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

FORM 10-Q

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

For the quarterly period ended **June 30, 2019**
or

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

For the transition period from _____ to _____

Commission File Number: **000-25131**

BLUCORA, INC.

(Exact name of registrant as specified in its charter)

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

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

Registrant's telephone number, including area code: **(972) 870-6400**

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.

Class	Outstanding at July 31, 2019
Common Stock, Par Value \$0.0001	48,852,487

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Trademarks, Trade Names and Service Marks

This report includes certain trademarks, trade names and service marks of Blucora, Inc. (referred to throughout this report as "Blucora," the "Company," "we," "us," or "our"), including Blucora, HD Vest, 1st Global and TaxAct. 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 which 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 report contains forward-looking statements that involve risks and uncertainties. The statements in this report that are not purely historical are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Words such as "anticipate," "believe," "plan," "expect," "future," "intend," "may," "will," "should," "estimate," "predict," "potential," "continue," and "could" or, in each case, their negative variables and similar expressions identify forward-looking statements, but the absence of these words does not mean that the statement is not forward-looking. These forward-looking statements include, but are not limited to, statements regarding:

- *our ability to effectively compete within our industry;*
- *our ability to attract and retain customers, as well as our ability to provide strong customer service;*
- *our ability to realize all of the anticipated benefits of the acquisition of 1st Global, as well as our ability to integrate the operations of 1st Global;*
- *our future capital requirements and the availability of financing, if necessary;*
- *our ability to meet our current and future debt service obligations, including our ability to maintain compliance with our debt covenants;*
- *our ability to generate strong investment performance for our customers and the impact of the financial markets on our customers' portfolios;*
- *political and economic conditions and events that directly or indirectly impact the wealth management and tax preparation industries;*
- *our ability to attract and retain productive financial advisors;*
- *our ability to respond to rapid technological changes, including our ability to successfully release new products and services or improve upon existing products and services;*
- *our expectations concerning the revenues we generate from fees associated with the financial products that we distribute;*
- *our ability to manage leadership and employee transitions;*
- *risks related to goodwill and other intangible asset impairment;*
- *our ability to comply with regulations applicable to the wealth management and tax preparation industries, including increased costs associated with new or changing regulations;*
- *our expectations concerning the benefits that may be derived from our clearing platform and our investment advisory platform;*
- *risks associated with the use and implementation of information technology and the effect of security breaches, computer viruses and computer hacking attacks;*
- *our ability to comply with laws and regulations regarding privacy and protection of user data;*
- *our ability to maintain our relationships with third party partners, providers, suppliers, vendors, distributors, contractors, financial institutions and licensing partners;*
- *our beliefs and expectations regarding the seasonality of our business;*
- *risks associated with litigation;*
- *our ability to attract and retain qualified employees;*
- *our assessments and estimates that determine our effective tax rate;*
- *the impact of new or changing tax legislation on our business and our ability to attract and retain customers;*
- *our ability to develop, establish and maintain strong brands;*
- *our ability to protect our intellectual property and the impact of any claim that we have infringed on the intellectual property rights of others; and*
- *our ability to effectively integrate companies or assets that we acquire.*

Forward-looking statements are subject to known and unknown risks, uncertainties, and other factors, many of which are beyond our control, 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, 2018, as supplemented by those identified under Part II, Item 1A, "Risk Factors" and elsewhere in this report, as well as in the Company's other filings with the Securities and Exchange Commission. You should not rely on forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We do not undertake any obligation to update any forward-looking statement to reflect new information, events, or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events, except as required by law.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

<u>ASSETS</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Current assets:		
Cash and cash equivalents	\$ 109,606	\$ 84,524
Cash segregated under federal or other regulations	146	842
Accounts receivable, net of allowance	20,391	15,721
Commissions receivable	19,857	15,562
Other receivables	8,069	7,408
Prepaid expenses and other current assets, net	10,595	7,755
Total current assets	<u>168,664</u>	<u>131,812</u>
Long-term assets:		
Property and equipment, net	15,090	12,389
Right-of-use assets, net	11,338	—
Goodwill, net	674,130	548,685
Other intangible assets, net	355,596	294,603
Other long-term assets	10,820	10,236
Total long-term assets	<u>1,066,974</u>	<u>865,913</u>
Total assets	<u>\$ 1,235,638</u>	<u>\$ 997,725</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 7,945	\$ 3,798
Commissions and advisory fees payable	18,810	15,199
Accrued expenses and other current liabilities	43,429	18,980
Lease liabilities	7,168	46
Deferred revenue	4,158	10,257
Current portion of long-term debt, net	919	—
Total current liabilities	<u>82,429</u>	<u>48,280</u>
Long-term liabilities:		
Long-term debt, net	381,579	260,390
Deferred tax liability, net	44,840	40,394
Deferred revenue	7,635	8,581
Lease liabilities	6,911	100
Other long-term liabilities	7,012	7,440
Total long-term liabilities	<u>447,977</u>	<u>316,905</u>
Total liabilities	530,406	365,185
Redeemable noncontrolling interests	—	24,945
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock, par \$0.0001—authorized shares, 900,000; issued and outstanding shares, 48,779 and 48,044, respectively	5	5
Additional paid-in capital	1,575,554	1,569,725
Accumulated deficit	(870,119)	(961,689)
Accumulated other comprehensive loss	(208)	(446)
Total stockholders' equity	<u>705,232</u>	<u>607,595</u>
Total liabilities and stockholders' equity	<u>\$ 1,235,638</u>	<u>\$ 997,725</u>

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenue:				
Wealth management services revenue	\$ 127,831	\$ 92,015	\$ 217,363	\$ 184,097
Tax preparation services revenue	65,909	65,833	202,145	179,716
Total revenue	193,740	157,848	419,508	363,813
Operating expenses:				
Cost of revenue:				
Wealth management services cost of revenue	87,477	62,149	148,851	125,213
Tax preparation services cost of revenue	3,149	2,459	7,350	6,812
Amortization of acquired technology	—	49	—	99
Total cost of revenue	90,626	64,657	156,201	132,124
Engineering and technology	7,159	4,848	13,688	9,979
Sales and marketing	29,256	23,791	84,828	79,044
General and administrative	19,002	15,625	36,079	30,491
Acquisition and integration	9,183	—	10,980	—
Depreciation	1,315	993	2,376	2,908
Amortization of other acquired intangible assets	9,169	8,806	17,213	17,113
Restructuring	—	2	—	291
Total operating expenses	165,710	118,722	321,365	271,950
Operating income	28,030	39,126	98,143	91,863
Other loss, net	(5,118)	(2,759)	(9,076)	(7,987)
Income before income taxes	22,912	36,367	89,067	83,876
Income tax benefit (expense)	8,124	(907)	4,139	(2,870)
Net income	31,036	35,460	93,206	81,006
Net income attributable to noncontrolling interests	—	(222)	—	(427)
Net income attributable to Blucora, Inc.	\$ 31,036	\$ 35,238	\$ 93,206	\$ 80,579
Net income per share attributable to Blucora, Inc.:				
Basic	\$ 0.64	\$ 0.75	\$ 1.93	\$ 1.72
Diluted	\$ 0.62	\$ 0.71	\$ 1.88	\$ 1.64
Weighted average shares outstanding:				
Basic	48,555	47,221	48,358	46,931
Diluted	49,822	49,434	49,681	49,049
Other comprehensive income (loss):				
Net income	\$ 31,036	\$ 35,460	\$ 93,206	\$ 81,006
Foreign currency translation adjustment	131	(112)	238	(249)
Other comprehensive income (loss)	131	(112)	238	(249)
Comprehensive income	31,167	35,348	93,444	80,757
Comprehensive income attributable to noncontrolling interests	—	(222)	—	(427)
Comprehensive income attributable to Blucora, Inc.	\$ 31,167	\$ 35,126	\$ 93,444	\$ 80,330

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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

	Redeemable Noncontrolling Interests	Common stock		Additional- paid- in capital	Accumulated deficit	Accumulated other comprehensive loss	Total
		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
Other comprehensive income	—	—	—	—	—	107	107
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)
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
Common stock issued for stock options, restricted stock units and employee stock purchase plan	—	524	—	4,181	—	—	4,181
Other comprehensive income	—	—	—	—	—	131	131
Stock-based compensation	—	—	—	4,082	—	—	4,082
Tax payments from shares withheld for equity awards	—	—	—	(2,735)	—	—	(2,735)
Redemption of noncontrolling interests	(2,517)	—	—	—	—	—	—
Net income	—	—	—	—	31,036	—	31,036
Balance as of June 30, 2019	\$ —	48,779	\$ 5	\$ 1,575,554	\$ (870,119)	\$ (208)	\$ 705,232

	Redeemable Noncontrolling Interests	Common stock		Additional- paid- in capital	Accumulated deficit	Accumulated other comprehensive loss	Total
		Shares	Amount				
Balance as of December 31, 2017	\$ 18,033	46,367	\$ 5	\$ 1,555,560	\$ (1,014,174)	\$ (4)	\$ 541,387
Common stock issued for stock options, restricted stock units and employee stock purchase plan	—	462	—	3,237	—	—	3,237
Other comprehensive loss	—	—	—	—	—	(137)	(137)
Stock-based compensation	—	—	—	2,958	—	—	2,958
Tax payments from shares withheld for equity awards	—	—	—	(1,493)	—	—	(1,493)
Impact of adoption of new revenue recognition accounting standard	—	—	—	—	1,851	—	1,851
Net income	205	—	—	—	45,341	—	45,341
Balance as of March 31, 2018	\$ 18,238	46,829	\$ 5	\$ 1,560,262	\$ (966,982)	\$ (141)	\$ 593,144
Common stock issued for stock options and restricted stock units	—	665	—	7,852	—	—	7,852
Other comprehensive loss	—	—	—	—	—	(112)	(112)
Stock-based compensation	—	—	—	4,033	—	—	4,033
Tax payments from shares withheld for equity awards	—	—	—	(2,735)	—	—	(2,735)
Net income	222	—	—	—	35,238	—	35,238
Balance as of June 30, 2018	\$ 18,460	47,494	\$ 5	\$ 1,569,412	\$ (931,744)	\$ (253)	\$ 637,420

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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

	Six months ended June 30,	
	2019	2018
Operating Activities:		
Net income	\$ 93,206	\$ 81,006
Adjustments to reconcile net income to net cash from operating activities:		
Stock-based compensation	6,525	6,685
Depreciation and amortization of acquired intangible assets	20,185	20,338
Reduction of right-of-use lease assets	1,977	—
Deferred income taxes	4,446	(781)
Amortization of premium on investments, net, and debt issuance costs	547	487
Accretion of debt discounts	123	87
Loss on debt extinguishment	—	1,533
Other	260	—
Cash provided (used) by changes in operating assets and liabilities:		
Accounts receivable	(3,217)	4,096
Commissions receivable	847	2
Other receivables	(661)	3,142
Prepaid expenses and other current assets	12,258	461
Other long-term assets	(355)	(764)
Accounts payable	(2,995)	59
Commissions and advisory fees payable	(663)	(655)
Lease liabilities	(2,066)	—
Deferred revenue	(24,760)	(5,746)
Accrued expenses and other current and long-term liabilities	(8,845)	(3,393)
Net cash provided by operating activities	96,812	106,557
Investing Activities:		
Business acquisition, net of cash acquired	(164,461)	—
Purchases of property and equipment	(2,938)	(2,602)
Net cash used by investing activities	(167,399)	(2,602)
Financing Activities:		
Proceeds from credit facilities	121,499	—
Payments on credit facilities	—	(80,000)
Payment of redeemable noncontrolling interests	(24,945)	—
Proceeds from stock option exercises	3,320	10,386
Proceeds from issuance of stock through employee stock purchase plan	1,144	704
Tax payments from shares withheld for equity awards	(5,160)	(4,229)
Contingent consideration payments for business acquisition	(943)	(1,315)
Net cash provided (used) by financing activities	94,915	(74,454)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	58	(30)
Net increase in cash, cash equivalents, and restricted cash	24,386	29,471
Cash, cash equivalents, and restricted cash, beginning of period	85,366	62,311
Cash, cash equivalents, and restricted cash, end of period	\$ 109,752	\$ 91,782
Cash paid for income taxes	\$ 2,566	\$ 767
Cash paid for interest	\$ 6,671	\$ 7,991

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

BLUCORA, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Description of the Business

Description of the business: Blucora, Inc. (the "**Company**," "**Blucora**," "**we**," "**our**," or "**us**") operates two businesses: a Wealth Management business and a digital Tax Preparation business. The Wealth Management business consists of HD Vest ("**HD Vest**") and, since May 6, 2019, 1st Global ("**1st Global**"), collectively referred to as the "**Wealth Management business**" or the "**Wealth Management segment**". The Wealth Management business provides wealth management solutions for financial advisors and their clients. Specifically, the Wealth Management business provides an integrated platform of brokerage, investment advisory and insurance services to assist in making each financial advisor a financial service center for his/her clients. The Wealth Management business was founded to help tax and accounting professionals integrate financial services into their practices.

On May 6, 2019, the Company closed the Acquisition of all of the issued and outstanding common stock of 1st Global, (the "**Acquisition**"), a tax-focused wealth management company, for a cash purchase price of \$180.0 million. The purchase price was paid with a combination of (i) cash on hand and (ii) the proceeds from a \$125.0 million increase in the term loan under the company's credit agreement. See further discussion of the term loan increase in "Note 6: Debt."

The operations of 1st Global are included in the Company's operating results as part of the Wealth Management segment from the date of the Acquisition. See further discussion in "Note 3: Business Combinations."

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

Segments: The Company has two reportable segments: the Wealth Management segment and the Tax Preparation segment.

Reclassification: The Company reclassified approximately \$0.7 million from long-term assets to current assets related to loans given to several HD Vest advisors on its December 31, 2018 consolidated balance sheet.

Note 2: Summary of Significant Accounting Policies

Interim financial information: The accompanying consolidated financial statements have been prepared by the Company under the rules and regulations of the Securities and Exchange Commission (the "**SEC**") for interim financial reporting. These consolidated financial statements are unaudited and, in management's opinion, include all adjustments, consisting of normal recurring adjustments and accruals, necessary for a fair presentation of the consolidated financial position, results of operations, and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("**GAAP**") have been omitted in accordance with the rules and regulations of the SEC. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes in Part II, Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018. Interim results are not necessarily indicative of results for a full year.

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

	June 30,		December 31,
	2019	2018	2018
Cash and cash equivalents	\$ 109,606	\$ 89,840	\$ 84,524
Cash segregated under federal or other regulations	146	1,117	842
Restricted cash included in "Prepaid expenses and other current assets, net"	—	275	—
Restricted cash included in "Other long-term assets"	—	550	—
Total cash, cash equivalents, and restricted cash	\$ 109,752	\$ 91,782	\$ 85,366

Cash segregated under federal and other regulations is held in a separate bank account for the exclusive benefit of the Company's Wealth Management customers. Restricted cash included in prepaid expenses and other current assets, net and other long-term assets represents amounts pledged as collateral for certain of the Company's banking and lease arrangements.

Business combinations and intangible assets including goodwill: We account for business combinations using the acquisition method.

The 1st Global purchase price has been allocated to 1st Global's tangible assets, identifiable intangible assets, and assumed liabilities based on their estimated fair values at the time of Acquisition. This allocation involves a number of assumptions, estimates, and judgments that could materially affect the timing or amounts recognized in the Company's financial statements. The most subjective areas include determining the fair value of the following:

- intangible assets, including the valuation methodology, estimations of future cash flows, discount rates, growth rates, as well as the estimated useful life of intangible assets;
- deferred tax assets and liabilities and uncertain tax positions, which are initially estimated as of the Acquisition date;
- property, plant and equipment; pre-existing liabilities or legal claims; and deferred revenue, each as may be applicable; and
- goodwill as measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed.

