment amends the Purchase Agreement to, among other things, decrease the cash purchase price paid at closing for the HKFS Acquisition from \$160 million to \$100 million and replace the post-closing purchase price adjustment for assets under administration with two potential post-closing earn-out payments by the Company. Pursuant to the HKFS Amendment, the amount of the potential earn-out payments will be determined based on the Company’s assets under management and the achievement of certain performance goals on the first and second anniversaries of the date of closing. Assuming that these performance goals are fully achieved in each earn-out period, which would require substantial growth in the value of the Company’s assets under management through strong operational performance and market improvement, the potential maximum aggregate amount that the Company would be required to pay for each earn-out period is \$30.0 million. Pursuant to the HKFS Amendment, if the asset values on the applicable measurement date fall below certain specified thresholds, the Company would not be required to make any earn-out payment to the Sellers for such period.

The HKFS Amendment also amends the Purchase Agreement to, among other things, (i) make it a condition to the Company’s obligation to close the transaction that the Company receive financing satisfactory to the Company, in its sole discretion, (ii) extend the outside date by which the closing shall have occurred prior to triggering the parties’ right to terminate the Purchase Agreement from May 15, 2020 to October 1, 2020, (iii) maintain a cash breakup fee of \$0.8 million payable by the Company to HKFS if the Purchase Agreement is terminated by the Company because it has not received satisfactory financing or the outside date has passed, (iv) give the Company the right to set-off any indemnifiable losses against any payments due and payable by the Company to any Seller

pursuant to the Purchase Agreement, including the earn-out obligations, and (v) amend the assignment provisions to include that the Company shall remain liable under the Purchase Agreement if it assigns the Purchase Agreement as permitted therein.

Credit Agreement Amendment

On May 1, 2020, we entered into the Credit Agreement Amendment, which amended certain terms related to the Revolver under the Senior Secured Credit Facility. For additional information, see “Note 6—Debt.”

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 thereto included under Part I, Item 1 and the section titled "Cautionary Statement Regarding Forward-Looking Statements" in this Form 10-Q, as well as with our consolidated financial statements, accompanying notes thereto, and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Form 10-K for the year ended December 31, 2019.

Our Business

Blucora, Inc. (the "**Company**," "**Blucora**," "**we**," "**our**," or "**us**") is a leading provider of technology-enabled, tax-smart financial solutions to consumers, small business owners, tax professionals, financial advisors, and certified public accounting firms. Blucora helps people manage their financial lives and optimize their taxes through its two primary businesses: (1) the Wealth Management business and (2) the Tax Preparation business. Our common stock is listed on the NASDAQ Global Select Market under the symbol "BCOR."

Wealth Management

The Wealth Management business consists of the operations of Avantax Wealth Management ("**Avantax**," the "**Wealth Management business**," or the "**Wealth Management segment**"), which formerly operated under the HD Vest and 1st Global brands prior to the Rebranding (see below for more information about the Rebranding). Avantax provides tax-focused wealth management solutions for financial advisors, tax preparers, certified public accounting firms, and their clients and is the leading U.S. tax-focused independent broker-dealer. As of March 31, 2020, 3,945 advisors with branch offices in all 50 states utilized our Avantax platform and supported \$61.0 billion of total client assets, including \$23.6 billion of advisory assets.

In May 2019, we closed the acquisition of all of the issued and outstanding common stock of 1st Global, Inc. and 1st Global Insurance Services, Inc. (together, "**1st Global**"), a tax-focused wealth management company, for a cash purchase price of \$180.0 million (the "**1st Global Acquisition**"). The 1st Global Acquisition was strategically important as it expanded our presence as the leading U.S. tax-focused independent broker-dealer while also providing the scale to compete more broadly in the wealth management market. The operations of 1st Global are included in our operating results as part of the Wealth Management segment from the date of the 1st Global Acquisition.

In September 2019, we announced a rebranding of our Wealth Management business to Avantax Wealth Management (the "**Rebranding**"). In connection with the Rebranding, HD Vest (which comprised all of the Wealth Management business prior to the 1st Global Acquisition) was renamed Avantax Wealth Management in September 2019, and 1st Global converted in October 2019. The Rebranding was designed to bring broader awareness to our Tax-Smart wealth management approach, providing tax-focused wealth management advice with technology-advantaged tools, allowing our financial advisors to easily provide Tax-Smart wealth solutions to their clients.

Tax Preparation

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

Recent Developments

HKFS Acquisition

As previously announced, on January 6, 2020, we entered into a Stock Purchase Agreement (the "**Purchase Agreement**") with Honkamp Krueger Financial Services, Inc. ("**HKFS**"), the selling stockholders named therein (the "**Sellers**"), and JRD Seller Representative, LLC, as the Sellers' representative (the "**Sellers' Representative**"). Pursuant to the terms and conditions of the Purchase Agreement, the Company agreed to acquire (the "**HKFS Acquisition**") all of the issued and outstanding common stock of HKFS for a cash purchase price of \$160 million, subject to customary purchase price adjustments, a post-closing adjustment for assets under administration and certain indemnity escrows as described more fully in the Purchase Agreement. HKFS is a registered investment advisor and wealth management business that partners with CPA firms in order to provide their consumer and small business clients with holistic planning and financial advisory services.

On April 7, 2020, the Company, HKFS, the Sellers, and the Sellers' Representative entered into the First Amendment to the Stock Purchase Agreement (the "**HKFS Amendment**"). The parties mutually agreed to enter into the HKFS Amendment in response to current economic conditions. The HKFS Amendment amends the Purchase Agreement to, among other things, decrease the cash purchase price paid at closing for the HKFS Acquisition from \$160 million to \$100 million and replace the post-closing purchase price adjustment for assets under administration with two potential post-closing earn-out payments by the Company. In addition, the HKFS Amendment also amends the Purchase Agreement to add a financing contingency and to set a new target closing window that ends on October 1, 2020.

We believe that the amended transaction terms prioritize flexibility and balance sheet strength, while providing a path for Blucora to capture the valuable strategic and financial benefits of the transaction once it is closed. For additional information on the HKFS Acquisition, see "Item 1. Financial Statements—Note 14."

Leadership changes

On April 20, 2020, we announced a series of organizational changes, including adding experienced new talent to our leadership team (the "**Reorganization**"). The Reorganization was aimed at maximizing efficiencies in each of our businesses, driving growth, and better positioning Blucora to capitalize on its significant growth potential.

In connection with the Reorganization, our Board of Directors appointed Marc Mehlman as our Chief Financial Officer, and Mr. Mehlman began his employment with us on April 27, 2020. In connection with his appointment, effective April 27, 2020, Mr. Mehlman assumed the duties of serving as our Principal Financial Officer. Mimi Carsley had served as our Interim Chief Financial Officer and had fulfilled the duties of Principal Financial Officer since March 13, 2020. Ms. Carsley will continue to serve as our Treasurer and Senior Vice President of FP&A and Procurement. Prior to March 13, 2020, Stacy Murray had served as our Principal Financial Officer since January 31, 2020. Stacy Murray continues to serve as our Chief Accounting Officer and Principal Accounting Officer.

We also announced that Todd Mackay, who had been serving as our Chief Business Operations and Development Officer, was appointed as President of our Wealth Management business. Also in connection with the Reorganization, Enrique Vasquez, who had been serving as President of our Wealth Management business, transitioned to the newly created role of Managing Director of Practice Acquisition, focused on acquiring or transitioning existing advisor practices that will eventually convert to our registered investment advisor model.

Seasonality

Our Tax Preparation segment is highly seasonal, with a significant portion of its annual revenue typically 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. In March 2020 and as a result of the coronavirus pandemic, the Internal Revenue Service ("**IRS**") extended the filing and payment deadline for federal tax returns from April 15, 2020 to July 15, 2020. We expect this extension will result in the shifting of a significant portion of Tax Preparation segment revenue that is typically earned in the first and second quarters of 2020 to the third quarter of 2020. It is possible that the IRS could further extend the deadline, which would then result in a further shift in the timing of revenue for this segment. We anticipate that the typical seasonal pattern of Tax Preparation segment revenue will resume in 2021.

RESULTS OF OPERATIONS

Summary

(In thousands, except percentages)

	Three months ended March 31,		Change	
	2020	2019	\$	%
Revenue:				
Wealth Management	\$ 144,989	\$ 89,532	\$ 55,457	62 %
Tax Preparation	118,331	136,236	(17,905)	(13)%
Total revenue	<u>263,320</u>	<u>225,768</u>	<u>37,552</u>	<u>17 %</u>
Operating income:				
Wealth Management	22,598	11,540	11,058	96 %
Tax Preparation	37,753	79,272	(41,519)	(52)%
Corporate-level activity	(302,190)	(20,699)	(281,491)	1360 %
Total operating income (loss)	<u>\$ (241,839)</u>	<u>\$ 70,113</u>	<u>\$ (311,952)</u>	<u>(445)%</u>

For the three months ended March 31, 2020 compared to the three months ended March 31, 2019, operating income decreased \$312.0 million primarily due to the following factors:

- Tax Preparation segment operating income decreased \$41.5 million primarily driven by a \$20.1 million decrease in consumer revenue primarily resulting from the subsequent extension of the federal tax return filing deadline to July 15, 2020 and our e-files decreasing somewhat. We expect this filing extension will result in the shifting of a significant portion of Tax Preparation segment revenue that is usually earned in the first and second quarters of 2020 to the third quarter of 2020. In addition, sales and marketing expenses increased \$20.4 million primarily due to additional advertising costs during tax season.
- Wealth Management segment operating income increased \$11.1 million due to increased operating income as a result of the 1st Global Acquisition, in addition to overall growth in the business. While Wealth Management segment operating income for the first quarter of 2020 was not significantly affected by the financial market downturn, we do expect to see operating income levels decrease in the second quarter of 2020 and future periods in which client asset levels and interest rates are suppressed. For additional information, see “Segment Revenue & Operating Income—Wealth Management” below.
- Corporate-level expenses increased \$281.5 million primarily due to the goodwill impairment of \$270.6 million related to our Wealth Management reporting unit. In addition, we recognized \$9.2 million in executive transition costs in the first quarter of 2020 and experienced a \$3.9 million increase in acquisition and integration costs compared to the first quarter of 2019.

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 our segments. We have two reportable segments: (1) the Wealth Management segment and (2) the Tax Preparation segment. Segment information appearing in “Item 1. Financial Statements—Note 4” is presented on a basis consistent with our current internal management financial reporting. We do not allocate certain general and administrative costs (including personnel and overhead costs), stock-based compensation, depreciation, amortization of intangible assets, acquisition and integration costs, executive transition costs, headquarters relocation costs, and impairment of goodwill to the reportable segments. Such amounts are reflected under the heading “Corporate-level activity.” In addition, we do not allocate other loss, net, and income taxes to the reportable segments.

Wealth Management

(In thousands, except percentages)

	Three months ended March 31,		Change	
	2020	2019	\$	%
Revenue	\$ 144,989	\$ 89,532	\$ 55,457	62 %
Operating income	\$ 22,598	\$ 11,540	\$ 11,058	96 %
Segment margin	16 %	13 %		

For the three months ended March 31, 2020 compared to the three months ended March 31, 2019, Wealth Management operating income increased \$11.1 million due to a \$55.5 million increase in revenue partially offset by a \$44.4 million increase in operating expenses.

- Wealth Management revenue increased \$55.5 million due to the addition of approximately \$42.5 million in revenue from 1st Global, as well as increased advisory and commission revenue from our legacy business.
- Wealth Management operating expenses increased \$44.4 million primarily due to a \$39.9 million increase in cost of revenue (including approximately \$29.0 million from 1st Global) as a result of increased commissions and advisory fees paid to our financial advisors.

Sources of revenue

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 is as follows:

(In thousands, except percentages)

Sources of Revenue	Primary Drivers	Three months ended March 31,		Change	
		2020	2019	\$	%
Advisor-driven	Advisory	\$ 78,757	\$ 39,757	\$ 39,000	98 %
	Commission	50,580	37,160	13,420	36 %
Other revenue	Asset-based	10,579	9,693	886	9 %
	Transaction and fee	5,073	2,922	2,151	74 %
Total revenue		\$ 144,989	\$ 89,532	\$ 55,457	62 %
Total recurring revenue		\$ 119,255	\$ 73,241	\$ 46,014	63 %
Recurring revenue rate		82.3 %	81.8 %		

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

Business metrics

(In thousands, except percentages and as otherwise indicated)

	March 31,		Change	
	2020	2019	Units	%
Total Client Assets	\$ 61,014,454	\$ 46,164,603	\$ 14,849,851	32 %
Brokerage Assets	\$ 37,395,490	\$ 32,176,414	\$ 5,219,076	16 %
Advisory Assets	\$ 23,618,964	\$ 13,988,189	\$ 9,630,775	69 %
Advisory assets as a percentage of total client assets	38.7 %	30.3 %		
Number of advisors (in ones)	3,945	3,553	392	11 %
Advisor-driven revenue per advisor	\$ 32.8	\$ 21.6	\$ 11.2	52 %

Total client assets include assets that we hold directly or indirectly on behalf of clients under a safekeeping or custody arrangement or for which we provide administrative services for clients. To the extent that we provide more than one 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.