The Company's assumptions and estimates are based upon comparable market data and information obtained from the Company's management and the management of 1st Global.

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

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

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

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

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

Leases (ASU 2016-02) - In February 2016, the FASB issued guidance codified in ASC 842, "Leases" ("*ASC 842*"), which supersedes the guidance in ASC 840 "Leases." Under ASC 842, lease assets and liabilities, whether arising from leases that are considered operating or finance (capital) will be recognized on the balance sheet. Lease liabilities are measured as the present value of unpaid lease payments for operating leases where the Company is the lessee, and a corresponding right-of-use ("*ROU*") asset is recognized for the right to use the leased assets.

This guidance became effective on a modified retrospective basis-with various practical expedients related to leases that commenced before the effective date-for annual reporting periods, including interim reporting periods within those annual reporting periods, beginning after December 15, 2018. Prior comparable periods are presented in accordance with accounting guidance under ASC 840 "Leases" and were not restated.

The Company adopted ASC 842 on January 1, 2019 for all open leases with a term greater than one year as of the adoption date, using the modified retrospective method of adoption with a cumulative effect adjustment to retained earnings. The Company elected the package of practical expedients, for which there is no requirement to reassess lease existence, classification and initial direct costs, the hindsight practical expedient, for which the Company used hindsight in determining certain lease terms, and the short-term lease expedient, for which the Company considered all open leases with a term greater than one year as of the adoption date. The adoption resulted in \$6.6 million of additional operating lease assets, \$9.1 million of additional operating lease liabilities, and a \$1.6 million adjustment to the opening balance of retained earnings as a result of

reevaluating certain of the Company's lease terms as of the adoption date. The Company also reclassified, upon adoption, \$0.9 million of other lease-related balances to reduce the measurement of lease assets.

The Company's lease terms are comprised of contractual terms but may include extension or termination options reasonably assured to be exercised at lease inception, which are included in the recognition of ROU assets and lease liabilities. The Company's leases do not contain residual value guarantees or material variable lease payments. The Company does not have any material restrictions or covenants imposed by leases that would impact the Company's ability to pay dividends or cause the Company to incur additional financial obligations.

The Company's leases are not complex; therefore, there were no significant assumptions or judgments made in applying the requirements of ASC 842, including the determination of whether the contracts contained a lease, the allocation of consideration in the contracts between lease and non-lease components, and the determination of the discount rates for the leases.

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

Note 3: Business Combinations

On May 6, 2019, the Company closed the Acquisition of all of the issued and outstanding common stock of 1st Global for a cash purchase price of \$180.0 million. The purchase price is subject to customary adjustment as well as certain indemnity escrows, in each case as described more fully in the stock purchase agreement governing the Acquisition. The purchase price has been allocated to 1st Global's tangible assets, identifiable intangible assets, and assumed liabilities based on their estimated fair values at the time of acquisition. The preliminary fair values of assets acquired and liabilities assumed in the Acquisition were as follows (in thousands):

Tangible assets acquired, including cash of \$12,389	\$	37,153
Goodwill		125,277
Identified intangible assets		78,200
Contingent liability		(10,000)
Deferred revenues		(17,715)
Other current liabilities		(13,397)
Deferred tax liabilities and other		(19,518)
Total	\$	180,000
Cash paid at acquisition date	\$	176,850
Cash to be paid after acquisition date		3,150

The identified intangible assets were recognized as follows (in thousands):

	<u>Estimated Fair Value</u>	<u>Weighted Average Estimated Useful Life (months)</u>
Advisor relationships	\$ 70,800	144
Sponsor relationships	700	120
Developed technology	3,600	60
Trade name	3,100	60
Total identified intangible assets	<u>\$ 78,200</u>	<u>137</u>

For the three months ended June 30, 2019, the Company recognized amortization expense of approximately \$1.1 million in "Amortization of other acquired intangible assets" on the consolidated statements of comprehensive income.

Goodwill consists largely of synergistic opportunities for both HD Vest and 1st Global, including increased scale, enhanced capabilities, and an integrated platform of brokerage, investment advisory and insurance services. Goodwill is not expected to be deductible for income tax purposes, and is reported in the Company's Wealth Management segment.

As part of the Acquisition, the Company assumed, and recorded as part of the opening balance sheet, a contingent liability related to a regulatory inquiry. While the inquiry is still on-going, the Company evaluated a range of possible losses and recorded a reserve of \$10.0 million.

The Company retained \$3.2 million of the purchase price, which is to be paid to either 1st Global or former employees of 1st Global within the twelve months following the Acquisition.

The preliminary fair value estimates of the net assets acquired are based upon preliminary calculations and valuations, and those estimates and assumptions are subject to change as, due to the recent timing of the Acquisition, the Company obtains additional information for those estimates during the measurement period (up to one year from the Acquisition date). The excess of the total consideration over the tangible assets, identifiable intangible assets, and assumed liabilities was recorded as goodwill.

The primary areas of the acquisition accounting that had not yet been finalized as of June 30, 2019 related to the fair value adjustments for fixed assets, lease obligations, intangible assets, certain contingent liability matters, deferred income taxes and residual goodwill.

The gross contractual amount of acquired accounts receivable, including commissions receivable, was \$6.7 million. As an insignificant amount of these receivables was expected to be uncollectible, the acquired amount approximates fair value.

During the three and six months ended June 30, 2019, the Company incurred transaction costs of \$4.7 million and \$1.8 million, respectively, associated with the Acquisition, which were recognized in "General and administrative expense" on the consolidated statements of comprehensive income.

The operations of 1st Global are included in the Company's operating results as part of the Wealth Management segment from the date of Acquisition. From the date of Acquisition, 1st Global contributed approximately \$29.0 million of revenue and \$0.7 million of loss before income taxes to the Company.

Pro forma financial information of the 1st Global Acquisition:

The financial information in the table below summarizes the combined results of operations of Blucora and 1st Global, on a pro forma basis, for the period in which the Acquisition occurred and the prior reporting period as though the companies had been combined as of the beginning of each period presented. Pro forma adjustments have been made to include amortization expense on the definite-lived intangible assets identified in the Acquisition, debt-related expenses associated with the credit facility used to finance the Acquisition, and to remove Acquisition-related transaction costs. Income taxes also have been adjusted for the effect of these items. The following pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the Acquisition occurred at the beginning of the period presented (amounts in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenue	\$ 211,471	\$ 200,243	\$ 478,808	\$ 449,776
Net income	\$ 18,474	\$ 25,553	\$ 68,513	\$ 61,008

Note 4: Segment Information and Revenues

The Company has two reportable segments: the Wealth Management segment and the Tax Preparation segment. The Company's Chief Executive Officer is its chief operating decision maker and reviews financial information presented on a disaggregated basis. This information is used for purposes of allocating resources and evaluating financial performance. The operations of 1st Global are included in the Company's operating results as part of the Wealth Management segment from the date of the Acquisition.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenue:				
Wealth Management	\$ 127,831	\$ 92,015	\$ 217,363	\$ 184,097
Tax Preparation	65,909	65,833	202,145	179,716
Total revenue	193,740	157,848	419,508	363,813
Operating income (loss):				
Wealth Management	16,979	12,954	28,519	26,029
Tax Preparation	41,368	44,121	120,640	102,927
Corporate-level activity	(30,317)	(17,949)	(51,016)	(37,093)
Total operating income	28,030	39,126	98,143	91,863
Other loss, net	(5,118)	(2,759)	(9,076)	(7,987)
Income tax benefit (expense)	8,124	(907)	4,139	(2,870)
Net income	\$ 31,036	\$ 35,460	\$ 93,206	\$ 81,006

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Wealth Management:				
Commission	\$ 48,068	\$ 40,384	\$ 85,228	\$ 83,254
Advisory	61,410	40,058	101,167	79,359
Asset-based	13,219	7,306	22,912	14,478
Transaction and fee	5,134	4,267	8,056	7,006
Total Wealth Management revenue	\$ 127,831	\$ 92,015	\$ 217,363	\$ 184,097
Tax Preparation:				
Consumer	\$ 62,686	\$ 63,137	\$ 186,628	\$ 165,049
Professional	3,223	2,696	15,517	14,667
Total Tax Preparation revenue	\$ 65,909	\$ 65,833	\$ 202,145	\$ 179,716

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

Details of Wealth Management revenues are (in thousands):

	Three months ended June 30,					
	2019			2018		
	Recognized Upon Transaction	Recognized Over Time	Total	Recognized Upon Transaction	Recognized Over Time	Total
Commission revenue	\$ 20,469	\$ 27,599	\$ 48,068	\$ 15,919	\$ 24,465	\$ 40,384
Advisory revenue	—	61,410	61,410	—	40,058	40,058
Asset-based revenue	—	13,219	13,219	—	7,306	7,306
Transaction and fee revenue	800	4,334	5,134	1,036	3,231	4,267
Total	\$ 21,269	\$ 106,562	\$ 127,831	\$ 16,955	\$ 75,060	\$ 92,015

Six months ended June 30,

	2019			2018		
	Recognized Upon Transaction	Recognized Over Time	Total	Recognized Upon Transaction	Recognized Over Time	Total
Commission revenue	\$ 36,153	\$ 49,075	\$ 85,228	\$ 34,264	\$ 48,990	\$ 83,254
Advisory revenue	—	101,167	101,167	—	79,359	79,359
Asset-based revenue	—	22,912	22,912	—	14,478	14,478
Transaction and fee revenue	1,570	6,486	8,056	1,997	5,009	7,006
Total	\$ 37,723	\$ 179,640	\$ 217,363	\$ 36,261	\$ 147,836	\$ 184,097

Tax Preparation revenue recognition: The Company derives revenue 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. The Company's Tax Preparation revenues are earned from customers primarily located in the United States.

Details of Tax Preparation revenues are (in thousands):

Three months ended June 30,

	2019			2018		
	Recognized Upon Transaction	Recognized Over Time	Total	Recognized Upon Transaction	Recognized Over Time	Total
Consumer	\$ 62,057	\$ 629	\$ 62,686	\$ 63,137	\$ —	\$ 63,137
Professional	2,459	764	3,223	1,919	777	2,696
Total	\$ 64,516	\$ 1,393	\$ 65,909	\$ 65,056	\$ 777	\$ 65,833

Six months ended June 30,

	2019			2018		
	Recognized Upon Transaction	Recognized Over Time	Total	Recognized Upon Transaction	Recognized Over Time	Total
Consumer	\$ 185,072	\$ 1,556	\$ 186,628	\$ 165,049	\$ —	\$ 165,049
Professional	13,301	2,216	15,517	12,315	2,352	14,667
Total	\$ 198,373	\$ 3,772	\$ 202,145	\$ 177,364	\$ 2,352	\$ 179,716

Note 5: Fair Value Measurements

In accordance with ASC 820, "Fair Value Measurements and Disclosures," certain of the Company's assets and liabilities, which are carried at fair value, are classified in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs, other than Level 1, or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data and reflect the Company's own assumptions.

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

		Fair value measurements at the reporting date using		
		Quoted prices in active markets using identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		June 30, 2019		
Cash equivalents: money market and other funds	\$ 23,454	\$ 23,454	\$ —	\$ —
Total assets at fair value	\$ 23,454	\$ 23,454	\$ —	\$ —
		Fair value measurements at the reporting date using		
		Quoted prices in active markets using identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		December 31, 2018		
Cash equivalents: money market and other funds	\$ 23,181	\$ 23,181	\$ —	\$ —
Total assets at fair value	\$ 23,181	\$ 23,181	\$ —	\$ —
Acquisition-related contingent consideration liability	\$ 1,275	\$ —	\$ —	\$ 1,275
Total liabilities at fair value	\$ 1,275	\$ —	\$ —	\$ 1,275

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

Acquisition-related contingent consideration liability:

Balance as of December 31, 2018	\$ 1,275
Payment	(1,331)
Foreign currency transaction loss	56
Balance as of June 30, 2019	\$ —

Cash equivalents are classified within Level 1 of the fair value hierarchy because the Company values them utilizing quoted prices in active markets. Unrealized gains and losses are included in "Accumulated other comprehensive loss" on the consolidated balance sheets, and amounts reclassified out of comprehensive income into net income are determined on the basis of specific identification.

Note 6: Debt

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

	June 30, 2019				December 31, 2018			
	Principal amount	Discount	Debt issuance costs	Net carrying value	Principal amount	Discount	Debt issuance costs	Net carrying value
Senior secured credit facilities	\$ 390,000	\$ (1,472)	\$ (6,030)	\$ 382,498	\$ 265,000	\$ (970)	\$ (3,640)	\$ 260,390

Senior secured credit facilities: In May 2017, the Company entered into a credit agreement with a syndicate of lenders in order to provide a term loan and revolving line of credit for working capital, capital expenditures and general business purposes (the "*Blucora senior secured credit facilities*"). Prior to May 2019, the Blucora senior secured credit facilities provided for up to \$425.0 million of borrowings, consisting of a committed \$50.0 million revolving credit facility (including a letter of credit

sub-facility) and a \$375.0 million term loan facility. In May 2019, the Company amended the Blucora senior secured credit facilities, in order to, among other things: (i) provide for a term loan increase in the aggregate principal amount of \$125.0 million in the form of a fungible increase to, and on substantially the same terms as, the Company's existing senior secured term loan under the Blucora senior secured credit facilities and (ii) increase the total amount of the revolving credit facility under the Blucora senior secured credit facilities by \$15.0 million to an aggregate of \$65.0 million.

The amended Blucora senior secured credit facilities provide for up to \$565.0 million of borrowings, consisting of a committed \$65.0 million revolving credit facility (including a letter of credit sub-facility) and a \$500.0 million term loan facility that mature on May 22, 2022 and May 22, 2024, respectively. Obligations under the Blucora senior secured credit facilities are guaranteed by certain of Blucora's subsidiaries and secured by substantially all of the assets of the Company and certain of its subsidiaries.

The proceeds of the increase in the term loan were used to fund a portion of the purchase price of the Acquisition, as well as to pay the fees and expenses associated with entering into the amendment to the Blucora senior secured credit facilities.

The Blucora senior secured credit facilities include financial and operating covenants, including a consolidated total net leverage ratio, which are set forth in detail in the credit facility agreement. As of June 30, 2019, the Company was in compliance with all of the financial and operating covenants under the credit facility agreement.

Commencing December 31, 2019, principal payments of the term loan are due on a quarterly basis in an amount equal to \$312,500 (subject to reduction for prepayments), with the remaining principal amount due on the maturity date of May 22, 2024. The Company also has the right to prepay the term loan or outstanding amounts under the revolving credit facility without any premium or penalty (other than customary Eurodollar breakage costs). Prepayments on the term loan are subject to certain prepayment minimums. The Company may be required to make annual prepayments on the term loan in an amount equal to a percentage of excess cash flow of the Company during the applicable fiscal year from 0% to 50%, depending on the Consolidated First Lien Net Leverage Ratio (as defined in the credit facility agreement) for such fiscal year.

In November 2017, the credit facility agreement was amended in order to refinance and reprice the initial term loan. 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.

Depending on the Company's Consolidated First Lien Net Leverage Ratio (as defined in the credit facility agreement), the applicable interest rate margin on the revolving credit facility is from 2.75% to 3.25% for Eurodollar Rate loans and 1.75% to 2.25% for ABR loans. Interest is payable at the end of each interest period. As of June 30, 2019, the Company had not borrowed any amounts under the revolving credit facility.

As of June 30, 2019, the term loan facility's principal amount approximated its fair value as it is a variable rate instrument and the current applicable margin approximates current market conditions.

Note 7: Redeemable Noncontrolling Interests

In connection with the 2015 acquisition of HD Vest, the former management of HD Vest retained an ownership interest in that business. The Company was party to put and call arrangements that became exercisable beginning in the first quarter of 2019 with respect to those interests. These put and call arrangements allowed certain members of HD Vest management to require the Company to purchase their interests or allow the Company to acquire such interests for cash, respectively, within ninety days after the Company filed its Annual Report on Form 10-K for the year ended December 31, 2018, which occurred on March 1, 2019. All of these arrangements were settled in cash for \$24.9 million in the second quarter of 2019.

Note 8: Commitments and Contingencies

Significant events since the year ended December 31, 2018, outside of the ordinary course of the Company's business, include debt activity (as discussed further in "Note 6: Debt"), purchase commitments of approximately \$3.0 million over the next year from 1st Global, and sublease income of \$1.6 million primarily related to the sublease agreement for the Company's former headquarters in Bellevue, Washington. Additional information on the Company's commitments and contingencies can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Litigation: From time to time, the Company is subject to various legal proceedings or claims that arise in the ordinary course of business. The Company accrues a liability when management believes that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Aside from the contingent liability described in "Note 3: Business Combinations," the Company is not currently party to any legal proceedings or claims for which it has incurred a liability on its consolidated balance sheets.

Note 9: Stockholders' Equity

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Cost of revenue	\$ 896	\$ 271	\$ 1,416	\$ 527
Engineering and technology	156	202	332	412
Sales and marketing	180	702	(13)	1,218
General and administrative	2,850	2,555	4,790	4,528
Total	\$ 4,082	\$ 3,730	\$ 6,525	\$ 6,685

As of June 30, 2019, the Company had granted 801,986 RSUs and non-qualified stock options to certain Wealth Management business financial advisors. These advisors are considered non-employees. The RSUs and stock options fully vest three years from the date of grant. Following the Company's early adoption of ASU 2018-07, effective January 1, 2018, these grants are accounted for similarly to share-based payments granted to employees.

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Stock options exercised	399	552	478	872
RSUs vested	79	114	211	220
Shares purchased pursuant to ESPP	46	(1)	46	35
Total	524	665	735	1,127

Note 10: Leases

The Company's leases are primarily related to office space. For the three and six months ended June 30, 2019, the Company recognized operating lease costs of approximately \$1.2 million and \$2.3 million, respectively, in "General and administrative" expense on the consolidated statements of comprehensive income. For the three and six months ended June 30, 2018, the Company recognized rent expense of approximately \$0.6 million and \$1.2 million, respectively, in "General and administrative" expense on the consolidated statements of comprehensive income.

As of June 30, 2019, the Company's weighted-average remaining operating lease term was approximately 3.8 years, and its weighted-average operating lease discount rate was 5.4%.

The maturities of the Company's operating lease liabilities as of June 30, 2019 are below. The Company's finance lease liabilities as of June 30, 2019 were \$0.1 million.

(in thousands, except percentages)

Undiscounted cash flows:		
2019 (for the six months remaining in 2019)	\$	5,218
2020		3,587
2021		1,136
2022		1,264
2023		1,292
2024		1,319
Thereafter	\$	1,800
Total undiscounted cash flows	\$	15,616
Imputed interest		(1,660)
Present value of cash flows	\$	13,956
		June 30, 2019
Short-term operating lease liabilities	\$	7,121
Long-term operating lease liabilities		6,835
Total operating lease liabilities	\$	13,956

Cash paid on operating lease liabilities was \$2.1 million for the six months ended June 30, 2019. Lease liabilities from new ROU assets obtained during the six months ended June 30, 2019 were \$6.7 million, primarily due to the Acquisition. In the three months ended June 30, 2019, the Company signed a new office lease, which is expected to commence in 2020.

Note 11: Income Taxes

The Company recorded income tax benefit of \$8.1 million and \$4.1 million in the three and six months ended June 30, 2019, respectively. The Company's effective income tax rate differed from the 21% statutory rate in the three and six months ended June 30, 2019, primarily due to excess tax benefits related to stock-based compensation and the release of valuation allowances, offset by the effect of state income taxes, non-deductible compensation and acquisition costs. As part of the Acquisition, the Company recorded \$78.2 million of intangible assets that resulted in an \$11.6 million discrete change in the valuation allowance as intangible assets are not amortizable for tax purposes.

The Company recorded income tax expense of \$0.9 million and \$2.9 million in the three and six months ended June 30, 2018, respectively. Income taxes differed from the 21% statutory rate in three and six months ended June 30, 2018, primarily due to the release of valuation allowances and the effect of state income taxes.

Note 12: Net Income Per Share

"Basic net income per share" is computed using the weighted average number of common shares outstanding during the period. "Diluted net income per share" is computed using the weighted average number of common shares outstanding plus the number of dilutive potential common shares outstanding during the period. Dilutive potential common shares consist of the incremental common shares issuable upon the exercise of outstanding stock options and the vesting of unvested RSUs.

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Numerator:				
Income	\$ 31,036	\$ 35,460	\$ 93,206	\$ 81,006
Net income attributable to noncontrolling interests	—	(222)	—	(427)
Net income attributable to Blucora, Inc.	<u>\$ 31,036</u>	<u>\$ 35,238</u>	<u>\$ 93,206</u>	<u>\$ 80,579</u>
Denominator:				
Weighted average common shares outstanding, basic	48,555	47,221	48,358	46,931
Dilutive potential common shares	1,267	2,213	1,323	2,118
Weighted average common shares outstanding, diluted	<u>49,822</u>	<u>49,434</u>	<u>49,681</u>	<u>49,049</u>
Net income per share attributable to Blucora, Inc.:				
Basic	\$ 0.64	\$ 0.75	\$ 1.93	\$ 1.72
Diluted	<u>\$ 0.62</u>	<u>\$ 0.71</u>	<u>\$ 1.88</u>	<u>\$ 1.64</u>
Shares excluded	311	373	284	637

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

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

The following discussion should be read in conjunction with our consolidated financial statements and accompanying notes included under Part I, Item 1 of this report and the section titled "Cautionary Statement Regarding Forward-Looking Statements" in this report, as well as with our consolidated financial statements, accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Our Business

Blucora, Inc. (collectively, with its direct and indirect subsidiaries on a consolidated basis, the "**Company**," "**Blucora**," "**we**," "**our**" or "**us**") operates two businesses: a Wealth Management business and a digital Tax Preparation business.

The Wealth Management business consists of HD Vest and 1st Global, (collectively, the "**Wealth Management business**" or the "**Wealth Management segment**"), the latter of which was acquired in May 2019 as further discussed below. HD Vest and 1st Global provide tax-focused wealth management solutions for financial advisors, Certified Public Accounting firms and their clients. Specifically, the Wealth Management business provides an integrated platform of brokerage, investment advisory and insurance services to assist in making each financial advisor a financial service center for his/her clients, and/or clients of their respective firms. The Wealth Management business helps tax and accounting professionals and firms integrate financial services into their practices. The Wealth Management business recruits independent tax professionals with, or within, established tax practices and offers specialized training and support, which allows them to join the the Wealth Management business platforms as independent financial advisors. The Wealth Management business generates revenue primarily through commissions, quarterly investment advisory fees based on total client assets and other fees.

The Tax Preparation business consists of the operations of TaxAct ("**TaxAct**," the "**Tax Preparation business**," or the "**Tax Preparation segment**"). TaxAct provides digital do-it-yourself tax preparation solutions for consumers, small business owners, and tax professionals. TaxAct generates revenue primarily through its digital service at www.TaxAct.com. The TaxAct website and the information contained therein or connected thereto is not intended to be incorporated by reference into this report.

Recent Developments

Acquisition of 1st Global

On May 6, 2019, we closed the Acquisition of all of the issued and outstanding common stock of 1st Global, a tax-focused wealth management company, for a cash purchase price of \$180.0 million. The purchase price was paid with a combination of (i) cash on hand and (ii) the proceeds from a \$125.0 million increase in the term loan under the Blucora senior secured credit facilities. As a result of the Acquisition we expect to achieve costs savings and synergies as we integrate 1st Global into our business.

Amendment to Credit Facilities; Incurrence of Additional Term Loan

In May 2017, we entered into a credit agreement with a syndicate of lenders for the Blucora senior secured credit facilities. Prior to May 2019, the Blucora senior secured credit facilities provided for up to \$425.0 million of borrowings, consisting of a committed \$50.0 million revolving credit facility (including a letter of credit sub-facility) and a \$375.0 million term loan facility. In May 2019, we amended the Blucora senior secured credit facilities, in order to, among other things: (i) provide for a term loan increase in the aggregate principal amount of \$125.0 million in the form of a fungible increase to, and on substantially the same terms as, our existing senior secured term loan under the Blucora senior secured credit facilities and (ii) increase the total amount of the revolving credit facility under the Blucora senior secured credit facilities by \$15.0 million to an aggregate of \$65.0 million. See further discussion of the term loan increase in "Note 6: Debt" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I, Item 1 of this report.

Seasonality

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

RESULTS OF OPERATIONS

Summary

(In thousands, except percentages)

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change	2019	2018	Change
Revenue	\$ 193,740	\$ 157,848	23 %	\$ 419,508	\$ 363,813	15 %
Operating income	\$ 28,030	\$ 39,126	(28) %	\$ 98,143	\$ 91,863	7 %

Three months ended June 30, 2019 compared with three months ended June 30, 2018

Revenue increased approximately \$35.9 million due to an increase of \$35.8 million in revenue related to our Wealth Management business and an increase of \$0.1 million in revenue related to our Tax Preparation business, as discussed in the following "Segment Revenue/Operating Income" section.

Operating income decreased approximately \$11.1 million, consisting of the \$35.9 million increase in revenue that was offset by a \$47.0 million increase in operating expenses. Key changes in operating expenses were:

- \$31.8 million increase in the Wealth Management segment's operating expenses (including approximately \$26.8 million of operating expenses from 1st Global), primarily due to an increase in commissions and advisory fees paid to our financial advisors, which fluctuated in relation to the change in underlying commission and advisory revenues earned on client accounts.
- \$2.8 million increase in the Tax Preparation segment's operating expenses, primarily due to an increase in personnel costs supporting product development and an increase in software development expenses, partially offset by lower consulting expenses primarily related to strategic initiatives.
- \$12.4 million increase in corporate-level expense activity, primarily related to acquisition and integration costs and an increase in consulting expenses.

Six months ended June 30, 2019 compared with six months ended June 30, 2018

Revenue increased approximately \$55.7 million due to an increase of \$22.4 million in revenue related to our Tax Preparation business and an increase of \$33.3 million in revenue related to our Wealth Management business, as discussed in the following "Segment Revenue/Operating Income" section.

Operating income increased approximately \$6.3 million, consisting of the \$55.7 million increase in revenue that was offset by a \$49.4 million increase in operating expenses. Key changes in operating expenses were:

- \$30.8 million increase in the Wealth Management segment's operating expenses (including approximately \$26.8 million of operating expenses from 1st Global), primarily due to an increase in commissions and advisory fees paid to our financial advisors, which fluctuated in relation to the change in underlying commission and advisory revenues earned on client accounts.
- \$4.7 million increase in the Tax Preparation segment's operating expenses, primarily due to an increase in personnel costs supporting multiple functions and an increase in software expenses.
- \$13.9 million increase in corporate-level expense activity, primarily related to acquisition and integration costs and an increase in consulting expenses.

SEGMENT REVENUE/OPERATING INCOME

The revenue and operating income amounts in this section are presented on a basis consistent with accounting principles generally accepted in the United States ("*GAAP*") and include certain reconciling items attributable to each of the segments. Segment information appearing in "Note 4: Segment Information and Revenues" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I, Item 1 of this report is presented on a basis consistent with our current internal management financial reporting. We have two reportable segments: Wealth Management and Tax Preparation. We do not allocate certain general and administrative costs (including personnel and overhead costs), stock-based compensation, depreciation, amortization of acquired intangible assets, restructuring, other loss, net, and income taxes to segment operating results. Rather, we analyze such general and administrative costs separately under the heading "Corporate-level activity."

Wealth Management

(In thousands, except percentages)

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change	2019	2018	Change
Revenue	\$ 127,831	\$ 92,015	39 %	\$ 217,363	\$ 184,097	18 %
Operating income	\$ 16,979	\$ 12,954	31 %	\$ 28,519	\$ 26,029	10 %
Segment margin	13 %	14 %		13 %	14 %	

The decrease in Wealth Management segment margin for the three months ended June 30, 2019 is primarily due to the impact of 1st Global, partially offset by higher advisory and asset-based revenues and a decrease in costs related to our 2018 clearing firm conversion. The decrease in Wealth Management segment margin for the six months ended June 30, 2019 is primarily due to the impact of 1st Global.

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:

Sources of revenue

(In thousands, except percentages)

Sources of Revenue	Primary Drivers	Three months ended June 30,			Six months ended June 30,			
		2019	2018	Change	2019	2018	Change	
Advisor-driven	Commission	- Transactions - Asset levels	\$ 48,068	\$ 40,384	19 %	\$ 85,228	\$ 83,254	2 %
	Advisory	- Advisory asset levels	61,410	40,058	53 %	101,167	79,359	27 %
Other revenue	Asset-based	- Cash balances - Interest rates - Number of accounts - Client asset levels	13,219	7,306	81 %	22,912	14,478	58 %
	Transaction and fee	- Account activity - Number of clients - Number of advisors - Number of accounts	5,134	4,267	20 %	8,056	7,006	15 %
Total revenue			\$ 127,831	\$ 92,015	39 %	\$ 217,363	\$ 184,097	18 %
Total recurring revenue			\$ 106,557	\$ 75,369	41 %	\$ 179,798	\$ 148,331	21 %
Recurring revenue rate			83.4 %	81.9 %		82.7 %	80.6 %	

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

Business metrics

(In thousands, except percentages and as otherwise indicated)

	June 30,		
	2019	2018	Change
Total Client Assets	\$ 67,602,006	\$ 45,016,993	50 %
Brokerage Assets	\$ 41,335,972	\$ 32,069,800	29 %
Advisory Assets	\$ 26,266,034	\$ 12,947,193	103 %
Percentage of Total Client Assets	38.9 %	28.8 %	
Number of advisors (in ones)	4,225	3,709	14 %
Advisor-driven revenue per advisor	\$ 25.9	\$ 21.7	19 %

Total client assets ("*total client assets*") includes assets that we hold directly or indirectly on behalf of clients under a safekeeping or custody arrangement or for which we provide administrative services for clients. To the extent that we provide more than one total client assets service for a client's assets, the value of the asset is only counted once in the total amount of

total client assets. Total client assets include advisory assets, non-advisory brokerage accounts, annuities and mutual fund positions held directly with fund companies. These assets are not reported on the consolidated balance sheets.

Advisory assets ("*advisory assets*") includes external client assets for which we provide investment advisory and management services, typically as a fiduciary under the Investment Advisers Act of 1940. Our compensation for providing such services is typically a fee based on the value of the advisory assets for each advisory client. These assets are not reported on the consolidated balance sheets.

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

Total client assets acquired from 1st Global were approximately \$20.0 billion.

Three months ended June 30, 2019 compared with three months ended June 30, 2018

Wealth Management revenue increased approximately \$35.8 million as a result of the factors discussed in the category for each source of revenue below.

Wealth Management operating income increased approximately \$4.0 million, due to a \$35.8 million increase in revenue, offset by a \$31.8 million increase in operating expenses. The increase in Wealth Management operating expenses was primarily due to approximately \$26.8 million of operating expenses from 1st Global, and an increase in commissions and advisory fees paid to our financial advisors, which fluctuated in relation to the change in underlying commission and advisory revenues earned on client accounts.

Six months ended June 30, 2019 compared with six months ended June 30, 2018

Wealth Management revenue increased approximately \$33.3 million as a result of the factors discussed in the category for each source of revenue below.

Wealth Management operating income increased approximately \$2.5 million, due to a \$33.3 million increase in revenue, offset by a \$30.8 million increase in operating expenses. The increase in Wealth Management operating expenses was primarily due to approximately \$26.8 million of operating expenses from 1st Global, and an increase in commissions and advisory fees paid to our financial advisors, which fluctuated in relation to the change in underlying commission and advisory revenues earned on client accounts.