Advisory assets include 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.

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

Total client assets increased \$14.8 billion at March 31, 2020 compared to March 31, 2019 primarily due to the following factors:

- As a result of the 1st Global Acquisition in May 2019, we obtained \$20.0 billion of total client assets (including \$11.4 billion of advisory assets) and approximately 800 advisors from 1st Global.
- Partially offsetting the increase in client assets, total client assets decreased by \$9.6 billion from December 31, 2019 to March 31, 2020 due to the financial market downturn.

At this time, we cannot predict with certainty the extent of the impact of the coronavirus pandemic and future financial market fluctuations on our future total client assets. However, as long as the coronavirus continues to disrupt the U.S. and global economy and create uncertainty in financial markets, we may experience future declines in the amount of our total client assets.

Advisory revenue. Advisory revenue primarily includes fees charged to clients in advisory accounts in which Avantax is the Registered Investment Advisor ("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.

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.

The activity within our advisory assets was as follows:

<u>(In thousands)</u>	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Balance, beginning of the period	\$ 27,629,164	\$ 12,555,405
Net increase in new advisory assets	390,000	269,152
Inflows from acquisitions	—	—
Market impact and other	(4,400,200)	1,163,632
Balance, end of the period	<u>\$ 23,618,964</u>	<u>\$ 13,988,189</u>
Advisory revenue	\$ 78,757	\$ 39,757
Average advisory fee rate	29 bps	32 bps

For the three months ended March 31, 2020 compared to the three months ended March 31, 2019, advisory revenue increased \$39.0 million, which included approximately \$30.4 million resulting from the 1st Global Acquisition. The increase in advisory revenue was primarily due to an increase in advisory assets resulting from advisory assets obtained in the 1st Global Acquisition and growth in our legacy client assets. Partially offsetting this increase, the average advisory fee rate decreased due to the lower advisory fee structure of 1st Global.

For the three months ended March 31, 2020, advisory assets decreased by \$4.0 billion primarily due to the financial market downturn. The decrease in advisory assets had a minimal effect on advisory revenue for the three months ended March 31, 2020 as advisory revenue recognized for the first quarter of 2020 was primarily based on the value of client assets within advisory accounts as of December 31, 2019. We expect these suppressed advisory asset balances to negatively impact advisory revenues for the second quarter of 2020 and future periods in which client asset balances are at reduced levels.

For additional information on previously-disclosed advisory asset information, see Part II, Item 5—Other Information.

Commission revenue. The Wealth Management segment generates two types of commissions: (1) transaction-based commissions and (2) trailing commissions. Transaction-based commissions, which occur when clients trade securities or purchase investment products, represent gross commissions generated by our financial advisors. The level of transaction-based commissions can vary from period-to-period based on the overall economic environment, number of trading days in the reporting period, market volatility, interest rate fluctuations, and investment activity of our financial 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>	<u>Three months ended March 31,</u>		<u>Change</u>	
	<u>2020</u>	<u>2019</u>	<u>\$</u>	<u>%</u>
<u>By product category:</u>				
Mutual funds	\$ 25,900	\$ 19,241	\$ 6,659	35 %
Variable annuities	13,750	11,358	2,392	21 %
Insurance	5,233	3,730	1,503	40 %
General securities	5,697	2,831	2,866	101 %
Total commission revenue	<u>\$ 50,580</u>	<u>\$ 37,160</u>	<u>\$ 13,420</u>	<u>36 %</u>
<u>By type of commission:</u>				
Transaction-based	\$ 23,381	\$ 15,684	\$ 7,697	49 %
Trailing	27,199	21,476	5,723	27 %
Total commission revenue	<u>\$ 50,580</u>	<u>\$ 37,160</u>	<u>\$ 13,420</u>	<u>36 %</u>

For the three months ended March 31, 2020 compared to the three months ended March 31, 2019, transaction-based commission revenue increased \$7.7 million and trailing commission revenue increased \$5.7 million, primarily due to incremental commission revenue from 1st Global.

Due to the manner in which trailing commissions were calculated and recognized for the three months ended March 31, 2020, trailing commission revenue for the first quarter of 2020 was not significantly affected by the financial market downturn. Since brokerage assets decreased by \$5.6 billion for the three months ended March 31, 2020 and trail-eligible brokerage assets represented a portion of that decrease, we expect these suppressed trail-eligible brokerage asset balances to negatively impact trailing commission revenues for the second quarter of 2020 and future periods in which trail-eligible brokerage asset balances are at reduced levels.

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

For the three months ended March 31, 2020 compared to the three months ended March 31, 2019, asset-based revenue increased \$0.9 million primarily due to higher cash sweep revenue as a result of higher asset balances (including incremental assets as a result of the 1st Global Acquisition) compared to the first quarter of 2019, as well as favorable changes in our cash sweep program.

In March 2020, the Federal Reserve lowered its target range for the federal funds rate to 0.00-0.25%. As our cash sweep revenue is based on a rate derived from the federal funds rate, we expect lower cash sweep revenue in the second quarter of 2020 and future periods in which the federal funds rate is at reduced levels.

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.

For the three months ended March 31, 2020 compared to the three months ended March 31, 2019, transaction and fee revenues increased \$2.2 million primarily due to an increase in client fees and advisor fees as a result of the 1st Global Acquisition.

Tax Preparation

(In thousands, except percentages)

	Three months ended March 31,		Change	
	2020	2019	\$	%
Revenue	\$ 118,331	\$ 136,236	\$ (17,905)	(13)%
Operating income	\$ 37,753	\$ 79,272	\$ (41,519)	(52)%
Segment margin	32 %	58 %		

For the three months ended March 31, 2020 compared to the three months ended March 31, 2019, Tax Preparation operating income decreased \$41.5 million due to the following factors:

- Tax Preparation revenue decreased \$17.9 million primarily due to a \$20.1 million decrease in consumer revenue. Consumer revenue was negatively affected by the announcement in March 2020 that the IRS was extending the filing date for federal tax returns from April 15, 2020 to July 15, 2020. We expect this filing extension will result in the shifting of a significant portion of Tax Preparation segment revenue that is usually earned in the first and second quarters of 2020 to the third quarter of 2020. It is possible that the IRS could further extend the deadline, which would then result in a further shift in the timing of revenue for this segment. In addition, the number of consumer e-files was somewhat down. Partially offsetting this decrease, professional revenue increased \$2.2 million, supported by a number of professional e-files that was consistent with the first quarter of 2019.
- Tax Preparation operating expenses increased \$23.6 million primarily due to increased marketing spend during tax season. Due to the time lag associated with the inflow of revenue after a consumer is exposed to an advertisement, we expect significant portions of first quarter marketing spend to support revenue that we anticipate will materialize during the remainder of 2020. In addition, we expect operating expenses for the Tax Preparation segment during the second quarter of 2020 to be higher than typical due to the extension of tax season.

Sources of revenue

Tax Preparation revenue is derived primarily from the sale of tax preparation digital services, ancillary services, packaged tax preparation software, and arrangements that may include a combination of these items. Ancillary services primarily include refund payment transfer and audit defense.

We classify Tax Preparation revenue into two different categories: consumer revenue and professional revenue. Consumer revenue represents Tax Preparation revenue derived from products sold to customers and businesses primarily for the preparation of individual or business tax returns. Professional revenue represents Tax Preparation revenue derived from products sold to tax return preparers who utilize our offerings to service end-user customers.

Revenue by category was as follows:

(In thousands, except percentages)	Three months ended March 31,		Change	
	2020	2019	\$	%
Consumer	\$ 103,821	\$ 123,942	\$ (20,121)	(16)%
Professional	14,510	12,294	2,216	18 %
Total revenue	\$ 118,331	\$ 136,236	\$ (17,905)	(13)%

For the three months ended March 31, 2020 compared to the three months ended March 31, 2019:

- The number of accepted consumer e-files was somewhat down.
- The number of professional tax preparer e-files made through our software, the number of units sold, and the number of e-files per unit sold was relatively flat.

Quantitative information on the number of consumer e-files, professional tax preparer e-files, professional units sold, and professional e-files per unit sold has been excluded due the extension of tax season. For more information on the risks associated with our Tax Preparation business, see Part II, Item 1A under the heading, "Pandemics, including the recent coronavirus pandemic, could have a Material Adverse Effect."

Corporate-Level Activity

Certain corporate-level activity, including certain general and administrative costs (such as personnel and overhead costs), stock-based compensation, acquisition and integration costs, executive transition costs, headquarters relocation costs, depreciation, amortization of acquired intangible assets, and impairment of goodwill, is not allocated to our segments.

Corporate level activity by category was as follows:

(In thousands)	Three months ended March 31,		Change	
	2020	2019	\$	%
Operating expenses	\$ 7,016	\$ 7,105	\$ (89)	(1)%
Stock-based compensation	(1,201)	2,443	(3,644)	(149)%
Acquisition and integration costs	5,682	1,797	3,885	216 %
Executive transition costs	9,184	—	9,184	N/A
Headquarters relocation costs	716	—	716	N/A
Depreciation	2,420	1,310	1,110	85 %
Amortization of acquired intangible assets	7,748	8,044	(296)	(4)%
Impairment of goodwill	270,625	—	270,625	N/A
Total corporate-level activity	\$ 302,190	\$ 20,699	\$ 281,491	1360 %

For the three months ended March 31, 2020 compared to the three months ended March 31, 2019, corporate level activity increased \$281.5 million primarily due to the following factors:

- For the three months ended March 31, 2020, we recognized goodwill impairment of \$270.6 million related to our Wealth Management reporting unit.
- Executive transition costs of \$9.2 million were recognized in the first quarter of 2020 due to the departure of certain executive officers.
- Acquisition and integration costs increased \$3.9 million due to increased costs related to the 1st Global Acquisition and the HKFS Acquisition.

- Stock-based compensation decreased \$3.6 million due to stock award forfeitures resulting from executive departures in the first quarter of 2020.

OPERATING EXPENSES

Cost of Revenue

(In thousands, except percentages)

	Three months ended March 31,		Change	
	2020	2019	\$	%
Wealth Management services cost of revenue	\$ 102,342	\$ 61,374	\$ 40,968	67 %
Tax Preparation services cost of revenue	4,013	4,201	(188)	(4)%
Total cost of revenue	\$ 106,355	\$ 65,575	\$ 40,780	62 %
Percentage of revenue	40 %	29 %		

Cost of revenue consists of costs related to our Wealth Management and Tax Preparation businesses, which include commissions and advisory fees 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, the cost of temporary help and contractors, professional services fees, software support and maintenance, bandwidth and hosting costs, and depreciation.

For the three months ended March 31, 2020 compared to the three months ended March 31, 2019, cost of revenue increased \$40.8 million due to an increase in advisory fees and commissions paid to our advisors, including approximately \$29.0 million of commissions paid to 1st Global advisors. The higher advisory fees and commissions paid to our advisors and recognized as cost of revenue are a function of higher client asset balances and transactions and represent a portion of the advisory fees and commissions we recognize as revenue. In alignment with our expectations of Wealth Management revenue, we expect the suppressed client asset balances to reduce cost of revenue for the second quarter of 2020 and future periods in which client asset balances are at reduced levels.

Engineering and Technology

(In thousands, except percentages)

	Three months ended March 31,		Change	
	2020	2019	\$	%
Engineering and technology	\$ 8,515	\$ 6,529	\$ 1,986	30 %
Percentage of revenue	3 %	3 %		

Engineering and technology expenses are associated with the research, development, support, and ongoing enhancements of our offerings, which include personnel expenses, the cost of temporary help and contractors, software support and maintenance, bandwidth and hosting, and professional services fees.

For the three months ended March 31, 2020 compared to the three months ended March 31, 2019, engineering and technology expenses increased \$2.0 million, primarily due to higher headcount and consulting expenses in our Tax Preparation business.

Sales and Marketing

(In thousands, except percentages)

	Three months ended March 31,		Change	
	2020	2019	\$	%
Sales and marketing	\$ 79,710	\$ 55,572	\$ 24,138	43 %
Percentage of revenue	30 %	25 %		

Sales and marketing expenses primarily consist of personnel expenses, the cost of temporary help and contractors, marketing expenses associated with our Wealth Management business and Tax Preparation business, and back office processing support expenses for our Wealth Management business.

For the three months ended March 31, 2020 compared to the three months ended March 31, 2019, sales and marketing expenses increased \$24.1 million primarily due to a \$20.4 million increase in our Tax Preparation business resulting from increased advertising costs during the tax season, as well as a \$3.2 million increase in our Wealth Management business due to incremental expenses from 1st Global.