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

<u>(In thousands, except percentages)</u>	<u>Three months ended June 30,</u>			<u>Six months ended June 30,</u>		
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>2019</u>	<u>2018</u>	<u>Change</u>
<u>By product category:</u>						
Mutual funds	\$ 23,437	\$ 22,329	5 %	\$ 42,678	\$ 45,293	(6) %
Variable annuities	15,145	12,386	22 %	26,503	25,850	3 %
Insurance	4,299	3,064	40 %	8,029	6,451	24 %
General securities	5,187	2,605	99 %	8,018	5,660	42 %
Total commission revenue	<u>\$ 48,068</u>	<u>\$ 40,384</u>	19 %	<u>\$ 85,228</u>	<u>\$ 83,254</u>	2 %
<u>By type of commission:</u>						
Sales-based	\$ 20,469	\$ 15,919	29 %	\$ 36,153	\$ 34,264	6 %
Trailing	27,599	24,465	13 %	49,075	48,990	— %
Total commission revenue	<u>\$ 48,068</u>	<u>\$ 40,384</u>	19 %	<u>\$ 85,228</u>	<u>\$ 83,254</u>	2 %

Three months ended June 30, 2019 compared with three months ended June 30, 2018

Sales-based commission revenue increased approximately \$4.6 million, primarily due to approximately \$4.3 million of sales-based commission revenue from 1st Global.

Trailing commission revenue increased approximately \$3.1 million, primarily due to approximately \$4.1 million of revenues from 1st Global, offset by lower trailing commission revenues due to changes in the market value of the underlying assets.

Six months ended June 30, 2019 compared with six months ended June 30, 2018

Sales-based commission revenue increased approximately \$1.9 million, primarily due to approximately \$4.3 million of sales-based commission revenue from 1st Global, partially offset by decreased activity in mutual funds and insurance securities.

Trailing commission revenue was comparable to the prior period, however the six months ended June 30, 2019 consisted of approximately \$4.1 million of revenues from 1st Global, offset by lower trailing commission revenues due to changes in the market value of the underlying assets.

Advisory revenue: Advisory revenue primarily includes fees charged to clients in advisory accounts where HD Vest or 1st Global 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.

The activity within our advisory assets was as follows:

(In thousands)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Balance, beginning of the period	\$ 13,988,188	\$ 12,717,125	\$ 12,555,405	\$ 12,530,165
Net increase in new advisory assets	308,220	89,249	577,372	407,814
Inflows from the Acquisition	11,397,301	—	11,397,301	—
Market impact and other	572,325	140,819	1,735,956	9,214
Balance, end of the period	\$ 26,266,034	\$ 12,947,193	\$ 26,266,034	\$ 12,947,193
Quarterly average fee rate	44 bps	31 bps	38 bps	31 bps

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. For the three and six months ended June 30, 2019, the net increase in new advisory assets was largely due to the addition of new advisors and the timing of the Acquisition.

Three months ended June 30, 2019 compared with three months ended June 30, 2018

The increase in advisory revenue of approximately \$21.4 million (including approximately \$17.6 million from 1st Global) is primarily due to the increase in the beginning-of-period advisory assets for the three months ended June 30, 2019 compared with three months ended June 30, 2018.

Six months ended June 30, 2019 compared with six months ended June 30, 2018

The increase in advisory revenue of approximately \$21.8 million (including approximately \$17.6 million from 1st Global) is primarily due to the increase in the beginning-of-period advisory assets for the six months ended June 30, 2019 compared with six months ended June 30, 2018.

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

Three months ended June 30, 2019 compared with three months ended June 30, 2018

Asset-based revenue increased approximately \$5.9 million (including approximately \$2.4 million from 1st Global), primarily from higher cash sweep revenues following increases in interest rates and the impact of the 2018 clearing firm transition.

Six months ended June 30, 2019 compared with six months ended June 30, 2018

Asset-based revenue increased approximately \$8.4 million (including approximately \$2.4 million from 1st Global), primarily from higher cash sweep revenues following increases in interest rates and the impact of the 2018 clearing firm transition.

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

Three months ended June 30, 2019 compared with three months ended June 30, 2018

Transaction and fee revenues increased approximately \$0.9 million (including approximately \$0.6 of revenues from 1st Global), primarily from advisor fees.

Six months ended June 30, 2019 compared with six months ended June 30, 2018

Transaction and fee revenues increased approximately \$1.1 million (including approximately \$0.6 of revenues from 1st Global), primarily from advisor fees.

Tax Preparation

(In thousands, except percentages)

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change	2019	2018	Change
Revenue	\$ 65,909	\$ 65,833	— %	\$ 202,145	\$ 179,716	12 %
Operating income	\$ 41,368	\$ 44,121	(6) %	\$ 120,640	\$ 102,927	17 %
Segment margin	63 %	67 %		60 %	57 %	

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:

<u>(In thousands, except percentages)</u>	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change	2019	2018	Change
Consumer	\$ 62,686	\$ 63,137	(1) %	\$ 186,628	\$ 165,049	13 %
Professional	3,223	2,696	20 %	15,517	14,667	6 %
Total revenue	\$ 65,909	\$ 65,833	— %	\$ 202,145	\$ 179,716	12 %

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

<u>(In thousands, except percentages)</u>	Six months ended June 30,			Tax seasons ended		
	2019	Change	2018	2019	Change	2018
Consumer e-files	3,179	(17) %	3,831	3,115	(17) %	3,772

We participate in the Free File Alliance that is part of an IRS partnership that provides free electronic tax filing services to taxpayers meeting certain income-based guidelines. Approximately 163,000 Free File Alliance e-files are included within digital e-files above.

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

<u>(In thousands, except percentages and as otherwise indicated)</u>	Six months ended June 30,			Tax seasons ended		
	2019	Change	2018	2019	Change	2018
E-files	1,916	5 %	1,833	1,833	4 %	1,763
Units sold (ones)	20,583	— %	20,637	20,502	— %	20,588
E-files per unit sold (in ones)	93.1	5 %	88.8	89.4	4 %	85.6

Three months ended June 30, 2019 compared with three months ended June 30, 2018

Tax Preparation revenue was comparable to the prior period.

Tax Preparation operating income decreased approximately \$2.8 million due to an increase in operating expenses. The increase in Tax Preparation segment operating expenses was primarily due to an increase in personnel costs supporting product development and an increase in software development expenses, partially offset by lower consulting expenses primarily related to strategic initiatives.

Six months ended June 30, 2019 compared with six months ended June 30, 2018

Tax Preparation revenue increased approximately \$22.4 million, primarily due to price increases and a shift in product mix toward higher-priced products. Revenue derived from professional tax preparers was comparable to the prior period. Revenue from ancillary services, primarily refund payment transfer, grew primarily as a result of price increases.

Tax Preparation operating income increased approximately \$17.7 million due to an increase in revenues of approximately \$22.4 million, offset by a \$4.9 million increase in operating expenses. The increase in Tax Preparation segment operating expenses was primarily due to an increase in personnel costs supporting product development and an increase in software development expenses, partially offset by lower consulting expenses primarily related to strategic initiatives.

Corporate-Level Activity

<u>(In thousands)</u>	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change	2019	2018	Change
Operating expenses	\$ 6,221	\$ 4,238	\$ 1,983	\$ 13,326	\$ 9,779	\$ 3,547
Stock-based compensation	4,082	3,730	352	6,525	6,685	(160)
Acquisition and integration costs	9,183	—	9,183	10,980	—	10,980
Depreciation	1,662	1,124	538	2,972	3,126	(154)
Amortization of acquired intangible assets	9,169	8,855	314	17,213	17,212	1
Restructuring	—	2	(2)	—	291	(291)
Total corporate-level activity	<u>\$ 30,317</u>	<u>\$ 17,949</u>	<u>\$ 12,368</u>	<u>\$ 51,016</u>	<u>\$ 37,093</u>	<u>\$ 13,923</u>

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

Three months ended June 30, 2019 compared with three months ended June 30, 2018

Operating expenses included in corporate-level activity increased primarily due to increases in headcount.

Stock-based compensation was comparable to the prior period.

Acquisition and integration costs in 2019 are related to the Acquisition.

Depreciation expense increased primarily due to internally-developed software fixed assets capitalized in the fourth quarter of 2018.

Amortization expense increased primarily due to the impact of the Acquisition, partially offset by lower amortization due to the abandonment of certain software applications in the second quarter of 2018.

Six months ended June 30, 2019 compared with six months ended June 30, 2018

Operating expenses included in corporate-level activity increased primarily due to increases in headcount.

Stock-based compensation was comparable to the prior period.

Acquisition and integration costs in 2019 are related to the Acquisition.

Depreciation expense was comparable to the prior period.

Amortization expense was comparable to the prior period.

OPERATING EXPENSES

Cost of Revenue

(In thousands, except percentages)

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change	2019	2018	Change
Wealth Management services cost of revenue	\$ 87,477	\$ 62,149	\$ 25,328	\$ 148,851	\$ 125,213	\$ 23,638
Tax Preparation services cost of revenue	3,149	2,459	690	7,350	6,812	538
Amortization of acquired technology	—	49	(49)	—	99	(99)
Total cost of revenue	\$ 90,626	\$ 64,657	\$ 25,969	\$ 156,201	\$ 132,124	\$ 24,077
Percentage of revenue	47 %	41 %		37 %	36 %	

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

Three months ended June 30, 2019 compared with three months ended June 30, 2018

Wealth Management services cost of revenue increased primarily due to an increase in commissions and advisory fees paid to our financial advisors (including approximately \$20.4 million of commissions paid to 1st Global advisors), which fluctuated in relation to the change in underlying commission and advisory revenues earned on client accounts.

Tax Preparation services cost of revenue increased primarily due to data center costs.

Six months ended June 30, 2019 compared with six months ended June 30, 2018

Wealth Management services cost of revenue increased primarily due to an increase in commissions and advisory fees paid to our financial advisors (including approximately \$20.4 million of commissions paid to 1st Global advisors), which fluctuated in relation to the change in underlying commission and advisory revenues earned on client accounts.

Tax Preparation services cost of revenue increased primarily due to data center costs.

Engineering and Technology

(In thousands, except percentages)

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change	2019	2018	Change
Engineering and technology	\$ 7,159	\$ 4,848	\$ 2,311	\$ 13,688	\$ 9,979	\$ 3,709
Percentage of revenue	4 %	3 %		3 %	3 %	

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

Three months ended June 30, 2019 compared with three months ended June 30, 2018

Engineering and technology expenses increased primarily due to higher headcount in our Tax Preparation business, higher software expenses and approximately \$0.6 million of costs from 1st Global, offset by a decrease in costs related to our 2018 clearing firm conversion.

Six months ended June 30, 2019 compared with six months ended June 30, 2018

Engineering and technology expenses increased primarily due to higher headcount in our Tax Preparation business, higher software expenses and approximately \$0.6 million of costs from 1st Global, offset by a decrease in costs related to our 2018 clearing firm conversion.

Sales and Marketing

(In thousands, except percentages)

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change	2019	2018	Change
Sales and marketing	\$ 29,256	\$ 23,791	\$ 5,465	\$ 84,828	\$ 79,044	\$ 5,784
Percentage of revenue	15 %	15 %		20 %	22 %	

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

Three months ended June 30, 2019 compared with three months ended June 30, 2018

Sales and marketing expenses increased primarily due to higher headcount and consulting efforts in our Tax Preparation business and approximately \$3.3 million of costs from 1st Global.

Six months ended June 30, 2019 compared with six months ended June 30, 2018

Sales and marketing expenses increased primarily due to higher headcount and consulting efforts in our Tax Preparation business and approximately \$3.3 million of costs from 1st Global.

General and Administrative

(In thousands, except percentages)

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change	2019	2018	Change
General and administrative	\$ 19,002	\$ 15,625	\$ 3,377	\$ 36,079	\$ 30,491	\$ 5,588
Percentage of revenue	10 %	10 %		9 %	8 %	

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

Three months ended June 30, 2019 compared with three months ended June 30, 2018

G&A expenses increased primarily due to an increase in personnel costs primarily related to increases in headcount, a decrease in prior period consulting expenses primarily related to strategic initiatives, and approximately \$2.5 million of costs from 1st Global.

Six months ended June 30, 2019 compared with six months ended June 30, 2018

G&A expenses increased primarily due to an increase in personnel costs primarily related to increases in headcount, a decrease in prior period consulting expenses primarily related to strategic initiatives, and approximately \$2.5 million of costs from 1st Global.

Acquisition and Integration

(In thousands, except percentages)

	Three months ended June 30,		Six months ended June 30,	
	2019		2019	
Employee-related expenses	\$	2,613	\$	2,830
Professional services		5,978		7,558
Other		592		592
Total	\$	9,183	\$	10,980
Percentage of revenue		5 %		3 %

Acquisition and integration expenses are related to the Acquisition, and primarily consist of employee-related expenses (benefits and other employee-related costs), professional services fees (which primarily includes consulting and legal fees), and other expenses, which primarily includes insurance expenses.

Depreciation and Amortization of Acquired Intangible Assets

(In thousands, except percentages)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change	2019	2018	Change
Depreciation	\$ 1,315	\$ 993	\$ 322	\$ 2,376	\$ 2,908	\$ (532)
Amortization of acquired intangible assets	9,169	8,806	363	17,213	17,113	100
Total	\$ 10,484	\$ 9,799	\$ 685	\$ 19,589	\$ 20,021	\$ (432)
Percentage of revenue	5 %	6 %		5 %	6 %	

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

Three months ended June 30, 2019 compared with three months ended June 30, 2018

Depreciation expense increased primarily due to internally-developed software fixed assets capitalized in the fourth quarter of 2018.

Amortization expense increased primarily due to the impact of the Acquisition, partially offset by lower amortization due to the abandonment of certain software applications in the second quarter of 2018.

Six months ended June 30, 2019 compared with six months ended June 30, 2018

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

Amortization expense was comparable to the prior period.

Other Loss, Net

(In thousands)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change	2019	2018	Change
Interest income	\$ (149)	\$ (58)	\$ (91)	\$ (289)	\$ (98)	\$ (191)
Interest expense	4,770	3,847	923	8,546	8,028	518
Amortization of debt issuance costs	375	284	91	547	487	60
Accretion of debt discounts	85	40	45	123	87	36
Loss on debt extinguishment	—	758	(758)	—	1,534	(1,534)
Other	37	(2,112)	2,149	149	(2,051)	2,200
Other loss, net	\$ 5,118	\$ 2,759	\$ 2,359	\$ 9,076	\$ 7,987	\$ 1,089

Three months ended June 30, 2019 compared with three months ended June 30, 2018

The increase in interest expense relates to higher outstanding debt balances as a result of the \$125.0 million increase in the term loan under the Blucora senior secured credit facilities in the second quarter of 2019. In the second quarter of 2018 we had a loss on debt extinguishment related to debt prepayments.

In the second quarter of 2018 we had a gain on the sale of an investment.

Six months ended June 30, 2019 compared with six months ended June 30, 2018

The increase in interest expense relates to higher outstanding debt balances as a result of the \$125.0 million increase in the term loan under the Blucora senior secured credit facilities in the second quarter of 2019. In the first and second quarters of 2018 we had a loss on debt extinguishment related to debt prepayments.

In the second quarter of 2018 we had a gain on the sale of an investment.

Income Taxes

We recorded income tax benefit of \$8.1 million and \$4.1 million in the three and six months ended June 30, 2019, respectively. Our effective income tax rate differed from the 21% statutory rate in 2019 primarily due to excess tax benefits related to stock-based compensation and the release of valuation allowances, offset by the effect of state income taxes, non-deductible compensation and acquisition costs. As part of the Acquisition, we recorded \$78.2 million of intangible assets that resulted in an \$11.6 million discrete change in the valuation allowance as intangible assets are not amortizable for tax purposes; this will create future taxable income to utilize a portion of our net operating losses.

We recorded income tax expense of \$0.9 million and \$2.9 million in the three and six months ended June 30, 2018, respectively. Our effective income tax rate differed from the 21% statutory rate in 2018 primarily due to the release of the current portion of valuation allowances.

Income tax expense for the three and six months ended June 30, 2019 differed from the comparable prior period, primarily due to the effect of state income taxes, excess tax benefits related to stock-based compensation, and acquisition and integration costs.

NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA: We define Adjusted EBITDA as net income attributable to Blucora, Inc., determined in accordance with GAAP, excluding the effects of stock-based compensation, depreciation and amortization of acquired intangible assets, restructuring, other loss, net, the impact of noncontrolling interests, acquisition and integration costs and income tax (benefit) expense. Restructuring costs relate to the relocation of our corporate headquarters that were completed in 2018. Acquisition and integration costs relate to the Acquisition.

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. 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 attributable to Blucora, Inc., which we believe to be the most comparable GAAP measure, is presented below:

<u>(In thousands)</u>	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net income attributable to Blucora, Inc.	\$ 31,036	\$ 35,238	\$ 93,206	\$ 80,579
Stock-based compensation	4,082	3,730	6,525	6,685
Depreciation and amortization of acquired intangible assets	10,831	9,979	20,185	20,338
Restructuring	—	2	—	291
Other loss, net	5,118	2,759	9,076	7,987
Net income attributable to noncontrolling interests	—	222	—	427
Acquisition and integration costs	9,183	—	10,980	—
Income tax (benefit) expense	(8,124)	907	(4,139)	2,870
Adjusted EBITDA	<u>\$ 52,126</u>	<u>\$ 52,837</u>	<u>\$ 135,833</u>	<u>\$ 119,177</u>

Three months ended June 30, 2019 compared with three months ended June 30, 2018

The decrease in Adjusted EBITDA was primarily due to an increase in segment operating income of \$4.0 million related to our Wealth Management segment, offset by a decrease in segment operating income of \$2.8 million related to our Tax Preparation segment and an increase in corporate operating expenses of \$2.0 million.

Six months ended June 30, 2019 compared with six months ended June 30, 2018

The increase in Adjusted EBITDA was primarily due to an increase in segment operating income of \$17.7 million related to our Tax Preparation segment and an increase in segment operating income of \$2.5 million related to our Wealth Management segment, offset by an increase in corporate operating expenses of \$3.5 million.

Non-GAAP net income: We define non-GAAP net income as net income attributable to Blucora, Inc., determined in accordance with GAAP, excluding the effects of stock-based compensation, amortization of acquired intangible assets, restructuring costs (described further under *Adjusted EBITDA* above), the impact of noncontrolling interests, acquisition and integration costs (described further under *Adjusted EBITDA* above), the related cash tax impact of those adjustments, and non-cash income taxes. We exclude the non-cash portion of income taxes because of our ability to offset a substantial portion of our cash tax liabilities by using deferred tax assets, which primarily consist of U.S. federal net operating losses. The majority of these net operating losses will expire, if unutilized, between 2020 and 2024.

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

We believe that non-GAAP net income 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 and net income 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 to net income attributable to Blucora, Inc. and non-GAAP net income per share to net income per share, which we believe to be the most comparable GAAP measures, is presented below:

<u>(In thousands, except per share amounts)</u>	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Net income attributable to Blucora, Inc.	\$ 31,036	\$ 35,238	\$ 93,206	\$ 80,579
Stock-based compensation	4,082	3,730	6,525	6,685
Amortization of acquired intangible assets	9,169	8,855	17,213	17,212
Restructuring	—	2	—	291
Impact of noncontrolling interests	—	222	—	427
Acquisition and integration costs	9,183	—	10,980	—
Cash tax impact of adjustments to GAAP net income	(771)	(903)	(1,182)	(1,216)
Non-cash income tax (benefit) expense	(11,317)	582	(8,166)	1,980
Non-GAAP net income	\$ 41,382	\$ 47,726	\$ 118,576	\$ 105,958
<i>Per diluted share:</i>				
Net income attributable to Blucora, Inc.	\$ 0.62	\$ 0.71	\$ 1.88	\$ 1.64
Stock-based compensation	0.08	0.08	0.13	0.14
Amortization of acquired intangible assets	0.20	0.19	0.34	0.34
Restructuring	—	—	—	0.01
Impact of noncontrolling interests	—	0.00	0.00	0.01
Acquisition and integration costs	0.18	—	0.22	0.00
Cash tax impact of adjustments to GAAP net income	(0.02)	(0.02)	(0.02)	(0.02)
Non-cash income tax (benefit) expense	(0.23)	0.01	(0.16)	0.04
Non-GAAP net income per share	\$ 0.83	\$ 0.97	\$ 2.39	\$ 2.16
Weighted average shares outstanding used in computing per diluted share amounts	49,822	49,434	49,681	49,049

Three months ended June 30, 2019 compared with three months ended June 30, 2018

The decrease in non-GAAP net income was primarily due to an increase in segment operating income of \$4.0 million related to our Wealth Management segment and a \$0.8 million decrease in loss on debt extinguishment on the Blucora senior secured credit facilities, offset by a decrease in segment operating income of \$2.8 million related to our Tax Preparation segment, a \$2.0 million increase in corporate operating expenses not allocated to the segments and a \$1.1 million increase in interest expense, amortization of debt issuance costs and accretion of debt discounts.

Six months ended June 30, 2019 compared with six months ended June 30, 2018

The increase in non-GAAP net income was primarily due to an increase in segment operating income of \$17.7 million related to our Tax Preparation segment, an increase in segment operating income of \$2.5 million related to our Wealth Management segment, a \$1.5 million decrease in loss on debt extinguishment on the Blucora senior secured credit facilities, offset by a \$0.6 million decrease in interest expense, amortization of debt issuance costs and accretion of debt discounts, and a \$3.5 million increase in corporate operating expenses not allocated to the segments.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

Our principal source of liquidity is our cash and cash equivalents. As of June 30, 2019, we had cash and cash equivalents of approximately \$109.6 million. Broker-dealer subsidiaries of our Wealth Management business operate in a highly regulated industry and are subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have substantial monetary and non-monetary impacts to operations of our Wealth Management business. As of June 30, 2019, our Wealth Management business met all capital adequacy requirements to which it was subject.

We generally invest our excess cash in high-quality marketable investments. These investments generally include debt instruments issued by the U.S. federal government and its agencies, international governments, municipalities and publicly-held corporations, as well as commercial paper, insured time deposits with commercial banks, and money market funds invested in securities issued by agencies of the U.S., although specific holdings can vary from period to period depending upon our cash requirements. We believe our financial instrument investments held at June 30, 2019 had minimal default risk and short-term maturities.

Historically, we have financed our operations primarily from cash provided by operating activities. Accordingly, we believe that the cash generated from our operations and the cash and cash equivalents we have on hand will be sufficient to meet our operating, working capital, regulatory capital requirements of our broker-dealer subsidiaries, and capital expenditure requirements for at least the next 12 months. However, the underlying levels of revenues and expenses that we project may not prove to be accurate, and we may be required to draw on our \$65.0 million revolving credit facility to meet our capital requirements. For further discussion of the risks to our business related to liquidity, see the risk factor titled "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, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018, and the risk factors under the caption "Risks Related to our Financing Arrangements" in Part II, Item 1A in this Quarterly Report on Form 10-Q.

Use of Cash

We may use our cash and cash equivalents balance in the future on investment in our current businesses, for repayment of debt, for acquiring companies or assets that complement our Wealth Management and Tax Preparation businesses, for stock buybacks, for returning capital to stockholders, or for other utilization which we deem to be in the best interests of stockholders.

In May 2017, we entered into a credit agreement with a syndicate of lenders for the Blucora senior secured credit facilities. Prior to May 2019, the Blucora senior secured credit facilities provided for up to \$425.0 million of borrowings, consisting of a committed \$50.0 million revolving credit facility (including a letter of credit sub-facility) and a \$375.0 million term loan facility. In May 2019, we amended the Blucora senior secured credit facilities, in order to, among other things: (i) provide for a term loan increase in the aggregate principal amount of \$125.0 million in the form of a fungible increase to, and on substantially the same terms as, our existing senior secured term loan under the Blucora senior secured credit facilities and (ii) increase the total amount of the revolving credit facility under the Blucora senior secured credit facilities by \$15.0 million to an aggregate of \$65.0 million.

The Blucora senior secured credit facilities in the aggregate committed amount of \$565.0 million consist of a committed \$65.0 million revolving credit facility (including a letter of credit sub-facility), and a \$500.0 million term loan facility. The final maturity dates of the revolving credit loan and term loan are May 22, 2022 and May 22, 2024, respectively. In November 2017, the credit facility agreement was amended in order to refinance and reprice the initial term loan, such that the applicable interest rate margin is 3.00% for Eurodollar Rate loans and 2.00% for ABR loans. Depending on Blucora's Consolidated First Lien Net Leverage Ratio (as defined in the credit facility agreement), the applicable interest rate margin on the revolving credit facility is from 2.75% to 3.25% for Eurodollar Rate loans and 1.75% to 2.25% for ABR loans. Obligations under the Blucora senior secured credit facilities are guaranteed by certain of Blucora's subsidiaries and secured by substantially all of the assets of Blucora and those subsidiaries.

The Blucora senior secured credit facilities include financial and operating covenants with respect to certain ratios, including a net leverage ratio, which are defined further in the credit facility agreement. We were in compliance with these covenants as of June 30, 2019. We have borrowed \$500.0 million under the term loan and have made prepayments of \$110.0 million towards the term loan since entering into the agreement, such that \$390.0 million was outstanding under the term loan at June 30, 2019. We have not borrowed any amounts under the revolving credit loan and did not have any other debt outstanding. Commencing December 31, 2019, principal payments of the term loan are due on a quarterly basis in an amount equal to \$312,500 (subject to reduction for prepayments), with the remaining principal amount due on the maturity date of May 22, 2024.

On July 2, 2015, TaxAct acquired SimpleTax, which included additional consideration of up to C\$4.6 million (with C\$ indicating Canadian dollars and amounting to approximately \$3.7 million based on the acquisition-date exchange rate). The related payments were contingent upon product availability and revenue performance over a three-year period and were to be paid annually over that period. The third and final payment of \$1.3 million was made in the first quarter of 2019.

In connection with our 2015 acquisition of HD Vest, former management of that business has retained an ownership interest in HD Vest. We were party to put and call arrangements that became exercisable beginning in the first quarter of 2019 with respect to these interests. These put and call arrangements allow certain members of HD Vest management to require the Company to purchase their interests or allow the Company to acquire such interests for cash, respectively, within ninety days after the Company filed its Annual Report on Form 10-K for the year ended December 31, 2018, which occurred on March 1, 2019. These arrangements were settled in cash for \$24.9 million in the second quarter of 2019.

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. As a result, we may not repurchase a material number of shares, or any shares at all, under our stock repurchase plan. In addition, any repurchases of our stock pursuant to the stock repurchase plan may materially reduce the amount of cash we have available and may not materially enhance the long-term value of our business or our stock.

On May 6, 2019, we completed the Acquisition, which was paid with a combination of (i) \$55.0 million of cash on hand and (ii) the proceeds from a \$125.0 million increase in the term loan under the Blucora senior secured credit facilities.

Contractual Obligations and Commitments

The material changes in our contractual obligations and commitments through the second quarter of 2019, outside of the ordinary course of our business, include debt activity (as described above under "Use of cash"), payment of the final portion of the SimpleTax acquisition-related contingent consideration liability, a new office lease, which is expected to commence in 2020, purchase commitments of approximately \$3.0 million over the next year from 1st Global, and sublease income of \$1.6 million, primarily related to the sublease of the Bellevue facility. Additional information on the Company's Commitments and Contingencies can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Off-balance Sheet Arrangements

We have no off-balance sheet arrangements.

Cash Flows

Our cash flows were comprised of the following:

	Six months ended June 30,	
	2019	2018
Net cash provided by operating activities	\$ 96,812	\$ 106,557
Net cash used by investing activities	(167,399)	(2,602)
Net cash provided (used) by financing activities	94,915	(74,454)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	58	(30)
Net increase in cash, cash equivalents, and restricted cash	<u>\$ 24,386</u>	<u>\$ 29,471</u>

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

Net cash provided by operating activities was \$96.8 million and \$106.6 million for the six months ended June 30, 2019 and 2018, respectively. The activity in the six months ended June 30, 2019 included a \$(30.5) million working capital contribution and approximately \$127.3 million of income (offset by non-cash adjustments). The working capital contribution was primarily driven by the Acquisition.

The activity in the six months ended June 30, 2018 included a \$(2.8) million working capital contribution and approximately \$109.4 million of income (offset by non-cash adjustments). The working capital contribution was primarily driven by accrued expenses and the impact of TaxAct's seasonality.

Net cash from investing activities: Net cash from investing activities primarily consists of cash outlays for business acquisitions, transactions (purchases of and proceeds from sales and maturities) related to our investments, and purchases of

property and equipment. Our investing activities can fluctuate from period-to-period primarily based upon the level of acquisition activity.

Net cash used by investing activities was \$167.4 million and \$2.6 million for the six months ended June 30, 2019 and 2018, respectively. The activity in the six months ended June 30, 2019 consisted of the Acquisition and approximately \$2.9 million in purchases of property and equipment. The activity in the six months ended June 30, 2018 consisted of approximately \$2.6 million in purchases of property and equipment.

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

Net cash provided by financing activities was \$94.9 million for the six months ended June 30, 2019 compared to net cash used by financing activities of \$74.5 million for the six months ended June 30, 2018. The activity for the six months ended June 30, 2019 primarily consisted of \$121.5 million of borrowings under the Blucora senior secured credit facilities and approximately \$4.5 million in combined proceeds from the issuance of common stock related to stock option exercises and the employee stock purchase plan. These cash inflows were offset by \$24.9 million to settle redeemable noncontrolling interests related to the 2015 acquisition of HD Vest, \$5.2 million in tax payments from shares withheld for equity awards and \$0.9 million in contingent consideration paid related to the 2015 acquisition of SimpleTax.

The activity for the six months ended June 30, 2018 primarily consisted of payments of \$80.0 million towards the term loan under the Blucora senior secured credit facilities, \$4.2 million in tax payments from shares withheld for equity awards, and \$1.3 million in contingent consideration paid related to the 2015 acquisition of SimpleTax. These cash outflows were offset by approximately \$11.1 million in combined proceeds from the issuance of common stock related to stock option exercises and the employee stock purchase plan.

Critical Accounting Policies and Estimates

Business Combinations

The application of the purchase method of accounting for business combinations requires the use of significant estimates and assumptions in the determination of the fair value of assets acquired and liabilities assumed in order to properly allocate purchase price consideration between assets that are depreciated and those that are amortized from goodwill. Our estimates of the fair values of assets and liabilities acquired are based upon assumptions believed to be reasonable, and when appropriate, include assistance from independent third-party appraisal firms.

See the remainder of our critical accounting policies, estimates, and methodologies as described in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2018.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our market risk during the six months ended June 30, 2019. We have borrowed \$500.0 million under the term loan of the Blucora senior secured credit facilities, and as of June 30, 2019, we had \$390.0 million outstanding. The interest rate on the term loan is variable at the London Interbank Offered Rate ("**LIBOR**"), subject to a floor of 1.00%, plus a margin of 3.00%. A hypothetical 100 basis point increase in LIBOR would result in a \$3.9 million increase, based upon our June 30, 2019 principal amount, in our annual interest expense until the scheduled maturity date in 2024. For additional information, see Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated (pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934), the effectiveness of our disclosure controls and procedures as of June 30, 2019. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e)) were effective as of June 30, 2019.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the second quarter of 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings to which we are a party or of which any of our property is the subject.