General and Administrative

(In thousands, except percentages)

	Three months ended March 31,		Change	
	2020	2019	\$	%
General and administrative	\$ 24,728	\$ 17,077	\$ 7,651	45 %
Percentage of revenue	9 %	8 %		

General and administrative (“G&A”) expenses primarily consist of personnel expenses, the cost of temporary help and contractors, professional services fees, general business development and management expenses, occupancy and general office expenses, business taxes, and insurance expenses.

For the three months ended March 31, 2020 compared to the three months ended March 31, 2019, G&A expenses increased \$7.7 million primarily due to executive transition costs of \$9.2 million that were recognized in the first quarter of 2020 due to the departure of certain executive officers, partially offset by reduced stock-based compensation expense due to stock award forfeitures resulting from executive departures in the first quarter of 2020.

Acquisition and Integration

(In thousands, except percentages)

	Three months ended March 31,		Change	
	2020	2019	\$	%
Employee-related expenses	\$ 830	\$ 217	\$ 613	282 %
Professional services	4,186	1,580	2,606	165 %
Other expenses	666	—	666	N/A
Total	\$ 5,682	\$ 1,797	\$ 3,885	216 %
Percentage of revenue	2 %	1 %		

Acquisition and integration expenses primarily relate to the 1st Global Acquisition and HKFS Acquisition and consist of employee-related expenses, professional services fees, and other expenses.

For the three months ended March 31, 2020, acquisition and integration expenses included \$3.0 million related to integration expenses resulting from the 1st Global Acquisition and \$2.7 million related to the pending HKFS Acquisition. For the three months ended March 31, 2019, acquisition and integration expenses resulted from the 1st Global Acquisition.

Depreciation and Amortization of Acquired Intangible Assets

(In thousands, except percentages)

	Three months ended March 31,		Change	
	2020	2019	\$	%
Depreciation	\$ 1,796	\$ 1,061	\$ 735	69 %
Amortization of acquired intangible assets	7,748	8,044	(296)	(4)%
Total	\$ 9,544	\$ 9,105	\$ 439	5 %
Percentage of revenue	4 %	4 %		

Depreciation of property and equipment includes depreciation of computer equipment and software, office equipment and furniture, and leasehold improvements. Amortization of acquired intangible assets primarily includes the amortization of client, advisor, and sponsor relationships, which are amortized over their estimated lives.

For the three months ended March 31, 2020 compared to the three months ended March 31, 2019, depreciation and amortization expense increased \$0.4 million primarily due to additional depreciable assets obtained in the 1st Global Acquisition and additional internal-use software put into service in the fourth quarter of 2019 and the first quarter of 2020.

Impairment of Goodwill

(In thousands, except percentages)

	Three months ended March 31,		Change	
	2020	2019	\$	%
Impairment of goodwill	\$ 270,625	\$ —	\$ 270,625	N/A
Percentage of revenue	103 %	— %		

For the three months ended March 31, 2020, we recognized goodwill impairment of \$270.6 million related to our Wealth Management reporting unit. For more information, see “Item 1. Financial Statements—Note 5.”

Other Loss, Net

(In thousands)

	Three months ended March 31,		Change	
	2020	2019	\$	%
Interest expense	\$ 5,316	\$ 3,776	\$ 1,540	41 %
Amortization of debt issuance costs	313	172	141	82 %
Accretion of debt discounts	68	38	30	79 %
Total interest expense	5,697	3,986	1,711	43 %
Interest income	(14)	(140)	126	(90) %
Other	452	112	340	304 %
Other loss, net	\$ 6,135	\$ 3,958	\$ 2,177	55 %

For the three months ended March 31, 2020 compared to the three months ended March 31, 2019, other loss, net, increased \$2.2 million primarily due a \$1.7 million increase in interest expense largely resulting from higher outstanding debt balances as a result of the \$125.0 million increase in the Term Loan under the Senior Secured Credit Facility in the second quarter of 2019, in addition to additional borrowings under the Revolver during the first quarter of 2020. The Senior Secured Credit Facility, including the Term Loan and the Revolver thereunder, are described in more detail under “*Liquidity and Capital Resources*” below.

Income Taxes

The Company recorded income tax expense of \$67.5 million for the three months ended March 31, 2020. The Company's effective income tax rate for the three months ended March 31, 2020 differed from the 21% statutory rate primarily due to expiring net operating loss tax benefits in the current year, an adjustment to the valuation allowance against the deferred tax assets for net operating losses expected to expire in future years of \$15.5 million, and non-deductible officer compensation expense. The goodwill impairment charge of \$270.6 million did not have an impact on the estimated annual effective income tax rate.

The Company recorded income tax expense of \$4.0 million for the three months ended March 31, 2019. Income taxes for the three months ended March 31, 2019 differed from the 21% statutory rate, primarily due to the release of valuation allowances and the effect of state income taxes.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (the “**CARES Act**”). Intended to provide economic relief to those impacted by the coronavirus pandemic, the CARES Act includes provisions, among others, addressing refunds of alternative minimum tax (“**AMT**”) credits, temporary modifications to the limitations placed on the tax deductibility of net interest expenses, and technical amendments for qualified improvement property (“**QIP**”). Additionally, the CARES Act, in an effort to enhance liquidity for businesses, provides for refundable employee retention tax credits and the deferral of the employer-paid portion of social security taxes.

We expect that we will be able to utilize the CARES Act provisions in the following ways:

- The provision permitting an adjustment to the AMT credit carryforward will have an immediate effect by allowing us to recover the remaining \$5.5 million AMT receivable in 2020.
- The adjustments made to the Internal Revenue Code §163(j) limiting the deduction for business interest expense will allow a 50% limitation (rather than the previous 30% limitation) for taxable years beginning in 2019 and 2020. Furthermore, we may use our adjusted taxable income for tax year 2019 when calculating our interest limitation for tax year 2020.

- The QIP technical correction may allow us to claim bonus tax depreciation on certain building improvements.
- The deferral of the employer-paid portion of social security taxes will result in the deferral of \$2.6 million of employer social security taxes for the remainder of 2020.

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 and amortization of acquired intangible assets, other loss, net, acquisition and integration costs, impairment of goodwill, executive transition costs, headquarters relocation costs, and income tax (benefit) expense. Acquisition and integration costs primarily relate to the 1st Global Acquisition and the HKFS Acquisition. Impairment of goodwill relates to the impairment of our Wealth Management reporting unit goodwill that was recognized in the first quarter of 2020. Executive transition costs relate to the departure of certain executive officers in the first quarter of 2020. Headquarters relocation costs relate to the ongoing process to move from our Dallas and Irving offices to our new headquarters in Coppell, TX.

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

A reconciliation of our Adjusted EBITDA to net income (loss) attributable to Blucora, Inc., which we believe to be the most comparable GAAP measure, is presented below:

(In thousands)	Three months ended March 31,	
	2020	2019
Net income (loss) attributable to Blucora, Inc.	\$ (315,494)	\$ 62,170
Stock-based compensation	(1,201)	2,443
Depreciation and amortization of acquired intangible assets	10,168	9,354
Other loss, net	6,135	3,958
Acquisition and integration costs	5,682	1,797
Impairment of goodwill	270,625	—
Executive transition costs	9,184	—
Headquarters relocation costs	716	—
Income tax expense	67,520	3,985
Adjusted EBITDA	\$ 53,335	\$ 83,707

Non-GAAP net income and non-GAAP net income per share

We define non-GAAP net income 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, acquisition and integration costs, impairment of goodwill, executive transition costs, headquarters relocation costs, the related cash tax impact of those adjustments, and non-cash income tax expense. We exclude the non-cash portion of income tax expense because of our ability to offset a substantial portion of our cash tax liabilities by using deferred tax assets, which primarily consist of U.S. federal net operating losses. The majority of these net operating losses will expire, if unutilized, between 2020 and 2024.

We believe that non-GAAP net income and non-GAAP net income per share provide meaningful supplemental information to management, investors, and analysts regarding our performance and the valuation of our business by excluding items in the statement of operations that we do not consider part of our ongoing operations or have not been, or are not expected to be, settled in cash. Additionally, we believe that non-GAAP net income and non-GAAP net income per share are common measures used by investors and analysts to evaluate our performance and the valuation of our business. Non-GAAP net income and non-GAAP net income 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 (loss) per share. Other companies may calculate non-GAAP net income and non-GAAP net income per share differently, and, therefore, our non-GAAP net income and non-GAAP net income per share may not be comparable to similarly titled measures of other companies.

A reconciliation of our non-GAAP net income and non-GAAP net income per share to net income (loss) attributable to Blucora, Inc. and net income (loss) per share attributable to Blucora, Inc., respectively, which we believe to be the most comparable GAAP measures, is presented below:

<u>(In thousands, except per share amounts)</u>	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Net income (loss) attributable to Blucora, Inc.	\$ (315,494)	\$ 62,170
Stock-based compensation	(1,201)	2,443
Amortization of acquired intangible assets	7,748	8,044
Acquisition and integration costs	5,682	1,797
Impairment of goodwill	270,625	—
Executive transition costs	9,184	—
Headquarters relocation costs	716	—
Cash tax impact of adjustments to GAAP net income	(736)	(411)
Non-cash income tax expense	67,037	3,151
Non-GAAP net income	<u>\$ 43,561</u>	<u>\$ 77,194</u>
<i>Per diluted share:</i>		
Net income (loss) attributable to Blucora, Inc. (1)	\$ (6.54)	\$ 1.25
Stock-based compensation	(0.02)	0.05
Amortization of acquired intangible assets	0.16	0.17
Acquisition and integration costs	0.12	0.04
Impairment of goodwill	5.61	—
Executive transition costs	0.19	—
Headquarters relocation costs	0.01	—
Cash tax impact of adjustments to GAAP net income	(0.02)	(0.01)
Non-cash income tax expense	1.39	0.06
Non-GAAP net income per share	<u>\$ 0.90</u>	<u>\$ 1.56</u>
Weighted average shares outstanding used in computing per diluted share amounts	48,253	49,542

(1) As presented in the condensed consolidated statements of comprehensive income, net loss per share attributable to Blucora, Inc. was \$(6.60) for the three months ended March 31, 2020 and was calculated based on weighted average shares outstanding of 47,827,000, which excluded the effect of potentially dilutive shares due to the net loss earned for the period. For non-GAAP reconciliation purposes, net loss per share attributable to Blucora, Inc. of \$(6.54) presented in the table above included the effect of potentially dilutive shares due to non-GAAP net income earned during the period.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

Our principal source of liquidity is our cash and cash equivalents. As of March 31, 2020, we had cash and cash equivalents of approximately \$168.2 million. Our Avantax Wealth Management broker-dealer subsidiary operates in a highly regulated industry and is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have substantial monetary and non-monetary impacts on Avantax's operations. As of March 31, 2020, Avantax met all capital adequacy requirements to which it was subject.

We generally invest our excess cash in money market funds that are made up of securities issued by agencies of the U.S. We may invest, from time-to-time, in other vehicles, such as debt instruments issued by the U.S. federal government and its agencies, international governments, municipalities, and publicly held corporations, as well as commercial paper and insured time deposits with commercial banks. Specific holdings can vary from period to period depending upon our cash requirements. Our financial instrument investments held at March 31, 2020 had minimal default risk and short-term maturities.

Historically, we have financed our operations primarily from cash provided by operating activities and access to credit markets. Our historical uses of cash have been funding our operations, capital expenditures, business combinations that enhance our strategic position, and share repurchases under our share repurchase program. We plan to finance our operating, working capital, regulatory capital requirements at our broker-dealer subsidiary, and capital expenditure requirements for at least the next 12 months largely through cash and cash equivalents. 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 the Revolver or increase the principal amount of the Term Loan to meet our capital requirements. In addition, we will need to secure additional capital to finance the purchase price for the HKFS Acquisition, which we may finance through cash on hand, new term loans, borrowings under the Revolver, and/or the proceeds from an offering of one or more series of securities.

Since our results of operations are sensitive to various factors, including, among others, the level of competition we face, regulatory and legal impacts, and political and economic conditions, such factors could adversely affect our liquidity and capital resources. In addition, due to the coronavirus pandemic, we expect to experience near-term volatility in our results of operations that could further enhance our liquidity needs. For further discussion of the risks to our business related to liquidity, see "Item 1A. Risk Factors" under the heading "*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 I of our Form 10-K for the year ended December 31, 2019 and the risk factors set forth in Part II, Item 1A in this Form 10-Q.

We may use our cash and cash equivalents in the future to invest in our current businesses, for repayment of debt, for acquiring companies or assets, for stock buybacks, for returning capital to stockholders, or for other utilizations that we deem to be in the best interests of stockholders.

Indebtedness

In May 2017, we entered into a credit agreement with a syndicate of lenders (as the same has been amended, the "**Credit Agreement**") that provides for a term loan facility (the "**Term Loan**") and a revolving line of credit (including a letter of credit sub-facility) (the "**Revolver**") for working capital, capital expenditures, and general business purposes (as amended, the "**Senior Secured Credit Facility**"). We increased the outstanding principal amount of the Term Loan by \$125.0 million to finance the 1st Global Acquisition, and after giving effect to such increase, the Senior Secured Credit Facility provides for up to \$565.0 million, consisting of a committed \$65.0 million under the Revolver and a \$500.0 million Term Loan that mature on May 22, 2022 and May 22, 2024, respectively. Obligations under the Senior Secured Credit Facility are guaranteed by certain of the Company's subsidiaries and secured by substantially all the assets of the Company and certain of its subsidiaries.

As of March 31, 2020, we had \$389.4 million and \$55.0 million in principal amount outstanding under the Term Loan and the Revolver, respectively. For the three months ended March 31, 2020, our total borrowings under the Revolver increased from \$10.0 million to \$55.0 million, which consisted of \$55.0 million of additional borrowings, partially offset by \$10.0 million of payments on the Revolver. Based on aggregate loan commitments as of March 31, 2020, approximately \$10.0 million was available for future borrowing under the Senior Secured Credit Facility. On April 23, 2020, we made a \$37.0 million payment to reduce the outstanding principal balance on the Revolver to \$18.0 million.

The interest rate on the Term Loan is variable at the London Interbank Offered Rate, plus the applicable interest rate margin of 3.00% for Eurodollar Rate loans and 2.00% for ABR loans.

Commencing December 31, 2019, principal payments of the Term Loan are due on a quarterly basis in an amount equal to \$0.3 million (subject to reduction for prepayments), with the remaining principal amount due on the maturity date of May 22, 2024. We have the right to prepay the Term Loan and outstanding amounts under the Revolver without any premium or penalty (other than customary Eurodollar breakage costs). Prepayments on the Term Loan are subject to certain prepayment minimums. We 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 Agreement) for such fiscal year. For the three months ended March 31, 2020, we made prepayments of \$0.3 million towards the Term Loan.

Depending on the Consolidated First Lien Net Leverage Ratio, the applicable interest rate margin on the Revolver is from 2.75% to 3.25% for Eurodollar Rate loans and 1.75% to 2.25% for ABR loans. Interest is payable at the end of each interest period.

The Senior Secured Credit Facility includes financial and operating covenants, including a Consolidated Total Net Leverage Ratio (as defined in the Credit Agreement) that governs the Revolver. On May 1, 2020, we entered into Amendment No. 3 to the Credit Agreement (the "**Credit Agreement Amendment**"). Pursuant to the Credit Agreement Amendment, the Credit Agreement was amended to, among other things: (i) provide that, during the period commencing on the effective date of the Credit Agreement Amendment and ending on December 31, 2020 (the "**Third Amendment Relief Period**"), if an advance under the Revolver is requested, then the Company must be in pro forma compliance with certain covenants, (ii) provide that, for purposes of determining compliance with the Consolidated Total Net Leverage Ratio for the Revolver, during the Third Amendment Relief Period certain limitations to add-backs do not apply when calculating Consolidated EBITDA (as defined in the Credit Agreement), (iii) solely with respect to the Revolver, add restrictions on certain restricted payments during the Third Amendment Relief Period, and (iv) solely with respect to the Revolver, if the Revolver usage is over \$0 on the last day of any calendar quarter during the Third Amendment Relief Period, impose a minimum liquidity financial covenant that requires the Company and its Restricted Subsidiaries (as defined in the Credit Agreement) to maintain liquidity of at least \$115.0 million on the last day of such quarter. Solely with respect to the Revolver and solely if the Revolver usage exceeds \$0 on the last day of any calendar quarter during the Third Amendment Relief Period, the Credit Agreement Amendment increases the maximum Consolidated Total Net Leverage Ratio to (i) 5.75 to 1.00 for the fiscal quarter ending June 30, 2020 and (ii) 3.75 to 1.00 for the fiscal quarters ending September 30, 2020 and December 31, 2020.

Share Repurchase Plan

On March 19, 2019, we announced that our board of directors authorized a stock repurchase plan pursuant to which we may repurchase up to \$100.0 million of our common stock. Pursuant to the plan, share repurchases may be made through a variety of methods, including open market or privately negotiated transactions. The timing and number of shares repurchased will depend on a variety of factors, including price, general business and market conditions, and alternative investment opportunities. Our repurchase program does not obligate us to repurchase any specific number of shares and may be suspended or discontinued at any time.

For the three months ended March 31, 2020, we did not repurchase any shares of our common stock under the stock repurchase plan. As of March 31, 2020, there was still approximately \$71.7 million in remaining capacity under the stock repurchase plan. In assessing our capital allocation priorities, we do not expect to make additional share repurchases in the near term.

Contractual Obligations and Commitments

The material changes in our contractual obligations and commitments include debt activity (as described in "*Indebtedness*" above) and incremental purchase commitments that primarily relate to advertising spend to support the Tax Preparation business during the extended tax season. These incremental purchase commitments are \$16.8 million for the remainder of 2020, of which \$12.9 million was already accrued as expense for the three months

ended March 31, 2020. Additional information on our contractual obligations and commitments can be found in our Form 10-K for the year ended December 31, 2019.

Off-balance Sheet Arrangements

We had no off-balance sheet arrangements as of March 31, 2020.

Cash Flows

Our cash flows were comprised of the following:

(In thousands)	Three months ended March 31,		
	2020	2019	Change (\$)
Net cash provided by operating activities	\$ 46,864	\$ 70,236	\$ (23,372)
Net cash used by investing activities	(7,715)	(1,243)	(6,472)
Net cash provided (used) by financing activities	43,769	(3,085)	46,854
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	—	15	(15)
Net increase in cash, cash equivalents, and restricted cash	\$ 82,918	\$ 65,923	\$ 16,995

Net cash from operating activities

Net cash from operating activities consists of income (loss), offset by certain non-cash adjustments, and changes in operating assets and liabilities. Operating cash flows and changes in operating assets and liabilities were as follows:

(In thousands)	Three months ended March 31,		
	2020	2019	Change (\$)
Net income (loss)	\$ (315,494)	\$ 62,170	\$ (377,664)
Non-cash adjustments	340,415	11,939	328,476
Operating cash flows before changes in operating assets and liabilities	24,921	74,109	(49,188)
Changes in operating assets and liabilities	21,943	(3,873)	25,816
Net cash provided by operating activities	\$ 46,864	\$ 70,236	\$ (23,372)

Net cash provided by operating activities was \$46.9 million for the three months ended March 31, 2020 and included \$24.9 million of operating cash flows before changes in operating assets and liabilities, in addition to \$21.9 million from changes in operating assets and liabilities. For the three months ended March 31, 2020 compared to the three months ended March 31, 2019, operating cash flows before changes in operating assets and liabilities decreased \$49.2 million primarily due to the following factors:

- Operating income from our Tax Preparation business decreased \$41.5 million;
- Executive transition costs of \$9.2 million were recognized in the first quarter of 2020 due to the departure of certain executive officers; and
- Acquisition and integration costs increased \$3.9 million due to increased costs related to the 1st Global Acquisition and the HKFS Acquisition.

The increase in the changes in operating assets and liabilities of \$25.8 million was primarily due to increases in our accounts payable and accrued expenses and other current and long-term liabilities accounts for the three months ended March 31, 2020 as a result of increased advertising and marketing commitments related to advertising during tax season.

Net cash from investing activities

Net cash used by investing activities consists of purchases of property and equipment. Investing cash flows were as follows:

(In thousands)	Three months ended March 31,		
	2020	2019	Change (\$)
Purchases of property and equipment	(7,715)	(1,243)	(6,472)
Net cash used by investing activities	<u>\$ (7,715)</u>	<u>\$ (1,243)</u>	<u>\$ (6,472)</u>

Net cash used by investing activities was \$7.7 million and \$1.2 million for the three months ended March 31, 2020 and 2019, respectively. The \$6.5 million increase in net cash used by investing activities was primarily due to cash outlays for office equipment and leasehold improvements related to the new headquarters office building, as well as additional capitalized software costs.

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. Financing cash flows were as follows:

(In thousands)	Three months ended March 31,		
	2020	2019	Change (\$)
Proceeds from credit facilities	\$ 55,000	\$ —	\$ 55,000
Payments on credit facilities	(10,313)	—	(10,313)
Proceeds from stock option exercises	—	283	(283)
Tax payments from shares withheld for equity awards	(918)	(2,425)	1,507
Contingent consideration payments for business acquisition	—	(943)	943
Net cash provided (used) by financing activities	<u>\$ 43,769</u>	<u>\$ (3,085)</u>	<u>\$ 46,854</u>

Net cash provided by financing activities for the three months ended March 31, 2020 primarily consisted of \$55.0 million of additional borrowings and \$10.3 million of repayments under our Revolver.

Net cash used by financing activities for the three months ended March 31, 2019 primarily consisted of \$2.4 million in tax payments from shares withheld for equity awards and \$0.9 million in contingent consideration paid related to the acquisition of SimpleTax, which was a provider of digital tax preparation services in Canada that we sold in the third quarter of 2019.

Critical Accounting Policies and Estimates

Impairment of goodwill

Goodwill represents the cost of an acquisition less the fair value of the net identifiable assets of the acquired business. We evaluate goodwill for impairment annually, as of November 30, or more frequently when events or circumstances indicate it is more likely than not that the fair value of one or more of our reporting units is less than its carrying amount. To determine whether it is necessary to perform a goodwill impairment test, we first assess qualitative factors to evaluate whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. We may elect to perform a goodwill impairment test without completing a qualitative assessment.

In March 2020, the coronavirus pandemic had a significant negative impact on the U.S. and global economy and caused substantial disruption in the U.S. and global securities markets, and as a result, negatively impacted certain key Wealth Management business drivers, such as client asset levels and interest rates. These macroeconomic and Company-specific factors, in totality, served as a triggering event that resulted in the testing of the goodwill of the Wealth Management reporting unit and the Tax Preparation reporting unit for potential impairment.

As part of the goodwill impairment test, we compared the estimated fair values of the Wealth Management and Tax Preparation reporting units to their respective carrying values. Estimated fair value was calculated using Level 3 inputs and utilized a blended valuation method that factored in the income approach and the market approach. The income approach estimated fair value by using the present value of future discounted cash flows. Significant estimates used in the discounted cash flow model included our forecasted cash flows, our long-term rates of growth, and our weighted average cost of capital. The weighted average cost of capital factors in the relevant risk associated with business-specific characteristics and the uncertainty related to the ability to achieve our projected cash flows. The market approach estimated fair value by taking income-based valuation multiples for a set of comparable companies and applying the valuation multiple to each reporting unit's income.

For the Wealth Management reporting unit, the carrying value of the reporting unit exceeded its fair value by \$270.6 million. Therefore, we recorded an impairment of goodwill of \$270.6 million for the three months ended March 31, 2020. For the Tax Preparation reporting unit, the carrying value of the reporting unit was significantly below its fair value, and therefore, no impairment of goodwill was deemed necessary.

The Wealth Management reporting unit is considered to be at risk for a future impairment of its goodwill in the event of a further decline in general economic, market, or business conditions, or any significant unfavorable changes in our forecasted revenue, expenses, cash flows, weighted average cost of capital, and/or market valuation multiples. We will continue to monitor for events and circumstances that could negatively impact the key assumptions in determining the fair value of the Wealth Management reporting unit.

Recent Accounting Pronouncements

See "Item 1. Financial Statements—Note 2" for additional information on a recently adopted accounting pronouncement.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the instruments in which we are exposed to market risk during the three months ended March 31, 2020. As of March 31, 2020, we had \$389.4 million in principal amount of debt outstanding under the Term Loan of our Senior Secured Credit Facility, which carries a degree of interest rate risk. This debt has a floating portion of its interest rate tied to the London Interbank Offered Rate ("**LIBOR**"). For further information on our outstanding debt, see "Item 1. Financial Statements—Note 6." A hypothetical 100 basis point increase in LIBOR on March 31, 2020 would result in a \$16.4 million increase in our 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, 2019.

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 March 31, 2020. 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 March 31, 2020.

Changes in Internal Control over Financial Reporting

Our internal control environment has been impacted by stay-at-home requirements for our employees. These requirements began in mid-March and have continued through the date of this report. While modifications were made to the manner in which controls were performed, these changes did not have a material impact on our internal control over financial reporting, and there were no changes to our internal control over financial reporting during the quarter ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

See “Item 1. Financial Statements—Note 10” for additional information on our legal proceedings.