Item 1A. Risk Factors

Our business and future results may be affected by a number of risks and uncertainties that should be considered carefully. In addition, this report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks described in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and the risks set forth below.

The Company believes that there has been no material change in its risk factors as previously disclosed in the Form 10-K other than as set forth below. The occurrence of one or more of the events listed below could have a material adverse effect on the Company's business, prospects, results of operations, reputation, financial condition, cash flows or ability to continue current operations without any direct or indirect impairment or disruption, which is referred to throughout these Risk Factors as a "Material Adverse Effect."

RISKS ASSOCIATED WITH OUR BUSINESSES

We may fail to realize all of the anticipated benefits of the Acquisition of 1st Global or those benefits may take longer to realize than expected. We may also encounter significant difficulties in integrating the operations of 1st Global.

Our ability to realize the anticipated benefits of the Acquisition of 1st Global will depend, to a large extent, on our ability to integrate 1st Global's business with ours, which will be a complex, costly and time-consuming process. As a result, we have been devoting and will continue to devote significant management attention and resources to integrate our business practices and operations with those of 1st Global. The integration process may disrupt our business and, if implemented ineffectively, could restrict the realization of the full expected benefits of the Acquisition. The failure to meet the challenges involved in the integration process and to realize the anticipated benefits of the Acquisition could cause an interruption of, or a loss of momentum in, our operations and could result in a Material Adverse Effect.

As we integrate 1st Global's business, we are likely to incur costs relating to selection and implementation of uniform procedures, systems, vendors and platforms for our Wealth Management business, as well as costs associated with exiting certain relationships and agreements. These costs could be material.

In addition, the integration of 1st Global's business may result in material unanticipated problems, expenses, liabilities, competitive responses and loss of advisors, customers and other business relationships. Additional integration challenges could include:

- diversion of management's and our employees' attention to integration matters;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from the Acquisition;
- difficulties in the integration of operations and systems, including the use of our new clearing platform;
- difficulties in conforming standards, controls, procedures and accounting and other policies, business cultures and compensation structures;
- difficulties in keeping advisors and clients who may have changing products or services;
- difficulties in the assimilation of employees;
- difficulties in managing the expanded operations of a significantly larger and more complex company;
- challenges in attracting and retaining key personnel; and
- the impact of potential liabilities we may be inheriting from 1st Global.

Additionally, following the integration of 1st Global, we may also receive greater regulatory scrutiny and could incur additional compliance costs. Many of these factors will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could result in a Material Adverse Effect and result in us becoming subject to additional litigation.

In addition, even if 1st Global's business is integrated successfully, the full anticipated benefits of the Acquisition may not be realized, including the synergies, cost savings or sales or growth opportunities that are anticipated. These benefits may not be

achieved within the anticipated time frame, or at all. Further, additional unanticipated costs may be incurred in the integration process. All of these factors could cause reductions in our earnings per share, decrease or delay the expected accretive effect of the Acquisition and negatively impact the price of shares of our common stock. As a result, it cannot be assured that the Acquisition will result in the realization of the full anticipated benefits and potential synergies.

We have incurred significant transaction costs and will continue to incur integration costs, which could also be significant, in connection with the Acquisition of 1st Global that could cause a Material Adverse Effect.

We have incurred significant transaction costs in connection with the Acquisition of 1st Global, including payment of certain fees and expenses incurred in connection with the Acquisition and the financing of the Acquisition. In addition, we expect to incur additional integration costs, which could be significant. These costs could adversely affect our results of operations in the period in which such expenses are recorded or our cash flow in the period in which any related costs are actually paid.

If our goodwill or other intangible assets become impaired, we may be required to record a significant impairment charge, which could result in a Material Adverse Effect.

We are required to test goodwill for impairment at least annually or more frequently if there are indicators that the carrying amount of our goodwill and other intangible assets, which consist primarily of our advisor, customer and sponsor relationships, our technology and our trade names, exceed their carried value. For these impairment tests, we use various valuation methods to estimate the fair value of our goodwill and intangible assets. If the fair value of an asset is less than its carrying value, we would recognize an impairment charge for the difference. As of June 30, 2019, we had recorded a total of \$674.1 million of goodwill and \$355.6 million of other intangible assets.

It is possible that we could have an impairment charge for goodwill or other intangible assets in future periods if, among other things, (i) overall economic conditions in current or future years decline, (ii) business conditions or our strategies for a specific business unit or our trade names change from our current strategies or assumptions or (iii) we suffer from an event that impacts our reputation or brand. If we divest or discontinue businesses or products that we previously acquired, or if the value of those parts of our business become impaired, we also may need to evaluate the carrying value of our goodwill. Any such charges could negatively impact our operating results and could cause a Material Adverse Effect.

If we are unable to attract and retain productive advisors, our financial results will be negatively impacted.

Our Wealth Management business derives a large portion of its revenues from commissions and fees generated by its advisors. Our ability to attract and retain productive advisors has contributed significantly to our growth and success. If we fail to attract new advisors or to retain and motivate our advisors (including our HD Vest advisors or 1st Global's advisors), our business may suffer.

The market for productive advisors is highly competitive, and we devote significant resources to attracting and retaining the most qualified advisors. In attracting and retaining advisors, we compete directly with a variety of financial institutions such as wirehouses, regional broker-dealers, banks, insurance companies and other independent broker-dealers. Financial industry competitors are increasingly offering guaranteed contracts, upfront payments, and greater compensation to attract successful financial advisors. These can be important factors in a current advisor's decision to leave us as well as in a prospective advisor's decision to join us. We may also experience difficulty retaining advisors following the Acquisition as our HD Vest advisors and 1st Global advisors may not like the products or services we offer as a combined company, may not like our compensation structure or they may not like the combined business. There can be no assurance that we will be successful in our efforts to attract and retain the advisors needed to achieve our growth objectives.

Moreover, the costs associated with successfully attracting and retaining advisors could be significant, and there is no assurance that we will generate sufficient revenues from those advisors' business to offset such costs. Designing and implementing new or modified compensation arrangements and equity structures to successfully attract and retain advisors is complicated. Changes to these arrangements could themselves cause instability within our existing investment teams and negatively impact our financial results and ability to grow. In addition, our compensation arrangements with our financial advisors are primarily commission-based, which we believe drives advisor performance and assists in attracting and retaining successful advisors. Our cost of revenue (which includes commissions paid to advisors) may fluctuate from quarter-to-quarter depending on the amount of commissions we are required to pay to our financial advisors, and if the amounts we are required to pay are different than our expectations, our operating results may be adversely impacted.

We have in the past issued and may in the future issue shares of common stock or other securities convertible into or exchangeable for shares of common stock to our advisors in order to attract and retain such individuals. In connection with the Acquisition of 1st Global, we issued a substantial number of equity awards to our HD Vest and 1st Global advisors. The issuance of additional shares of our common stock upon vesting or conversion of these awards may substantially dilute the ownership interests of our existing stockholders and reduce the number of shares of common stock available for issuance under our equity incentive plans.

In addition, the wealth management industry in general is experiencing a decline in the number of younger financial advisors entering the industry. We are not immune to that industry trend. If we are unable to replace advisors as they retire, or to assist retiring advisors with transitioning their practices to existing advisors, we could experience a decline in revenue and earnings.

In addition, as some of our advisors grow their advisory assets, they may decide to disassociate from us to establish their own RIAs and take customers and associated assets into those businesses. We seek to deter advisors from taking this route by continuously evaluating our technology, product offerings, and service, as well as our advisor compensation, fees, and pay-out policies, to ensure that we are competitive in the market and attractive to successful advisors. We may not be successful in dissuading such advisors from forming their own RIAs, which could cause a material volume of customer assets to leave our platform, which would reduce our revenues and could cause a Material Adverse Effect.

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

Our Wealth Management business is heavily regulated by multiple agencies, including the Securities and Exchange Commission (“**SEC**”), the Financial Industry Regulatory Authority (“**FINRA**”), state securities and insurance regulators, and other regulatory authorities. Failure to comply with these regulators’ laws, rules, and regulations could result in the restriction of the ongoing conduct or growth, or even liquidation of, parts of our business and otherwise cause a Material Adverse Effect. The regulatory environment in which our Wealth Management business operates is continually evolving, and the level of financial regulation to which we are subject has generally increased in recent years. Among the most significant regulatory changes affecting our Wealth Management business is the Dodd-Frank 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, 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. The SEC also adopted Form CRS Relationship Summary (“**Form CRS**”), which requires registered investment advisers (“**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 recordkeeping rules. The compliance date for Reg. BI and the related rules is June 30, 2020.

Reg. BI heightens the standard of care for broker-dealers when making investment recommendations and would impose disclosure and policy and procedural obligations that could impact the compensation 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).

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 may require us to change the titles of certain of our advisors, which could lead to confusion or distraction of management’s time and attention.

Reg. BI’s new standards of conduct and other requirements that heighten the duties of broker-dealers and investment advisers could result in additional compliance costs, lesser compensation, and management distraction, 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 advisers. To date, the States of Nevada, Connecticut, New Jersey and New York have passed legislation or proposed regulations of this sort. The requirements and scope of these state rules are not uniform. Accordingly, we may have to adopt different policies and procedures in different states, which could create added compliance, supervision and sales costs for our Wealth Management business. Should more states enact similar legislation or regulation, it could result in material additional compliance costs and could have a Material Adverse Effect.

Our Wealth Management business distributes its products and services through financial advisors who affiliate with us as independent contractors. There can be no assurance that legislative, judicial, or regulatory (including tax) authorities will not

introduce proposals or assert interpretations of existing rules and regulations that would change, or at least challenge, the classification of our financial advisors as independent contractors. Although we believe we have properly classified our advisors as independent contractors, the 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.

RISKS RELATED TO OUR FINANCING ARRANGEMENTS

We have incurred a significant amount of indebtedness, which may materially and adversely affect our financial condition and future financial results.

We are party to the Blucora senior secured credit facilities, which consist of a term loan and revolving line of credit for future working capital, capital expenditures and general business purposes. As of June 30, 2019, we had \$390.0 million of outstanding indebtedness under the term loan, and we had not borrowed any amounts under the revolving credit facility. The final maturity date of the term loan is May 22, 2024. Under the terms of the revolving credit facility, we may borrow up to \$65.0 million.

Our level of indebtedness may materially and adversely affect our financial condition and future financial results by, among other things:

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

The Blucora senior secured credit facilities impose certain restrictions on us, including restrictions on our ability to create liens, incur indebtedness and make investments. In addition, the Blucora senior secured credit facilities include covenants, the breach of which may cause the outstanding indebtedness to be declared immediately due and payable. This borrowing, and our ability to repay it, may also negatively impact our ability to obtain additional financing in the future and may affect the terms of any such financing.

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

Our level of indebtedness has increased substantially as a result of the Acquisition of 1st Global.

We incurred approximately \$125.0 million of additional indebtedness to fund a portion of the purchase price of the Acquisition of 1st Global. The increase in our indebtedness will have the effect of, among other things, reducing our flexibility to respond to changing business and economic conditions. In addition, the amount of cash required to make principal and

interest payments on our outstanding debt has increased by approximately \$8.0 million on an annual basis as a result of the increase in our indebtedness, and thus the demands on our cash resources are significantly greater than prior to the Acquisition. Our increased indebtedness may reduce funds available for capital expenditures, stock repurchases and other activities and may create competitive disadvantages for us relative to other companies with lower debt levels.

Ultimately, our ability to service our debt obligations will depend on our future performance, which will be affected by financial, business, economic and other factors, including our ability to achieve the expected benefits and cost savings from the Acquisition of 1st Global. There is no guarantee that we will be able to generate sufficient cash flow to pay our debt service obligations when due. If we are unable to meet our debt service obligations or we fail to comply with our financial and other restrictive covenants contained in the agreements governing our indebtedness, we may be required to refinance all or part of our debt, sell important strategic assets at unfavorable prices or borrow more money. We may not be able to, at any given time, refinance our debt, sell assets or borrow more money on terms acceptable to us or at all. Our inability to refinance our debt could result in a Material Adverse Effect.

OTHER RISKS

We cannot assure you we will repurchase any shares of our common stock pursuant to our stock 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. As a result, we may not repurchase a material number of shares, or any shares at all, under our stock repurchase plan. In addition, any repurchases of our stock pursuant to the stock repurchase plan may materially reduce the amount of cash we have available and may not materially enhance the long-term value of our business or our stock.

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

The following table details our repurchases of common stock for the three months ended June 30, 2019:

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 (in millions) ⁽¹⁾
April 1, 2019 - April 30, 2019	—	—	—	\$ 100.0
May 1, 2019 - May 31, 2019	—	—	—	\$ 100.0
June 1, 2019 - June 30, 2019	—	—	—	\$ 100.0
Total	—	\$ —	—	—

⁽¹⁾ On March 19, 2019, we announced that our board of directors authorized the repurchase of up to \$100.0 million of our common stock. The authorization does not have a specified expiration date and no shares have been repurchased under this authorization.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
2.1#	Stock Purchase Agreement, dated as of March 18, 2019, by and among 1G Acquisitions, LLC, 1st Global, Inc., 1st Global Insurance Services, Inc., the sellers named therein and joinder sellers, SAB Representative, LLC, as the sellers' representative, and Blucora, Inc., as guarantor	8-K	March 19, 2019	2.1	
10.1	Second Amendment to Credit Agreement, dated May 6, 2019, among Blucora, Inc., as borrower, most of its direct and indirect domestic subsidiaries, as guarantors, and JPMorgan Chase Bank, N.A., as successor administrative agent and successor collateral agent, and each lender party to the Second Amendment	8-K	May 6, 2019	10.1	
10.2	Blucora, Inc. Non-Employee Director Compensation Policy				X
10.3	Employment Agreement by and between Blucora, Inc. and Enrique Vasquez dated May 31, 2019				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 June 30, 2019, formatted in inline XBRL: (i) Unaudited Condensed Consolidated Balance Sheets, (ii) Unaudited Condensed Consolidated Statements of Operations, (iii) Unaudited Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Unaudited Condensed Consolidated Financial Statements				X

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.

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

Date: August 8, 2019

BLUCORA, INC.**NONEMPLOYEE DIRECTOR COMPENSATION POLICY****(Amended effective as of May 23, 2019)**

The directors of Blucora, Inc. (the “**Company**”) who are not employees of the Company or its affiliates (each, an “**Eligible Director**” and collectively, “**Eligible Directors**”) shall be entitled to receive the following cash and equity compensation in consideration of the services provided by them as members of the Board of Directors of the Company (the “**Board**”) and its committees commencing effective as of the date of the 2019 Annual Meeting of Stockholders (the “**Annual Meeting**”).

A. CASH COMPENSATION

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

1. Retainers

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

- All Eligible Directors shall receive an annual cash retainer of \$50,000 (payable in equal quarterly installments of \$12,500) for their services on the Board.
- The Chairperson of the Board shall receive an additional annual cash retainer of \$50,000 (payable in equal quarterly installments of \$12,500).
- The Chairperson of the Audit Committee shall receive an additional annual cash retainer of \$25,000 (payable in equal quarterly installments of \$6,250).
- Each of the other members of the Audit Committee shall receive an additional annual cash retainer of \$10,000 (payable in equal quarterly installments of \$2,500).
- The Chairperson of the Compensation Committee shall receive an additional annual cash retainer of \$15,000 (payable in equal quarterly installments of \$3,750).
- Each of the other members of the Compensation Committee shall receive an additional annual cash retainer of \$7,500 (payable in equal quarterly installments of \$1,875).
- The Chairperson of the Nominating and Governance Committee shall receive an additional annual cash retainer of \$12,250 (payable in equal quarterly installments of \$3,062.50).