Item 1A. Risk Factors

Our business and future results may be affected by a number of risks and uncertainties that should be considered carefully. In addition, this 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 our Annual Report on Form 10-K for the year ended December 31, 2019 and the risks set forth below.

We believe that there have been no material changes in our 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 our 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.”

RISKS ASSOCIATED WITH OUR BUSINESSES

Pandemics, including the recent coronavirus pandemic, could have a Material Adverse Effect.

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China. Beginning in January 2020, the coronavirus spread to other countries, including the United States, and efforts to contain the spread of the coronavirus intensified. The various precautionary measures taken by many governmental authorities around the world in order to limit the spread of the coronavirus have had, and could continue to have, an adverse effect on the global markets and economy, including on the availability of and costs associated with employees, resources, and other aspects of the global economy. The development of the coronavirus pandemic could also cause significant disruptions to our business and operations and the operations of our advisors, increase costs and burdens associated with staffing and conducting our operations, increase our risk of being subject to contract performance claims, or increase the risk that our counterparties fail to perform under their respective contracts or commitments, if we or they are unable to deliver according to the terms of such contracts or commitments and do not have the ability to claim force majeure.

Our Wealth Management segment, which provides tax-focused wealth management solutions for financial advisors, tax preparers, certified public accounting firms, and their clients and is the leading U.S. tax-focused independent wealth management business, primarily generates revenue through securities and insurance commissions, quarterly investment advisory fees based on advisory assets, product marketing service agreements, and other agreements and fees. The coronavirus pandemic has had a material negative impact on the U.S. and global economy as a whole and has caused substantial disruption in the U.S. and global securities markets. This economic downturn and market disruption has negatively impacted the value of our clients' assets, which will cause a corresponding decline in the amount of revenue that we derive from these client assets. Further, as a result of this downturn, we expect that we may experience a decline in commission revenue from lower trading volumes, a reduction in revenue from capital markets and advisory transactions due to reduced activity, increased credit provisions and charge-offs, significantly declining cash sweep revenue due to changes in prevailing interest rates, losses sustained from our customers' and market participants' failure to fulfill their settlement obligations, reduced net interest earnings, and other losses.

Our Tax Preparation segment, which provides digital do-it-yourself tax preparation solutions for consumers, small business owners, and tax professionals, primarily generates revenue through digital tax preparation services. In March 2020, the IRS extended the deadline for specified U.S. federal income tax payments and federal income tax returns due April 15, 2020 to July 15, 2020 in response to the coronavirus pandemic. We expect this filing extension will result in the shifting of a significant portion of Tax Preparation segment revenue that is usually earned in the first and second quarters of 2020 to the third quarter of 2020. As a result, our results of operations for our Tax Preparation segment have been negatively impacted in the first quarter of 2020 compared to the corresponding period in prior years, and we expect that the second quarter of 2020 will be similarly impacted. In addition, given the

change in timing of the tax filing deadline, it may be hard to predict third quarter results from our Tax Preparation segment following the end of the extended tax season, and results may not be consistent with our current estimations and predictions. In addition, the IRS could further extend the deadline for tax filings, and we expect any further extensions in tax filing deadlines could result in our customers postponing the filing of their taxes until even later in the year. In addition, if the IRS or state tax authorities determine to grant taxpayers further relief in light of the coronavirus pandemic, we could be required to make updates to our tax preparation software to account for any resulting changes to federal or state tax laws. Such updates are costly and may be time consuming to ensure that they accurately reflect the new laws that are adopted. Any of these events could have a Material Adverse Effect.

In addition, we have historically financed our operations primarily from cash provided by operating activities and access to credit markets. To the extent that the coronavirus pandemic causes a substantial reduction or change in timing of our cash provided by operating activities, we may be required to seek additional capital through issuances of debt or equity securities. We may be unable to complete any such transactions on favorable terms to us, or at all. The instruments governing our existing indebtedness require us to comply with certain restrictive covenants, and any substantial and sustained downturn in our operations due to the coronavirus or other factors may cause us to be in breach of our debt covenants or limit our ability to make interest payments on our indebtedness, which could constitute an event of default and cause our outstanding indebtedness to be declared immediately due and payable. If applicable, such acceleration of our outstanding indebtedness could cause our secured lenders to foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation. Any inability to obtain additional liquidity as and when needed, or to maintain compliance with the instruments governing our indebtedness, would have a Material Adverse Effect.

Any of the foregoing factors could result in a Material Adverse Effect on our revenues, results of operations and financial condition. The extent to which the coronavirus impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others.

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

Our Wealth Management business is subject to enhanced regulatory scrutiny and is heavily regulated by multiple agencies, including the SEC, 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. In addition, regulators may adopt new laws or regulations, or their interpretation of existing laws or regulations may differ from our interpretation of the laws or regulations that are applicable to our business. Regulators may also take enforcement actions based on their interpretation of the law that could require or prompt us to change our business practices, increase our costs, including resulting in fines, penalties and disgorgement, or reduce our revenue, any of which could 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 Wall Street Reform and Consumer Protection Act (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 products and services in our Wealth Management business, manage our Wealth Management business operations, and interact with regulators. In addition, the Trump Administration has initiated and in some cases completed a broad review of U.S. fiscal laws and regulations. If significant changes are enacted as a result of this review, they could negatively impact our Wealth Management business and cause a Material Adverse Effect.

On June 5, 2019, the SEC adopted Regulation Best Interest (“**Reg. BI**”), elevating the standard of care for broker-dealers from the current “suitability” requirement to a “best interest” standard when making a recommendation of any securities transaction to a retail customer. The “best interest” standard requires a broker-dealer to make recommendations without putting its financial interests ahead of the interests of a retail customer and imposes certain disclosure and policy and procedural obligations. The SEC also adopted Form CRS Relationship Summary (“**Form CRS**”), which requires RIAs and broker-dealers to deliver to retail investors a succinct, plain English summary about the relationship and services provided by the firm and the required standard of conduct associated with the relationship and services. In connection with adopting Reg. BI, the SEC added new record-making and record-keeping rules. The compliance date for Reg. BI and the related rules is June 30, 2020.

In addition, Reg. BI prohibits a broker-dealer and its associated persons from using the term “adviser” or “advisor” if the broker-dealer is not an RIA or the associated person is not a supervised person of an RIA. This prohibition requires us to change the titles of certain of our advisors, which could lead to confusion or distraction of both management and/or advisor time and attention. Reg. BI’s new standards of conduct and other requirements that heighten the duties of broker-dealers and investment advisors could result in additional supervisory, compliance and training costs and burdens, lesser compensation, and management distraction, and the required disclosure and policy and procedural obligations could impact the compensation our Wealth Management business and its representatives receive for selling certain types of products, particularly those that offer different compensation across different share classes (such as mutual funds and variable annuities), all of which could have a Material Adverse Effect on our business. Because our brokerage business comprises a significant portion of our business, our failure to successfully conform to these standards could negatively impact our results.

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 advisors. 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, training 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 IRS 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.

In addition, the risks we face with respect to complying with regulatory requirements for our Wealth Management business may be exacerbated by the effects of the coronavirus, particularly with respect to risks associated with our ability to comply with new regulations such as Reg. BI and Form CRS. Given the unprecedented nature of the coronavirus pandemic, it is difficult for us to predict how it will impact our business and our ability to adopt new policies, procedures, and training programs and employ the personnel necessary to ensure compliance with new regulations, including Reg. BI and Form CRS. On April 2, 2020, the SEC announced that it does not intend to extend the compliance date for Reg. BI in light of disruptions caused by the coronavirus. As a result, broker-dealers are currently required to be fully compliant with Reg. BI by June 30, 2020. As it concerns the SEC’s efforts to evaluate firms’ compliance with Reg. BI and Form CRS, the SEC stated on April 7, 2020 that for

initial examinations of Reg. BI and Form CRS, the SEC will focus on assessing whether broker-dealers have made a good faith effort to implement policies and procedures reasonably designed to comply with Reg. BI and Form CRS. Although we believe we are taking all steps necessary to ensure compliance with Reg. BI and Form CRS (or to be able to demonstrate a good faith effort to the SEC) by the compliance date, we may be unable to reach full compliance by the applicable deadline or the SEC may take the position that we have not made a good faith effort to comply, and, as a result, we could be subject to fines or regulatory actions that result in a Material Adverse Effect on our business or financial condition. To the extent other new laws or regulations are adopted or come into effect during the coronavirus pandemic, we may face practical difficulties in adapting our business to comply with such new laws and regulations.

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

On March 19, 2019, we announced that our board of directors authorized a stock repurchase plan pursuant to which we may repurchase up to \$100.0 million of our common stock. Pursuant to the plan, share repurchases may be made through a variety of methods, including open market or privately negotiated transactions. The timing and number of shares repurchased will depend on a variety of factors, including price, general business and market conditions, and alternative investment opportunities. The authorization does not have a specified expiration date.

Share repurchase activity for the first quarter of 2020 by month was as follows (in thousands, except per share data):

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 1-31, 2020	—	\$ —	—	\$ 71,671
February 1-29, 2020	—	\$ —	—	\$ 71,671
March 1-31, 2020	—	\$ —	—	\$ 71,671
Total	—	\$ —	—	

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Credit Agreement Amendment

On May 1, 2020, the Company entered into the Credit Agreement Amendment, pursuant to which the Credit Agreement was amended to, among other things: (i) provide that, during the Third Amendment Relief Period, if an advance under the Revolver is requested, then the Company must be in pro forma compliance with certain covenants, (ii) provide that, for purposes of determining compliance with the Consolidated Total Net Leverage Ratio for the Revolver, during the Third Amendment Relief Period certain limitations to add-backs do not apply when calculating Consolidated EBITDA, (iii) solely with respect to the Revolver, add restrictions on certain restricted payments during the Third Amendment Relief Period, and (iv) solely with respect to the Revolver, if the Revolver usage is over \$0 on the last day of any calendar quarter during the Third Amendment Relief Period, impose a minimum liquidity financial covenant that requires the Company and its Restricted Subsidiaries to maintain liquidity of at least \$115.0 million on the last day of such quarter. Solely with respect to the Revolver and solely if the Revolver usage exceeds \$0 on the last day of any calendar quarter during the Third Amendment Relief Period, the Credit Agreement Amendment increases the maximum Consolidated Total Net Leverage Ratio to (i) 5.75 to 1.00 for the fiscal quarter ending June 30, 2020 and (ii) 3.75 to 1.00 for the fiscal quarters ending September 30, 2020 and December 31, 2020.

The foregoing description of the Credit Agreement Amendment is a summary, does not purport to be a complete description of the terms of the Credit Agreement Amendment, and is qualified in its entirety by reference to the Credit Agreement Amendment, a copy of which is filed as Exhibit 10.7 and is incorporated herein by reference.

Correction of Previously Disclosed Net Flows Amounts

In the process of preparing this Quarterly Report on Form 10-Q, we discovered that certain financial metrics (not used or included within the Company's audited financial statements) were miscategorized in our public disclosures for the fourth quarter and full year ended December 31, 2019.

Specifically, with respect to the advisory fee inflows data included in the table under "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 46 in our Annual Report on Form 10-K for the year ended December 31, 2019 (the "**Form 10-K**"), we included some of our reinvestment amounts in the "net change in new client assets" line item that should have been categorized as "Market impact and other." While this misclassification was inconsistent with our prior public disclosure practices, it did not impact the total amount of our advisory assets at December 31, 2019.

A related error was also included in our earnings release and earnings call on February 19, 2020, our proxy statement related to our 2020 annual meeting of stockholders filed on April 9, 2020, and our Form 10-K. In particular, as a result of including reinvestment data in our advisory net flows calculations, we reported that we achieved record advisory net flows of approximately \$1.0 billion in our Wealth Management business for the year ended December 31, 2019. However, our advisory net flows for the year ended December 31, 2019 were actually \$712.3 million. These were strong advisory net flows for the year ended December 31, 2019, but they were not record advisory net flows as it was indicated.

On the Company's earnings call held on February 19, 2020, the Company's management also stated (based upon a similar misclassification) that net flows into total client assets in the fourth quarter of 2019 were approximately \$180 million and that net inflows into advisory assets in the fourth quarter of 2019 were approximately \$200 million. Each of these amounts also included reinvestments as a component of inflows. The Company actually experienced a net outflow of total client assets for the fourth quarter of 2019 of approximately \$834.4 million and a net outflow of advisory assets for the fourth quarter of 2019 of approximately \$90.0 million. This misclassification did not impact the total amount of our total client assets or advisory assets at December 31, 2019.

Net outflows for advisory assets and total client assets in the fourth quarter of 2019 were due to multiple factors, including investor market sentiment, asset allocation, as well as outflows related to expected advisor and asset attrition following the 1st Global Acquisition.

We will continue to evaluate our disclosure practices in connection with these metrics to ensure that they continue to be aligned with our view of the business and the disclosures provided by our peers.

The corrected amounts were as follows (in thousands):

	For the three months ended December 31, 2019		For the year ended December 31, 2019	
<u>Total client assets</u>				
Balance, beginning of the period	\$	67,682,510	\$	42,249,055
Net change in new client assets (1)		(834,431)		(491,629)
Inflows from acquisitions		—		20,032,700
Market impact and other (1)		3,796,306		8,854,259
Balance, end of the period	\$	70,644,385	\$	70,644,385
<u>Advisory assets</u>				
Balance, beginning of the period	\$	26,324,164	\$	12,555,405
Net change in new advisory assets (2)		(90,025)		712,343
Inflows from acquisitions		—		11,397,301
Market impact and other (2)		1,395,026		2,964,116
Balance, end of the period	\$	27,629,165	\$	27,629,165

- (1) For both the three months and year ended December 31, 2019, reinvestments of \$1.0 billion were previously misclassified in the “net change in new client assets” line item and are now correctly classified in the “market impact and other” line item.
- (2) For both the three months and year ended December 31, 2019, reinvestments of \$0.3 billion were previously misclassified in the “net change in new advisory assets” line item and are now correctly classified in the “market impact and other” line item.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
2.1#	Stock Purchase Agreement, dated as of January 6, 2020, by and among Blucora, Inc., Honkamp Krueger Financial Services, Inc., the sellers named therein, and JRD Seller Representative, LLC, as the sellers' representative	8-K	January 7, 2020	2.1	
2.2#	First Amendment to Stock Purchase Agreement, dated as of April 7, 2020, by and among Blucora, Inc., Honkamp Krueger Financial Services, Inc., the sellers named therein, and JRD Seller Representative, LLC, as the sellers' representative	8-K	April 9, 2020	2.1	
10.1	Separation and Release Agreement by and between Blucora, Inc. and Davinder Athwal, dated January 6, 2020	10-K	February 28, 2020	10.30	
10.2	General Release and Waiver of Claims by and between Blucora, Inc. and John Clendening, dated January 15, 2020	10-K	February 28, 2020	10.31	
10.3	Form of Employment Agreement by and between Blucora, Inc. and certain executive officers	8-K	April 22, 2020	10.1	
10.4	Employment Agreement by and between Blucora, Inc. and Christopher W. Walters, dated January 17, 2020	10-K	February 28, 2020	10.32	
10.5	Form of Restricted Stock Unit Grant Notice and Award Agreement under the Blucora, Inc. 2016 Equity Inducement Plan				X
10.6	Form of Nonqualified Stock Option Grant Notice and Agreement under the Blucora, Inc. 2016 Equity Inducement Plan				X
10.7^	Third Amendment to Credit Agreement, dated May 1, 2020, among Blucora, Inc., as borrower, most of its direct and indirect domestic subsidiaries, as guarantors, JPMorgan Chase Bank, N.A., as successor administrative agent and successor collateral agent, and each lender party to the Third Amendment				X
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Exchange Act rules 13a-14(a) and 15d-14(a))				X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Exchange Act rules 13a-14(a) and 15d-14(a))				X
32.1*	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. section 1350)				X
32.2*	Certification of Principal Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. section 1350)				X
101	The following financial statements from the Company's 10-Q for the fiscal quarter ended March 31, 2020, formatted in inline XBRL: (i) Unaudited Condensed Consolidated Balance Sheets, (ii) Unaudited Condensed Consolidated Statements of Comprehensive Income, (iii) Unaudited Condensed Consolidated Statements of Stockholders' Equity; (iv) Unaudited Condensed Consolidated Statements of Cash Flows, and (v) Notes to Unaudited Condensed Consolidated Financial Statements				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and Contained in Exhibit 101)				X

Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Blucora, Inc. hereby undertakes to furnish supplemental copies of any of the omitted schedules and exhibits upon request by the Securities and Exchange Commission.

^ Certain portions of the exhibit have been omitted.

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

SIGNATURES

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

BLUCORA, INC.

By: /s/ Marc Mehlman

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

Date: May 6, 2020

Exhibit A

BLUCORA, INC.
2016 EQUITY INDUCEMENT PLAN, AS AMENDED

RESTRICTED STOCK UNIT GRANT NOTICE

(TIME-BASED RESTRICTED STOCK UNITS)

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

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

You are hereby granted by the Company a Restricted Stock Unit Award (the "**Award**") under the Blucora, Inc. 2016 Equity Inducement Plan, as amended (the "**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 Inducement Plan, each of which are incorporated by reference into this Notice of Grant. Capitalized terms that are not defined in the Notice of Grant shall have the meanings given to them in the Agreement, and if not defined in the Agreement, the meanings given to them in the Inducement Plan.

Grant Date: _____

Award Number: _____

Subject to the Award: _____

Vesting Commencement Date: _____

Vesting Schedule: Except as specifically provided in the Agreement and subject to the restrictions and conditions set forth in the Inducement Plan, the RSUs shall vest as follows:

- (i) one-third (1/3) of the RSUs (rounded down to the nearest whole unit) shall vest on the first anniversary of the Vesting Commencement Date, provided that you are employed by the Company or a Related Company on that date;
- (ii) an additional one-third (1/3) of the RSUs (rounded down to the nearest whole unit) shall vest on the second anniversary of the Vesting Commencement Date, provided that you are employed by the Company or a Related Company on that date; and
- (iii) the remaining one-third (1/3) of the RSUs shall vest on the third anniversary of the Vesting Commencement Date, provided that you are employed by the Company or a Related Company on that date.

Vesting will cease upon your Termination of Employment and the unvested portion of the Award will immediately terminate. Notwithstanding the foregoing, to the extent not already vested, upon the occurrence of a Termination of Employment due to (a) your death or Disability, the RSUs shall become fully vested as of the date of such Termination of Employment; or (b) your Retirement (as defined below) on or after the first anniversary of the Grant Date, the RSUs shall become fully vested as of the date of such Termination of Employment. For purposes of this Award, the term "**Retirement**" shall mean your voluntary Termination of Employment on or after your attainment of (i) age sixty (60) and five (5) years of service with the Company or any Related Company, (ii) age fifty-five (55) and ten (10) years of service with the Company or any Related Company, or (iii) any age with twenty (20) years of service with the Company or any Related Company; *provided, however*, that if at any time the Committee determines that your Termination of Employment should be a Termination of Employment for Cause (as defined below), then your Termination of Employment will no longer be due to your Retirement and all RSUs shall immediately be forfeited.

Additional Terms/Acknowledgment: You acknowledge and agree that the Notice of Grant and the vesting schedule set forth herein do not constitute an express or implied promise of your continued engagement as an employee, officer, director or other service provider for the vesting period, for any period, or at all, and shall not interfere with your right or the Company's right to terminate your employment or service relationship with the Company or its Related Companies at any time, with or without Cause. For purposes of this Award, the term "**Cause**" shall have the meaning set forth in your Employment Agreement (as defined below), provided that, if such Employment Agreement does not define such term or no such agreement is then in effect, then it shall have the meaning set forth in the Inducement Plan.

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 Inducement Plan and the Award.

* * * * *

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

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

BLUCORA, INC.

By: _____
Its: _____

PARTICIPANT

Signature
Date: _____

*Electronic acceptance of this Award shall bind the Participant

Attachments:

1. Restricted Stock Unit Agreement
2. Inducement Plan

EXHIBIT A

**BLUCORA, INC.
2016 EQUITY INDUCEMENT PLAN, AS AMENDED**

RESTRICTED STOCK UNIT AGREEMENT

1. **Grant.** The Company hereby grants to the Participant listed on the Notice of Grant (the "**Participant**") an Award of RSUs, as set forth in the Notice of Grant and subject to the terms and conditions in this Restricted Stock Unit Agreement (this "**Agreement**") and the Inducement Plan. Unless otherwise defined herein, the capitalized terms used herein shall have the meanings given to them in the Notice of Grant, and if not defined in the Notice of Grant, the meanings given to them in the 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 Participant will have no right to receive Shares under such RSUs. Prior to actual distribution of Shares pursuant to any vested RSUs, such RSUs will represent an unsecured obligation of the Company.

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

4. **Forfeiture upon Termination of Employment.** Except as provided in the Notice of Grant, if the Participant 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 Paragraph 21 hereof, any RSUs that vest in accordance with Paragraph 3 will be paid to the Participant (or in the event of the Participant's death, to his or her estate) in Shares on, or as soon as practicable after, the applicable vesting date (but in any event within sixty (60) days of the date on which the RSUs vest).

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

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

8. **Rights as Stockholder.** Neither the Participant nor any person claiming under or through the Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until the date of issuance of any such Shares under the 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 Participant agrees to execute any documents requested by the Company in connection with the issuance of any Shares.

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

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

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

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

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

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

17. **Conflicting Terms; Inducement Plan Governs.** This Agreement and the Notice of Grant are subject to all terms and provisions of the 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 Inducement Plan, the provisions of the Inducement Plan will govern.

18. **Committee Authority; Decisions Conclusive and Binding.** The Participant acknowledges that a copy of the Inducement Plan has been made available for his or her review by the Company, and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all the terms and provisions thereof. The Committee will have the power to interpret this Agreement, the Notice of Grant and the Inducement Plan, and to adopt such rules for the administration, interpretation and application of the 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). The Participant hereby

agrees to accept as binding, conclusive, and final all decisions of the Committee upon any questions arising under the Inducement Plan, this Agreement or the Notice of Grant. No member of the Committee will be personally liable for any action, determination or interpretation made in good faith with respect to the Inducement Plan, this Agreement or the Notice of Grant.

19. **Claims.** The Participant's sole remedy for any Claim (as defined below) shall be against the Company, and the Participant shall not have any claim or right of any nature against any Related Company (including, without limitation, any parent, subsidiary or affiliate of the Company) or any stockholder or existing or former director, officer or employee of the Company or any Related Company. The foregoing individuals and entities (other than the Company) shall be third-party beneficiaries of this Agreement for purposes of enforcing the terms of this Paragraph 19. The term "**Claim**" means any claim, liability or obligation of any nature, arising out of or relating to this Agreement, the Notice of Grant or the Inducement Plan or an alleged breach of this Agreement, the Notice of Grant or the Inducement Plan.

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

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

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

23. **Recovery of Compensation.** In accordance with Section 17.12 of the Inducement Plan, the Company may recoup all or any portion of any Shares or cash paid to the Participant in connection with the Award.

24. **Entire Agreement; Employment Agreement.** This Agreement, together with the Notice of Grant and the Inducement Plan supersede any and all other prior understandings and agreements, either oral or in writing, between the parties with respect to the subject matter hereof and constitute the sole and only agreements between the parties with respect to the said

subject matter. All prior negotiations and agreements between the parties with respect to the subject matter hereof are merged into this Agreement and the Notice of Grant. Each party to this Agreement and the Notice of Grant acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made by any party or by anyone acting on behalf of any party, which are not embodied in this Agreement, the Notice of Grant or the Inducement Plan and that any agreement, statement, or promise that is not contained in this Agreement, the Notice of Grant or the Inducement Plan shall not be valid or binding or of any force or effect. Notwithstanding anything to the contrary contained in the Notice of Grant, this Agreement or in the Inducement Plan, in the event of any conflict between the terms and conditions of the Award as set forth in the Notice of Grant, this Agreement and in the Inducement Plan, as the case may be, and the terms and conditions of the Employment Agreement, the terms and conditions of the Employment Agreement shall govern unless the conflicting provision in the Notice of Grant, this Agreement or in the Inducement Plan, as the case may be, is more favorable to the Participant; in which case, the provision more favorable to the Participant shall govern.

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

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

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

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

Exhibit B

**BLUCORA, INC.
2016 EQUITY INDUCEMENT PLAN, AS AMENDED**

NONQUALIFIED STOCK OPTION GRANT NOTICE

(TIME-BASED OPTION)

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

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

You are hereby granted by the Company an Option (the "**Option**") to purchase shares of the Company's Common Stock ("**Shares**") pursuant to the Blucora, Inc. 2016 Equity Inducement Plan, as amended (the "**Inducement Plan**").

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

Grant Date: _____

Option Number: _____

Number of Shares: _____

Exercise Price per Share: _____

Option Expiration Date: Seventh (7th) anniversary of the Grant Date

Vesting Commencement Date: _____

Type of Option: Nonqualified Stock Option

Vesting and Exercisability Schedule: Except as specifically provided in the Agreement and subject to the restrictions and conditions set forth in the Inducement Plan, the Option shall vest and become exercisable as follows:

- (i) one-third (1/3) of the Option (rounded down to the nearest whole Share) shall vest and become exercisable on the first anniversary of the Vesting Commencement Date, provided that you are employed by the Company or a Related Company on that date;

- (ii) an additional one-third (1/3) of the Option (rounded down to the nearest whole Share) shall vest and become exercisable on the second anniversary of the Vesting Commencement Date, provided that you are employed by the Company or a Related Company on that date; and
- (iii) the remaining one-third (1/3) of the Option shall vest and become exercisable on the third anniversary of the Vesting Commencement Date, provided that you are employed by the Company or a Related Company on that date.