- Each of the other members of the Nominating and Governance Committee shall receive an additional annual cash retainer of \$5,000 (payable in equal quarterly installments of \$1,250).

The Retainers shall be paid in advance for services rendered during each quarter of the calendar year and shall be due and payable as soon as practicable after the first day of the quarter in which such services are to be rendered (*i.e.*, as soon as practicable after January 1, April 1, July 1 and October 1). Eligible Directors shall be entitled to full payment for each quarter of service so long as such Eligible Directors are serving in the capacities for which they receive such payments on the first day of each such quarter. In the event that new directors or committee chairs or members who are Eligible Directors are appointed or elected during the course of any quarter, payments to any such newly elected Eligible Directors shall be pro-rated to reflect the actual number of days served during the quarter in which they were elected or appointed.

2. Expenses

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

B. EQUITY COMPENSATION

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

1. Initial Awards

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

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

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

- The value of the Initial RSUs shall be converted into the appropriate equivalent number of Initial RSUs, with each unit (a “**Unit**”) of the Initial RSUs representing the right to receive one share of the Company’s common stock (the “**Common Stock**”), by dividing the value of the Initial RSUs by the closing selling price of the Common Stock, as reported on the NASDAQ Global Select Market (“**NASDAQ**”) on the Initial Appointment Date, or if there is no such reported price for the Common Stock on the Initial Appointment Date, then such price on the last preceding date for which such price exists, with any resulting fractional Unit rounded down to the nearest whole Unit.
- c. The Initial RSUs shall vest according to the following schedule and be subject to the other terms and conditions described below:
 - The Initial RSUs shall vest annually over three years on the anniversary of the Initial Appointment Date, provided that the Eligible Director is a member of the Board on such dates.
 - The Initial RSUs shall be subject to the terms and conditions of the Plan and shall have such other terms as are set forth in the Company’s standard forms of Eligible Director equity agreements in use at such time and as appropriately modified to reflect the Initial RSUs.

2. Annual Awards

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

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

- RSUs having an initial value of **\$125,000** (the “**Annual Eligible Director RSUs**”).

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

- RSUs having an initial value of **\$50,000** (the “**Annual Chairperson RSUs**”).

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

- The values of the Annual Awards shall be converted into the appropriate equivalent number of RSUs, with each Unit of the Annual Awards representing the right to receive one share of Common Stock, by dividing the value of the Annual Awards by the closing selling price of the Common Stock, as reported on NASDAQ on the Annual Meeting Date, or if there is no such reported price for the Common Stock on the Annual Meeting Date, then such price on the last preceding date for which such price exists, with any resulting fractional Unit rounded down to the nearest whole Unit.
- c. The Annual Awards shall vest according to the following schedule and be subject to the other terms and conditions described below:
- The Annual Awards shall vest in full on the one-year anniversary of the Annual Meeting Date, provided that, with respect to the Annual Eligible Director RSUs, the Eligible Director is a member of the Board on the date of vesting, and with respect to the Annual Chairperson RSUs, the Eligible Director is Chairperson of the Board on each date of vesting.
 - The Annual Awards shall be subject to the terms and conditions of the Plan and shall have such other terms as are set forth in the Company's standard forms of Eligible Director equity agreements in use at such time and as appropriately modified to reflect the Annual Awards.
- d. In the event that an Eligible Director is initially elected or appointed to the Board on any date other than the Annual Meeting Date, such Eligible Director shall, instead, automatically receive the Annual Eligible Director RSUs on the Initial Appointment Date; provided, however, that (i) the values of the Annual Eligible Director RSUs, as set forth above, shall be prorated to reflect the number of days that such Eligible Director will serve on the Board based on a period of time commencing as of the Initial Appointment Date and ending on the one-year anniversary of the last preceding Annual Meeting Date (the "**Prorated Annual Awards**"); and (ii) the values of the Prorated Annual Awards shall be converted on the Initial Appointment Date in the same manner as the Initial Awards. The Prorated Annual Awards shall vest in full on the one-year anniversary of the date of grant. In all other respects, the terms and conditions of the Prorated Annual Awards shall be the same as the Annual Awards granted on the last preceding Annual Meeting Date.

EMPLOYMENT AGREEMENT

This Employment Agreement (this “*Agreement*”) is made and entered into as of May 31, 2019, by and between Enrique M. Vasquez (the “*Executive*”) and Blucora, Inc. (the “*Company*”).

RECITALS

WHEREAS, the Company desires to employ the Executive as the President of HD Vest for the Company beginning on or about May 31, 2019 with the start date of his employment being the effective date of this Agreement (the “*Effective Date*”), and the Executive desires to serve in such capacity;

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

1. Certain Definitions

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

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

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

(d) “**Change of Control**” means the occurrence of any of the following:

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

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

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

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

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

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

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

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

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

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

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

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

Notwithstanding the foregoing, termination of employment by the Executive will not be for Good Reason unless (x) the Executive delivers written notice to the Company (the “**Good Reason Notice**”) of the existence of the condition which the Executive believes constitutes Good Reason within 30 days of the initial existence of such condition (which Good Reason Notice specifically identifies such condition), the Company fails to remedy such condition within 30

days after the date on which it receives such notice (the “**Good Reason Cure Period**”), and (z) the Executive actually terminates employment within 30 days after the expiration of the Good Reason Cure Period.

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

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

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

2. Duties and Scope of Employment

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

3. Obligations

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

4. Agreement Term

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

5. Compensation and Benefits

(a) Base Salary. The Company agrees to pay the Executive a base salary (the “**Base Salary**”) at an annual rate of not less than \$380,000, payable in accordance with the regular payroll practices of the Company, but not less frequently than monthly. The Executive’s Base Salary shall be subject to annual review by the Board (or a committee thereof).

(b) Annual Bonus. The Executive shall be eligible to participate in the Company’s bonus and other incentive compensation plans and programs for the Company’s senior executives at a level commensurate with his position. The Executive shall have the opportunity to earn an annual target bonus (the “**Target Bonus**”) measured against criteria to be determined by the Board (or a committee thereof) of at least 125% of Base Salary. The Executive’s Target Bonus amount for 2019 will be pro-rated to reflect the number of days of the Executive’s employment in 2019. The payout of any 2019 bonus will occur following the end of the Company’s Executive Bonus Plan (the “**Plan**”) year, which is December 31, 2019, and will be paid in accordance with the terms and conditions of the Plan. Payment of any bonus pursuant to this Section 5(b) is subject to the Executive’s employment by the Company on the date required in the Plan. The Company reserves the right to change the Plan at any time at its discretion.

(c) Equity Awards. Contingent upon the Executive’s start date of employment being on or before June 3, 2019, the Executive shall receive a pro-rated annual equity grant for 2019 in the total aggregate amount of \$554,000, which shall consist of (i) time-based restricted stock units with a value of \$221,600 on the grant date that vest over a three-year period in 1/3rd increments on each anniversary of the grant date, (ii) nonqualified stock options with a value of \$138,500 on the grant date that vest over a three-year period in 1/3rd increments on each anniversary of the grant date, and (iii) performance-based restricted stock units with a target value of \$193,900 that are eligible to vest following the performance period that ends on December 31, 2021, with the performance goals to be set forth in the Annual Equity Award Agreements (as defined below) and the achievement of such performance goals and the vesting to be determined by the Compensation Committee of the Company. The number of time-based and performance-based restricted stock units granted to the Executive shall be determined by dividing \$221,600 and \$193,900, respectively, by the closing price of the Company’s common stock on the grant date. The number of shares of the Company’s common stock subject to the option shall be based on the Company’s option valuation methodology. These equity awards will be granted under the Company’s 2018 Long-Term Incentive Plan (the “**2018 Plan**”) and have such other terms and conditions as are specified in the award agreements for such grants that are approved by the Committee for use by all executive officers in connection with the 2019 annual grant of equity awards (the “**Annual Equity Award Agreements**”) and shall otherwise be subject to the terms and conditions of the 2018 Plan and the Annual Equity Award Agreements; provided, however, that notwithstanding the foregoing, in the event of a conflict

between the terms and conditions of the Annual Equity Award Agreements and this Agreement, the terms and conditions of this Agreement shall prevail. Following 2019, the Executive will be eligible to participate in the Company's long-term equity incentive programs extended to senior executives of the Company generally at levels commensurate with the Executive's position, which participation and levels shall be determined by the Board (or a committee thereof) in its sole discretion.

(d) Relocation and Commuting Expenses. The Company will pay for or reimburse Executive for expenses incurred in connection with Executive's commute between the Illinois and Dallas/Fort Worth areas and the eventual relocation to the Dallas/Fort Worth area. The Company's payment and reimbursement of commuting will be limited to Executive's actual expenses and will not exceed \$35,000 (the "**Commuting Expenses**"). Executive shall be entitled to reimbursement of reasonable relocation expenses actually incurred, including purchase and sale transaction expenses, temporary housing costs and related incidental expenses in an aggregate amount up to \$165,000, grossed-up so that such expenses are tax-neutral to Executive (the "**Relocation Expenses**"); provided, however, that such reimbursement of Relocation Expenses shall be subject to the following: (i) if Executive relocates his family to the Dallas/Fort Worth area within six months from the Effective Date, Executive will be eligible for reimbursement of Relocation Expenses for an eighteen (18) month period following the Effective Date or (ii) if Executive does not relocate his family to the Dallas/Fort Worth area within six months from the Effective Date, Executive will be eligible for reimbursement of Relocation Expenses for the six-month period following the Effective Date. If Executive resigns his employment with the Company for any reason, or if Executive is terminated by the Company for cause, and such resignation or termination occurs on or before the two-year anniversary of the Effective Date, Executive will repay the Company for all amounts paid to Executive as Commuting Expenses and Relocation Expenses.

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

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

6. Termination of Employment

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

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

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

(i) a severance payment in an amount equal to one times the Executive's Base Salary in effect as of the Termination Date (or if the Executive terminates employment under circumstances constituting a Constructive Termination due to a material reduction of the Executive's Base Salary, in effect immediately prior to such reduction) (less applicable withholding taxes), which amount shall be payable in a single lump sum on the first payroll date that is at least 60 days following the Termination Date (but, in any event, by no later than March 15 of the calendar year immediately following the calendar year that includes the Termination Date), in accordance with Section 14(b)(ii); and

(ii) a lump-sum payment in an amount equal to (A) the monthly COBRA premium in effect under the Company's group health plan as of the Termination Date for the coverage in effect under such plan for the Executive (and the Executive's spouse and dependent children) on such date multiplied by (B) 12 (less applicable withholding taxes), which amount shall be payable in a single lump sum on the first payroll date that is at least 60 days following the Termination Date (but, in any event, by no later than March 15 of the calendar year

immediately following the calendar year that includes the Termination Date), in accordance with Section 14(b)(ii); provided, however, that notwithstanding the foregoing or any other provision in this Agreement to the contrary, the Company (or its successor) may unilaterally amend this Section 6(c)(ii) or eliminate the benefit provided hereunder to the extent it deems necessary to avoid the imposition of excise taxes, penalties or similar charges on the Company or any of its subsidiaries, affiliates or successors, including, without limitation, under Section 4980D of the Code.

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

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

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

(i) a severance payment in an amount equal to one times the Executive's Base Salary in effect as of the Termination Date and his then current Target Bonus amount (or if the Executive terminates employment for Good Reason due to a material reduction of the Executive's Base Salary or Target Bonus, in effect immediately prior to such reduction) (in each case less applicable withholding taxes), which amount shall be payable in a single lump sum on the first payroll date that is at least 60 days following the Termination Date (but, in any event, by no later than March 15 of the calendar year immediately following the calendar year that includes the Termination Date), in accordance with Section 14(b)(ii);

(ii) a lump-sum payment in an amount equal to (A) the monthly COBRA premium in effect under the Company's group health plan as of the Termination Date for the coverage in effect under such plan for the Executive (and the Executive's spouse and dependent children) on such date multiplied by (B) 12 (less applicable withholding taxes), which amount shall be payable in a single lump sum on the first payroll date that is at least 60 days following the Termination Date (but, in any event, by no later than March 15 of the calendar year immediately following the calendar year that includes the Termination Date), in accordance with Section 14(b)(ii); provided, however, that notwithstanding the foregoing or any other provision in this Agreement to the contrary, the Company (or its successor) may unilaterally amend this Section 6(d)(ii) or eliminate the benefit provided hereunder to the extent it deems necessary to avoid the imposition of excise taxes, penalties or similar charges on the Company or any of its

subsidiaries, affiliates or successors, including, without limitation, under Section 4980D of the Code; and

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

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

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

(e) Death. In the event of the Executive's death while employed hereunder, and subject to Section 6(g), the Executive's beneficiary (or such other person(s) specified by will or the laws of descent and distribution) shall be entitled to receive a lump-sum payment in an amount equal to three months' Base Salary in effect as of the Termination Date (less applicable withholding taxes), which amount shall be payable in a single lump sum on the first payroll date that is at least 60 days following the Termination Date (but, in any event, by no later than March 15 of the calendar year immediately following the calendar year that includes the Termination Date), in accordance with Section 14(b)(ii).

(f) Disability. In the event of the Executive's termination of employment with the Company due to Disability, and subject to Section 6(g), the Executive shall be entitled to receive a lump-sum payment in an amount equal to six months' Base Salary in effect as of the Termination Date (less applicable withholding taxes), which amount shall be payable in a single lump sum on the first payroll date that is at least 60 days following the Termination Date (but, in any event, by no later than March 15 of the calendar year immediately following the calendar year that includes the Termination Date), in accordance with Section 14(b)(ii).

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

7. Section 280G

(a) Amount of Payments and Benefits. Notwithstanding anything to the contrary herein, in the event that the Executive becomes entitled to receive or receives any payments, options, awards or benefits (including, without limitation, the monetary value of any noncash benefits and the accelerated vesting of equity-based awards) under this Agreement or under any other plan, agreement or arrangement with the Company or any person affiliated with the Company (collectively, the "**Payments**"), that may separately or in the aggregate constitute "parachute payments" within the meaning of Section 280G of the Code and the Treasury Regulations promulgated thereunder (or any similar or successor provision) (collectively, "**Section 280G**") and it is determined that, but for this Section 7(a), any of the Payments will be subject to any excise tax pursuant to Section 4999 of the Code or any similar or successor provision (the "**Excise Tax**"), the Company shall pay to the Executive either (i) the full amount of the Payments or (ii) an amount equal to the Payments, reduced by the minimum amount necessary to prevent any portion of the Payments from being an "excess parachute payment" (within the meaning of Section 280G) (the "**Capped Payments**"), whichever of the foregoing amounts results in the receipt by the Executive, on an after-tax basis, of the greatest amount of Payments notwithstanding that all or some portion of the Payments may be subject to the Excise Tax. For purposes of determining whether the Executive would receive a greater after-tax benefit from the Capped Payments than from receipt of the full amount of the Payments, (i) there shall be taken into account any Excise Tax and all applicable federal, state and local taxes required to be paid by the Executive in respect of the receipt of such payments and (ii) such payments shall be deemed to be subject to federal income taxes at the highest rate of federal income taxation applicable to individuals that is in effect for the calendar year in which the payments and benefits are to be paid, and state and local income taxes at the highest rate of taxation applicable to individuals in the state and locality of the Executive's residence on the effective date of the relevant transaction described under Section 280G(b)(2)(A)(i) of the Code, net of the maximum reduction in federal income taxes that could be obtained from deduction of such state and local taxes (as determined by assuming that such deduction is subject to the maximum limitation applicable to itemized deductions under Section 68 of the Code and any other limitations applicable to the deduction of state and local income taxes under the Code).