Vesting will cease upon your Termination of Employment and the unvested portion of the Option will immediately terminate. Notwithstanding the foregoing, to the extent not already vested, upon the occurrence of a Termination of Employment due to (i) your death or Disability, the Option shall become fully vested and exercisable as of the date of such Termination of Employment; or (ii) your Retirement (as defined below) on or after the first anniversary of the Grant Date, the Option shall become fully vested and exercisable as of the date of such Termination of Employment. For purposes of this Option, the term "**Retirement**" shall mean your voluntary Termination of Employment on or after your attainment of (i) age sixty (60) and five (5) years of service with the Company or any Related Company, (ii) age fifty-five (55) and ten (10) years of service with the Company or any Related Company, or (iii) any age with twenty (20) years of service with the Company or any Related Company; *provided, however*, that if at any time the Committee determines that your Termination of Employment should be a Termination of Employment for Cause (as defined below), then your Termination of Employment will no longer be due to your Retirement and the Option shall immediately be forfeited.

Additional Terms/Acknowledgment: You acknowledge and agree that the Notice of Grant and the vesting and exercisability schedule set forth herein do not constitute an express or implied promise of your continued engagement as an employee, officer, director or other service provider for the vesting period, for any period, or at all, and shall not interfere with your right or the Company's right to terminate your employment or service relationship with the Company or its Related Companies at any time, with or without Cause. For purposes of this Option, the term "**Cause**" shall have the meaning set forth in your Employment Agreement (as defined below), provided that, if such Employment Agreement does not define such term or no such agreement is then in effect, then it shall have the meaning set forth in the Inducement Plan.

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 Option 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 Option.

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 Inducement Plan and the Option.

* * * * *

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

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

BLUCORA, INC.

PARTICIPANT

By: _____
Its: _____

Signature
Date: _____

*Electronic acceptance of this Award shall bind the Participant

Attachments:

1. Stock Option Agreement
2. Inducement Plan

Signature Page to Notice of Grant

EXHIBIT A

**BLUCORA, INC.
2016 EQUITY INDUCEMENT PLAN, AS AMENDED**

STOCK OPTION AGREEMENT

1. **Grant.** The Company hereby grants to the Participant listed on the Notice of Grant (the "**Participant**") an Option to purchase the number of Shares and at the exercise price as set forth in the Notice of Grant and subject to the terms and conditions in this Stock Option Agreement (this "**Agreement**") and the Inducement Plan. Unless otherwise defined herein, the capitalized terms used herein shall have the meanings given to them in the Notice of Grant, and if not defined in the Notice of Grant, the meanings given to them in the Inducement Plan.

2. **Company's Obligation.** Unless and until the Option vests and is exercised, the Participant will have no right to receive Shares under the Option. Prior to actual distribution of Shares pursuant to any vested and exercised Option, such Option will represent an unsecured obligation of the Company.

3. **Vesting and Exercisability.** Subject to Paragraph 4 hereof and to any other relevant Inducement Plan provisions, the Option will vest and become exercisable as provided in the Notice of Grant. Any portion of the Option that is vested may be exercised at any time during the period prior to the date the Option terminates. No partial exercise of the Option may be for less than five percent (5%) of the total number of Shares then available under the Option. In no event shall the Company be required to issue fractional Shares.

4. **Termination of Option.** The unvested portion of the Option will terminate automatically and without further notice immediately upon the Participant's Termination of Employment (voluntary or involuntary). The vested portion of the Option will terminate automatically and without further notice on the earliest of the dates set forth below:

(a) three (3) months after the Participant's Termination of Employment for any reason other than Disability, death or Retirement;

(b) one (1) year after the Participant's Termination of Employment by reason of Disability, death or Retirement;

(c) immediately upon notification to the Participant of the Participant's Termination of Employment for Cause, unless the Committee determines otherwise. If the Participant's employment relationship is suspended pending an investigation of whether he or she will be terminated for Cause, all of the Participant's rights under the Option likewise will be suspended during the period of investigation. If any facts that would constitute termination for Cause are discovered after the Participant's Termination of Employment, any Option the Participant then holds may be immediately terminated by the Committee; or

(d) the Option Expiration Date.

IT IS THE PARTICIPANT'S RESPONSIBILITY TO BE AWARE OF THE DATE ON WHICH THE OPTION TERMINATES.

5. **Leave of Absence.** The effect of a Company approved unpaid leave of absence on the terms and conditions of the Option will be determined by the Committee, subject to applicable laws.

6. **Method of Exercise.** The Participant may exercise the Option by giving written notice to the Company, in form and substance satisfactory to the Company, which will state the election to exercise the Option, the date of exercise thereof, and the number of Shares for which the Participant is exercising the Option. The written notice must be accompanied by full payment of the exercise price for the number of Shares that are being purchased (plus any employment tax withholding or other tax payment due with respect to the exercise of the Option).

7. **Form of Payment of Exercise Price.** The Participant may pay the Option exercise price, in whole or in part, (a) in cash; (b) by wire transfer or check acceptable to the Company; (c) if permitted by the Committee, having the Company withhold Shares that would otherwise be issued on exercise of the Option that have an aggregate Fair Market Value equal to the aggregate exercise price of the Shares being purchased under the Option; (d) if permitted by the Committee, tendering (either actually or, so long as the Shares are registered under Section 12(b) or 12(g) of the Exchange Act, by attestation) Shares owned by the Participant that have an aggregate Fair Market Value equal to the aggregate exercise price of the Shares being purchased under the Option; (e) unless the Committee determines otherwise and so long as the Shares are registered under Section 12(b) or 12(g) of the Exchange Act, and to the extent permitted by law, by delivery of a properly executed exercise agreement or notice, together with irrevocable instructions to a brokerage firm designated or approved by the Company to promptly deliver to the Company the aggregate amount of proceeds to pay the Option exercise price; or (e) such other consideration as the Committee may permit.

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

9. **Limited Transferability; Who May Exercise.** The Option may not be sold, assigned, pledged (as collateral for a loan or as security for the performance of an obligation or for any other purpose) or transferred by the Participant or made subject to attachment or similar proceedings otherwise than by will or by the applicable laws of descent and distribution, except to the extent the Participant designates one or more beneficiaries on a Company-approved form

who may exercise the Option after the Participant's death. Notwithstanding the foregoing, the Committee, in its sole discretion, may permit the Participant to assign or transfer the Option, subject to such terms and conditions as specified by the Committee. During the Participant's lifetime only the Participant may exercise the Option. The Option may be exercised by the personal representative of the Participant's estate or the beneficiary thereof following the Participant's death.

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

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

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

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

14. **No Stockholder Rights.** Neither the Participant nor any person entitled to exercise the Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to the Shares subject to the Option unless and until the date of issuance under the Inducement Plan of any such Shares upon the exercise of the Option. Except as otherwise provided in Paragraph 15 hereof, 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 Option. The Participant agrees to execute any documents requested by the Company in connection with the issuance of any Shares.

15. **Adjustments.** The number of Shares covered by the Option, and the exercise price thereof, shall be subject to adjustment in accordance with Section 15 of the Inducement Plan.

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

17. **Conflicting Terms; Inducement Plan Governs.** This Agreement and the Notice of Grant are subject to all terms and provisions of the 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 Inducement Plan, the provisions of the Inducement Plan will govern.

18. **Committee Authority; Decisions Conclusive and Binding.** The Participant acknowledges that a copy of the Inducement Plan has been made available for his or her review by the Company, and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Option subject to all the terms and provisions thereof. The Committee will have the power to interpret this Agreement, the Notice of Grant and the Inducement Plan, and to adopt such rules for the administration, interpretation and application of the Inducement Plan as are consistent therewith and to interpret or revoke any such rules. The Participant hereby agrees to accept as binding, conclusive, and final all decisions of the Committee upon any questions arising under the Inducement Plan, this Agreement or the Notice of Grant. No member of the Committee will be personally liable for any action, determination or interpretation made in good faith with respect to the Inducement Plan, this Agreement or the Notice of Grant.

19. **No Effect on Employment Relationship.** Nothing in the Inducement Plan or any Award granted under the Inducement Plan will be deemed to constitute an employment contract or confer or be deemed to confer any right for the Participant to continue in the employ of 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 relationship at any time, with or without Cause.

20. **No Right to Damages.** The Participant will have no right to bring a claim or to receive damages if the Participant is required to exercise the vested portion of the Option within

three (3) months (or one (1) year in the case of Retirement, Disability or death) of the Participant's Termination of Employment or if any portion of the Option is cancelled or expires unexercised. The loss of existing or potential profit in the Option will not constitute an element of damages in the event of the Participant's Termination of Employment for any reason even if the termination is in violation of an obligation of the Company or a Related Company to the Participant.

21. **Claims.** The Participant's sole remedy for any Claim (as defined below) shall be against the Company, and the Participant shall not have any claim or right of any nature against any Related Company (including, without limitation, any parent, subsidiary or affiliate of the Company) or any stockholder or existing or former director, officer or employee of the Company or any Related Company. The foregoing individuals and entities (other than the Company) shall be third-party beneficiaries of this Agreement for purposes of enforcing the terms of this Paragraph 21. The term "**Claim**" means any claim, liability or obligation of any nature, arising out of or relating to this Agreement, the Notice of Grant or the Inducement Plan or an alleged breach of this Agreement, the Notice of Grant or the Inducement Plan.

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

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

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

25. **Recovery of Compensation.** In accordance with Section 17.12 of the Inducement Plan, the Company may recoup all or any portion of any Shares paid to the Participant in connection with the Option.

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

Agreement, the Notice of Grant or the Inducement Plan shall not be valid or binding or of any force or effect. Notwithstanding anything to the contrary contained in the Notice of Grant, this Agreement or in the Inducement Plan, in the event of any conflict between the terms and conditions of the Option as set forth in the Notice of Grant, this Agreement and in the Inducement Plan, as the case may be, and the terms and conditions of the Employment Agreement, the terms and conditions of the Employment Agreement shall govern unless the conflicting provision in the Notice of Grant, this Agreement or in the Inducement Plan, as the case may be, is more favorable to the Participant; in which case, the provision more favorable to the Participant shall govern; provided, however, that notwithstanding the foregoing, in no event shall any extended exercise period set forth in the Employment Agreement modify or extend the Option Expiration Date as set forth in the Notice of Grant.

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

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

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

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

***Certain identified information has been excluded from the exhibit because it is both not material and would likely cause competitive harm to the registrant if publicly disclosed.

This AMENDMENT NO. 3 DATED May 1, 2020 ("AMENDMENT NO. 3"), by and among BLUCORA, INC., a Delaware corporation (the "Borrower"), each of the Subsidiary Guarantors party hereto (the "Subsidiary Guarantors" and, together with the Borrower, the "Loan Parties"), JPMORGAN CHASE BANK, N.A., as administrative agent (in such capacity, the "Administrative Agent") and as collateral agent (in such capacity, the "Collateral Agent"), and each Revolving Credit Lender party hereto to the Credit Agreement, dated as of May 22, 2017 (as amended by the First Amendment dated November 28, 2017 and Amendment No. 2 dated May 6, 2019 and as further amended or supplemented prior to the date hereof, the "Credit Agreement" and, the Credit Agreement as amended pursuant to this Amendment No. 3, the "Amended Credit Agreement"), by and among the Borrower, the Subsidiary Guarantors party thereto, the lenders party thereto, the Administrative Agent, and the other parties thereto.

WHEREAS, the Borrower has requested certain amendments to the Credit Agreement, all as hereinafter set forth;

WHEREAS, Section 10.01 of the Credit Agreement permits the amendments to the Credit Agreement pursuant to this Amendment No. 3 with the consent of the parties hereto.

NOW, THEREFORE, in consideration of the promises and mutual agreements herein contained, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Amended Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall, after this Amendment No. 3 becomes effective, refer to the Amended Credit Agreement. This Amendment No. 3 is a "Loan Document" as such term is defined under the Credit Agreement.

SECTION 2. Amendment of the Credit Agreement. Subject only to the satisfaction of the conditions set forth in Section 4(I) below, on the Amendment No. 3 Effective Date (as defined below), the Credit Agreement is hereby amended as follows (and, for the avoidance of doubt, each Revolving Credit Lender party hereto hereby consents to such amendments):

(a) The following definitions shall be, and hereby are, added to Section 1.01 of the Credit Agreement in appropriate alphabetical order:

"**Amendment No. 3**" means Amendment No. 3 to this Agreement, dated as of May 1, by and among the Loan Parties, the Administrative Agent, and the Revolving Credit Lenders party thereto.

"**Amendment No. 3 Effective Date**" has the meaning assigned to such term in Amendment No. 3.

"**Amendment No. 3 Relief Period**" means the period commencing on the Amendment No. 3 Effective Date and ending on December 31, 2020.

"**Liquidity**" means, as of any date of determination, the sum of (a) the aggregate amount of unrestricted cash and Cash Equivalents of the Borrower and its Restricted Subsidiaries and (b) the amount by which the aggregate Revolving Credit Commitments exceed the sum of (i) the Outstanding Amount of Revolving Credit Loans plus (ii) the Outstanding Amount of L/C Obligations.

(b) Section 4.02(iv) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(iv) If, after giving effect to such Request for Credit Extension, the Revolver Usage would exceed (a) during the Amendment No. 3 Relief Period, \$0 or (b) following the Amendment No. 3 Relief Period, 30% of the aggregate principal amount of the Revolving Credit Commitments, then, for each of clauses (a) and (b) above, the Borrower shall be in compliance on a Pro Forma Basis with the covenant set forth in Section 7.11; *provided* that from the Amendment No. 3 Effective Date until August 14, 2020, such compliance requirement shall only require that a Responsible Officer of the Borrower certify that the Borrower expects to be in compliance with Section 7.11 as of June 30, 2020.

(c) Section 7.11 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

Section 7.11 Consolidated Total Net Leverage Ratio. Solely with respect to the Revolving Facility and solely if the aggregate principal amount of Revolving Loans and Letters of Credit (excluding Letters of Credit that have been Cash Collateralized) outstanding (the “**Revolver Usage**”) exceeds (a) on the last day of any calendar quarter during the Amendment No. 3 Relief Period, \$0 or (b) on the last day of any calendar quarter following the termination of the Amendment No. 3 Relief Period, 30% of the aggregate principal amount of the Revolving Credit Commitments, for each of clauses (a) and (b) above, permit the Consolidated Total Net Leverage Ratio to exceed the applicable ratio set forth below opposite the applicable period set forth under the table below subject to the proviso immediately following such table:

Period	Consolidated Total Net Leverage Ratio
April 1, 2020 through June 30, 2020	5.75 to 1.00
July 1, 2020 through December 31, 2020	3.75 to 1.00
January 1, 2021 through September 30, 2021	3.25 to 1.00
October 1, 2021 through Latest Maturity Date	3.00 to 1.00

; *provided*, that the following clauses (i) and (ii) shall apply solely prior to December 31, 2020: (i) during the Amendment No. 3 Relief Period, solely for purposes of calculating the Consolidated Total Net Leverage Ratio for purposes of this Section 7.11, (A) the 10% and 15% limitations referred to in clause (a)(vi) of the definition of “Consolidated EBITDA” shall not apply to such clause and the corresponding references to clause (a)(vi) under the aggregate caps set forth under clauses (a)(iv), (a)(vii), and (a)(ix) of the definition of “Consolidated EBITDA” (and the corresponding provisions set forth in Section 1.09) shall not apply and (B) the 15% limitation referred to in clause (a)(vii) of the definition of “Consolidated EBITDA” shall not apply to such clause and the corresponding references to clause (a)(vii) under the aggregate caps set forth under clauses (a)(iv), (a)(vi), and (a)(ix) of the definition of “Consolidated EBITDA” (and the corresponding provisions set forth in Section 1.09) shall not apply and (ii) during the Amendment No. 3 Relief Period (x) the Borrower or any of its Restricted Subsidiaries shall not declare or make, directly or indirectly, any Restricted Payments in reliance on any of clauses (f) through (h) of Section 7.06 or (y) on the last day of any calendar quarter that Revolver Usage exceeds \$0 permit Liquidity on such date to be less than \$115,000,000.

SECTION 3. Representations and Warranties. To induce the other parties hereto to enter into this Amendment No. 3, the Borrower hereby represents and warrants to the Administrative Agent and each Revolving Lender party hereto that, as of the Amendment No. 3 Effective Date:

(a) The representations and warranties of each Loan Party set forth in Article V of the Amended Credit Agreement and in each other Loan Document are true and correct in all material respects on and as of the Amendment No. 3 Effective Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall be true and

correct in all material respects as of such earlier date; *provided* that any representation and warranty that is qualified as to “materiality,” “Material Adverse Effect” or similar language shall be true and correct in all respects on the Amendment No. 3 Effective Date or on such earlier date, as the case may be.; and

(b) no Default or Event of Default exists on the Amendment No. 3 Effective Date after giving effect to the effectiveness of this Amendment.

SECTION 4. Effectiveness.

(I) This Amendment No. 3 shall become effective on the first date on which the following conditions precedent are satisfied or waived (the “Amendment No. 3 Effective Date”):

i. Counterparts. The Administrative Agent (or its counsel) shall have received counterparts of this Amendment No. 3 that, when taken together, bear the signatures of (1) each Loan Party, (2) the Administrative Agent and the Collateral Agent and (3) Revolving Credit Lenders constituting the Required Revolving Lenders.

ii. Fees and Expenses. The Borrower shall have paid (i) to the Administrative Agent in immediately available funds, all fees and expenses owing to the Administrative Agent and due and payable on the Amendment No. 3 Effective Date as separately agreed by such parties, [***] and (iii) to the extent invoiced prior to the Amendment No. 3 Effective Date, all reasonable and documented out-of-pocket expenses of Cahill Gordon & Reindel LLP, counsel to the Administrative Agent, accrued through the Amendment No. 3 Effective Date.

iii. Representations and Warranties. The Representations and warranties of each Loan Party set forth in Section 3 of this Amendment shall be true and correct..

(II) Without limiting the generality of the provisions of Section 9.04 of the Credit Agreement, for purposes of determining compliance with the conditions specified in this Section 4, each Revolving Credit Lender that has signed this Amendment No. 3 shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Revolving Credit Lender prior to the proposed Amendment No. 3 Effective Date specifying its objection thereto.

SECTION 5. Effect of this Amendment No. 3.

(a) Except as expressly set forth herein, this Amendment No. 3 shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of any Lender or the Agents under, the Credit Agreement or any other Loan Document, and shall not, except as expressly set forth herein, alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle any Loan Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document in similar or different circumstances. Nothing herein can or may be construed as a novation of the Credit Agreement or any other Loan Document. This Amendment No. 3 shall apply and be effective only with respect to the provisions of the Credit Agreement specifically referred to herein. After the Amendment No. 3 Effective Date, the term “this Agreement” in the Credit Agreement or any reference to the Credit Agreement shall mean the Amended Credit Agreement.

SECTION 6. Reaffirmation. Each of the Borrower and each Guarantor identified on the signature pages hereto (collectively, the Borrower and such Guarantors, the “Reaffirming Loan Parties”) hereby acknowledges that it expects to receive substantial direct and indirect benefits as a result of this Amendment No. 3 and the transactions contemplated hereby. Each Reaffirming Loan Party hereby consents to this Amendment No. 3 and the transactions contemplated hereby, and hereby confirms its respective guarantees, prior pledges and prior grants of security interests, as applicable, under each of the Loan Documents to which it is party, and agrees that, after giving effect to this Amendment No. 3 and the transactions contemplated hereby, such guarantees, pledges and

grants of security interests and all Liens in the Collateral granted under the Loan Documents shall continue to be in full force and effect and shall accrue to the benefit of the Collateral Agent for the benefit of the Secured Parties. Each of the Reaffirming Loan Parties hereby reaffirms its obligations under each provision of each Loan Document to which it is party.

SECTION 7. Liens Unimpaired. After giving effect to this Amendment No. 3, neither the modification of the Credit Agreement effected pursuant to this Amendment No. 3 nor the execution, delivery, performance or effectiveness of this Amendment No. 3 impairs the validity, effectiveness or priority of the Liens granted pursuant to any Loan Document, and such Liens continue unimpaired with the same priority to secure repayment of all Obligations, whether heretofore or hereafter incurred.

SECTION 8. Counterparts; Amendments. This Amendment No. 3 may neither be amended, nor may any provision hereof be waived, except pursuant to a writing signed by each of the parties hereto. This Amendment No. 3 may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery by telecopier (or other electronic transmission) of an executed counterpart of a signature page to this Amendment No. 3 shall be effective as delivery of an original executed counterpart of this Amendment No. 3. The words "execution," "signed," "signature," "delivery," and words of like import in this Amendment No. 3 shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that nothing herein shall require the Administrative Agent to accept electronic signatures in any form or format without its prior written consent. Without limiting the generality of the foregoing, the Borrower hereby (i) agrees that, for all purposes, including without limitation, in connection with any workout, restructuring, enforcement of remedies, bankruptcy proceedings or litigation among the Administrative Agent, the Lenders and the Loan Parties, electronic images of this Amendment No. 3 (including with respect to any signature pages thereto) shall have the same legal effect, validity and enforceability as any paper original, and (ii) waives any argument, defense or right to contest the validity or enforceability of Amendment No. 3 based solely on the lack of paper original copies of Amendment No. 3, including with respect to any signature pages hereto.

SECTION 9. Headings. Section headings used herein are for convenience of reference only, are not part of this Amendment No. 3 and are not to affect the construction of, or to be taken into consideration in interpreting, this Amendment No. 3.

SECTION 10. Governing Law; Jurisdiction, etc. This Amendment No. 3 shall be construed in accordance with and governed by the laws of the State of New York. The provisions of Sections 10.15 and 10.16 of the Credit Agreement shall apply to this Amendment No. 3, *mutatis mutandis*.

SECTION 11. Notices. All notices, requests and other communications provided for herein and under the Collateral Documents (including, without limitation, any modifications of, or waivers, requests or consents under this Amendment No. 3) shall be given or made in writing (including, without limitation, by telecopy) delivered to the intended recipient in accordance with Section 10.02 of the Amended Credit Agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 to be duly executed by their respective authorized officers as of the day and year first written above.

BLUCORA, INC., as Borrower

By: /s/ Ann J. Bruder
Name: Ann J. Bruder
Title: Secretary

GUARANTORS

AVANTAX HOLDINGS, INC.

By: /s/ Ann J. Bruder
Name: Ann J. Bruder
Title: Secretary

TAXACT, INC.

By: /s/ Ann J. Bruder
Name: Ann J. Bruder
Title: Secretary

PROJECT BASEBALL SUB, INC.

By: /s/ Ann J. Bruder
Name: Ann J. Bruder
Title: Secretary

AVANTAX WM HOLDINGS, INC.

By: /s/ Ann J. Bruder
Name: Ann J. Bruder
Title: Secretary

AVANTAX WEALTH MANAGEMENT, INC.

By: /s/ Christopher Rod
Name: Christopher Rod
Title: Treasurer

AVANTAX ADVISORY SERVICES, INC.

By: /s/ Christopher Rod
Name: Christopher Rod
Title: Treasurer

AVANTAX INSURANCE AGENCY, LLC,
a Texas limited liability company

By: /s/ Christopher Rod
Name: Christopher Rod
Title: Treasurer

AVANTAX INSURANCE AGENCY, LLC,
a Massachusetts limited liability company

By: /s/ Christopher Rod
Name: Christopher Rod
Title: Treasurer

AVANTAX INSURANCE AGENCY, LLC,
a Montana limited liability company

By: /s/ Christopher Rod
Name: Christopher Rod
Title: Treasurer

JPMORGAN CHASE BANK, N.A., as Administrative Agent and Collateral Agent

By: /s/ Christine Lathrop
Name: Christine Lathrop
Title: Executive Director

JPMORGAN CHASE BANK, N.A., as a Revolving Credit Lender

By: /s/ Christine Lathrop
Name: Christine Lathrop
Title: Executive Director

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as a Revolving Credit Lender and an L/C Issuer

By: /s/ Doreen Barr
Name: Doreen Barr
Title: Authorized Signatory

By: /s/ Christopher Zybrick
Name: Christopher Zybrick
Title: Authorized Signatory

KEYBANK NATIONAL ASSOCIATION, as a Revolving Credit Lender

By: /s/ Jeff Kalinowski
Name: Jeff Kalinowski
Title: Senior Vice President

TRUST BANK, as successor by merger to SunTrust Bank, as a Revolving Credit Lender

By: /s/ Andrew Johnson

Name: Andrew Johnson

Title: Managing Director

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

I, Christopher W. Walters, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of 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: May 6, 2020

/s/ Christopher W. Walters

Christopher W. Walters
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, Marc Mehlman, 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: May 6, 2020

/s/ Marc Mehlman

Marc Mehlman

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, Christopher W. Walters, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Blucora, Inc. for the quarter ended March 31, 2020 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: May 6, 2020

By: /s/ Christopher W. Walters
Name: Christopher W. Walters
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, Marc Mehlman, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Blucora, Inc. for the quarter ended March 31, 2020 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: May 6, 2020

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