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

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

8. No Impediment to Agreement

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

9. Confidentiality and Non-Competition Agreement

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

10. Cooperation

The Executive hereby agrees to provide the Executive’s full cooperation, at the request of the Company, with any of the Company Releasees (as defined in the Release) in any and all such lawsuits, investigations or other legal, equitable or business matters or proceedings which involve any matters for which the Executive worked on or had responsibility during the Executive’s employment with the Company. The Executive also agrees to be available to the Company and its representatives (including attorneys) to provide general advice or assistance as requested by the Company. This includes but is not limited to testifying (and preparing to

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

11. Arbitration

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

(b) Notwithstanding this arbitration provision, either the Executive or the Company may apply to any court of competent jurisdiction for a temporary restraining order, preliminary

injunction, or other interim or conservatory relief, as necessary, without breach of this Agreement and without abridgement of the powers of the arbitrator.

(c) This arbitration provision does not apply to any dispute or claim arising from or relating to the Confidentiality and Non-Competition Agreement.

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

12. Successors: Personal Services

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

13. Notices

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

14. Section 409A

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

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

(i) if the Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Section 409A, then with regard to any payment that is considered a "deferral of compensation" under Section 409A payable on account of a "separation from service," such payment shall be made on the date which is the earlier of (A) the

date that is six months and one day after the date of such “separation from service” of the Executive and (B) the date of the Executive’s death (the “*Delay Period*”), to the extent required under Section 409A. Within ten business days following the expiration of the Delay Period, all payments delayed pursuant to this Section 14(b)(i) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid to the Executive in a lump sum, and all remaining payments due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for those payments in this Agreement;

(ii) to the extent that any payments or benefits under this Agreement are conditioned on a Release, if the Release is executed and delivered by the Executive to the Company and becomes irrevocable and effective within the specified 60-day post-termination period, then, subject to Section 14(b)(i) and to the extent not exempt under Section 409A, such payments or benefits shall be made or commence on the first payroll date after the date that is 60 days after the Termination Date (but, in any event, by no later than March 15 of the calendar year immediately following the calendar year that includes the Termination Date). If a payment or benefit under this Agreement is conditioned on a Release and such Release is not executed, delivered and effective by the 60th day after the Termination Date, such payment or benefit shall not be paid or provided to the Executive;

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

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

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

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

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

15. Miscellaneous Provisions

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

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

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

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

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

(f) No Assignment of Benefits. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, in respect of bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Section 15(f) shall be void.

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

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

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

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

[Signature Page Follows]

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

BLUCORA, INC.

By: /s/ John S. Clendening

Name: John S. Clendening

Title: President and Chief Executive Officer

EXECUTIVE:

/s/ Enrique Vasquez

Enrique M. Vasquez

EXHIBIT A

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

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

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

2. Confidential Information and Executive’s Non-Disclosure Agreement.

(a) Confidential Information. During Executive’s employment with the Company, the Company shall provide Executive with Confidential Information (defined below), which is not known to the Company’s competitors or within the Company’s industry generally, which was developed by the Company over a long period of time and/or at its substantial expense, and which is of great competitive value to the Company. For purposes of this Agreement, “*Confidential Information*” includes all documents or information, in whatever form or medium, concerning or relating to any of the following: all trade secrets and confidential and proprietary information of or relating to the Company, including, but not limited to: (A) financial models, business records, business plans or processes, strategies (including, without limitation, economic and market research selection and analysis strategies and business development and market segment exploitation strategies), tactics, policies, resolutions, processes, inventions, patents, trademarks, trade secrets, know how, patent or trademark applications and other intellectual property, (B) information regarding litigation or negotiations, (C) any marketing information, sales or product plans, prospects and market research data relating to the business, (D) financial information, cost and performance data and any debt arrangements, equity ownership or securities transaction information, (E) technical information, technical drawings and designs, (F) personnel information, personnel lists, resumes, personnel data, organizational structure, compensation and performance evaluations, (G) customer, consumer, consultants or supplier information, including but not limited to any data regarding any current, prospective or former customers, consumers, consultants or suppliers of Company, (H) information regarding the existence or terms of any agreement or relationship between the Company or any of its subsidiaries or affiliates and any other party, (I) information subject to Section 628 of the Fair Credit Reporting Act and any regulations or guidelines thereunder and (J) any other information of whatever nature, including, without limitation, information which gives to the Company or any of its subsidiaries or affiliates an opportunity to obtain an advantage over its competitors who or which do not have access to such information. Confidential Information, whether prepared or compiled by Executive and/or the Company or furnished to Executive during Executive’s employment with the Company, shall be the sole and exclusive property of the

Company, and none of such Confidential Information or copies thereof, shall be retained by Executive. Executive agrees not to dispute, contest, or deny any such ownership rights either during or after Executive's employment with the Company. Executive acknowledges that the Company does not voluntarily disclose Confidential Information, but rather takes precautions to prevent dissemination of Confidential Information beyond those employees such as Executive entrusted with such information. Executive further acknowledges that the Confidential Information: (a) is entrusted to Executive because of Executive's position with the Company; and (b) is of such value and nature as to make it reasonable and necessary for Executive to protect and preserve the confidentiality and secrecy of the Confidential Information. Executive acknowledges and agrees that the Confidential Information is proprietary to and a trade secret of the Company and, as such, is a valuable, special and unique asset of the Company, the unauthorized use or disclosure of which will cause irreparable harm, substantial injury and loss of profits and goodwill to the Company. "**Confidential Information**" does not include any information which is generally available to and known by the public or becomes generally available to and known by the public (other than as a result of Executive's breach of this Agreement or any other agreement or obligation to keep such information confidential).

(b) Non-Disclosure.

(i) Executive agrees to preserve and protect the confidentiality of all Confidential Information. Executive agrees that during the period of Executive's employment with the Company and at any time thereafter (regardless of the reason for Executive's separation or termination of employment): (A) Executive shall hold all Confidential Information in the strictest confidence, take all reasonable precautions and steps to safeguard all Confidential Information and prevent its wrongful use by or wrongful or inadvertent disclosure or dissemination to any unauthorized person or entity, and follow all policies and procedures of the Company protecting or regarding the Confidential Information; and (B) without prior written authorization of the Company, Executive shall not, directly or indirectly, use for Executive's own account, use in any way or for any other purpose, disclose to anyone, publish, exploit, destroy, copy or remove from the offices of the Company, nor solicit, allow or assist another person or entity to use, disclose, publish, exploit, destroy, copy or remove from the offices of the Company, any Confidential Information or part thereof, except: (1) as permitted in the proper performance of Executive's duties for the Company; (2) as permitted in the ordinary course of the Company's business for the benefit of the Company; or (3) as otherwise permitted or required by law. Executive shall immediately notify the Company if Executive learns of or suspects any actual or potential unauthorized use or disclosure of Confidential Information concerning the Company. Further, the Executive shall not, directly or indirectly, use the Company's Confidential Information to: (1) call upon, solicit business from, attempt to conduct business with, conduct business with, interfere with or divert business away from any customer, client, service provider, supplier or vendor of the Company with whom or which the Company conducted business; and/or (2) recruit, solicit, hire or attempt to recruit, solicit, or hire, directly or by assisting others, any persons employed by the Company. In the event Executive is subpoenaed, served with any legal process or notice, or otherwise requested to produce or divulge, directly or indirectly, any Confidential Information by any entity, agency or person in any formal or informal proceeding including, but not limited to, any interview, deposition,

administrative or judicial hearing and/or trial, except where prohibited by law, Executive should immediately notify the Company and deliver a copy of the subpoena, process, notice or other request to the Company as promptly as possible, but under no circumstances more than ten (10) days following Executive's receipt of same; provided, however, Executive is not required to notify the Company or provide a copy of the subpoena, process, notice or other request where Executive is permitted to make such disclosure of Confidential Information pursuant to this Agreement or applicable law or regulation, as set forth in Section 1(c) and Section 1(d).

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

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

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

(c) **No Interference.** Notwithstanding any other provision of this Agreement, (i) Executive may disclose Confidential Information when required to do so by a court of competent jurisdiction, by any governmental agency having authority over Executive or the business of the Company or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order Executive to divulge, disclose or make accessible such information; and (ii) nothing in this Agreement is intended to interfere with Executive's

right to (A) report possible violations of state or federal law or regulation to any governmental or law enforcement agency or entity; (B) make other disclosures that are protected under the whistleblower provisions of state or federal law or regulation; (C) file a claim or charge with any governmental agency or entity; or (D) testify, assist, or participate in an investigation, hearing, or proceeding conducted by any governmental or law enforcement agency or entity, or any court. For purposes of clarity, in making or initiating any such reports or disclosures or engaging in any of the conduct outlined in subsection (ii) above, Executive may disclose Confidential Information to the extent necessary to such governmental or law enforcement agency or entity or such court, need not seek prior authorization from the Company, and is not required to notify the Company of any such reports, disclosures or conduct.

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

(e) Inventions.

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

(ii) Assignment of Inventions. During Executive's employment with the Company and following the termination of Executive's employment for any reason, Executive agrees that Executive shall promptly make full written disclosure to the Company, shall hold in

trust for the sole right and benefit of the Company, and hereby assigns and shall be deemed to have assigned to the Company or its designee, all of Executive's right, title, and interest in and to any and all Inventions that have been or may be conceived, created, developed, completed, reduced to practice or otherwise made by Executive, solely or jointly with others, during the period of Executive's employment with the Company which (A) relate in any manner to the existing or contemplated business, work, or investigations of the Company; (B) are suggested by, result from, or arise out of any work that Executive may do for or on behalf of the Company; (C) result from or arise out of any Confidential Information that may have been disclosed or otherwise made available to Executive as a result of duties assigned to Executive by the Company; or (D) are otherwise made through the use of the time, information, equipment, facilities, supplies or materials of the Company, even if developed, conceived, reduced to practice or otherwise made during other than working hours (collectively referred to as "**Company Inventions**"). Executive further acknowledges that all original works of authorship that are made by Executive (solely or jointly with others) within the scope of Executive's employment with the Company and that are protectable by copyright are "**Works Made for Hire**," as that term is defined in the United States Copyright Act. Executive understands and agrees that the decision whether or not to commercialize or market any Company Inventions is within the Company's sole discretion and for the Company's sole benefit, and that no royalty will be due to Executive as a result of the Company's efforts to commercialize or market any such Company Invention.

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

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

(g) Return of Company Property. Upon request by the Company or upon the termination of Executive's employment for any reason, Executive shall immediately return and deliver to the Company any and all Property, including, without limitation, Confidential Information, software, hardware, including any and all Company-issued equipment, devices, cellular telephones, tablets, computers, laptops, hard drives, keys, access cards, access codes or

passwords, databases, files, documents, records, reports, memoranda, research, plans, proposals, lists, papers, books, forms, drawings, specifications, notebooks, manuals, correspondence, materials, e-mail, electronic or magnetic recordings or data, including all copies thereof (in electronic or hard copy format), which belong to the Company or which relate to the Company's business and which are in Executive's possession, custody or control, whether prepared by Executive or others. Executive further agrees that after Executive provides such Property to the Company, Executive will immediately destroy any information or documents, whether prepared by Executive or others, containing or reflecting any Confidential Information or relating to the business of the Company from any computer, cellular phone or other digital or electronic device in Executive's possession, custody or control, and Executive shall certify such destruction in writing to the Company. Upon request by the Company, Executive shall provide such computer, cellular phone or other digital or electronic device to the Company or the Company's designee for inspection to confirm that such information and documents have been destroyed. If at any time after the termination of Executive's employment for any reason, Executive or the Company determines that Executive has any Property in Executive's possession, custody or control, Executive shall immediately return all such Property, including all copies and portions thereof, to the Company.

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

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

business, which includes, but is not limited to (a) tax preparation and tax preparation-related products and services provided to consumers and small businesses, and to or through tax professionals; (b) investment and insurance products or services, and related advice and brokerage services, provided to or through tax professionals or in conjunction with tax preparation services, and (c) any other business the Company engages in or develops during the Executive's employment with the Company.

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

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

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

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

cures the violation to the satisfaction of the Company and the period of time in which Executive is in breach shall be added to the Restricted Period applicable to such covenant(s).

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

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

5. **Business Opportunities.** Executive, without further compensation, assigns and agrees to assign to the Company and its successors, assigns or designees, all of Executive's right, title and interest in and to all Business Opportunities (defined below), and further acknowledges and agrees that all Business Opportunities constitute the exclusive property of the Company. Executive shall present all Business Opportunities to the Company, and shall not exploit a Business Opportunity. For purposes of this Agreement, "**Business Opportunities**" means all business ideas, prospects, or proposals pertaining to any aspect of the Company's business and any business the Company prepared to conduct or contemplated conducting during Executive's employment with the Company, which are developed by Executive or originated by any third party and brought to the attention of Executive, together with information relating thereto. For

the avoidance of doubt, this Section 5 is not intended to limit or narrow Executive's duties or obligations under federal or state law with respect to corporate opportunities.

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

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

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

9. **Reformation.** The Company and Executive agree that in the event any of the terms, provisions, covenants or restrictions contained in this Agreement, or any part thereof, shall be held by any court of competent jurisdiction to be effective in any particular area or jurisdiction only if said term, provision, covenant or restriction is modified to limit its duration or scope, then the court shall have such authority to so reform the term, provision, covenant or restriction and the Parties hereto shall consider such term, provision, covenant or restriction to be amended and modified with respect to that particular area or jurisdiction so as to comply with the order of any such court and, as to all other jurisdictions, the term, provision, covenant or restriction contained herein shall remain in full force and effect as originally written. By agreeing to this contractual modification prospectively at this time, the Company and Executive

intend to make Section 1 and Section 2 enforceable under the law or laws of all applicable jurisdictions so that the restrictive covenants in their entirety and this Agreement as prospectively modified shall remain in full force and effect and shall not be rendered void or illegal.

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

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

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

13. **Waiver.** The failure of either Party to insist in any one or more instances upon performance of any terms or conditions of this Agreement shall not be construed as a waiver of future performance of any such term, covenant or condition, but the obligations of either Party with respect thereto shall continue in full force and effect. No waiver of any breach of this Agreement shall be construed to be a waiver as to succeeding breaches and no waiver of any provisions of this Agreement shall constitute a waiver of any other provision of this Agreement. The breach by one Party to this Agreement shall not preclude equitable relief, injunctive relief or the obligations in Section 1 or Section 2.

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

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

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

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

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

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

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

[Signature Page Follows]

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

EXECUTIVE:

Signature:

Printed Name: Enrique M. Vasquez

Date:

THE COMPANY:

Blucora, Inc.:

Signature:

Name:

Title:

Date:

EXHIBIT A-1

LIST OF PRIOR INVENTIONS

Title	Date	Identifying Number or Brief Description

___ No Inventions

___ Additional Sheets Attached

Signature of Employee

Print Name of Employee

Date

EXHIBIT A-2

OUTSIDE ACTIVITIES

EXHIBIT B

GENERAL RELEASE OF ALL CLAIMS

This General Release and Waiver of Claims (this “**Release**”) is executed by Enrique M. Vasquez (“**Executive**”) and Blucora, Inc. (the “**Company**”) as of the date set forth below, and will become effective as of the “**Effective Date**” as defined below. This Release is in consideration of severance benefits to be paid to Executive by the Company pursuant to the Employment Agreement between Executive and the Company dated as of _____, 2018 (the “**Employment Agreement**”). Execution of this Release without revocation by Executive will satisfy the requirement, set forth in Section 6(g) of the Employment Agreement, that Executive execute a general release and waiver of claims in order to receive severance benefits pursuant to the Employment Agreement.

1. Termination of Employment

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

2. Consideration

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

3. Waiver and Release

(a) Executive, for and on behalf of himself and his heirs and assigns, hereby waives and releases any common law, statutory or other complaints, claims, charges or causes of action arising out of or relating to Executive’s employment or termination of employment with, or Executive’s serving in any capacity in respect of any member of the Company Group (collectively, “**Claims**”). The Claims waived and released by this Release include any and all Claims, whether known or unknown, whether in law or in equity, which Executive may now have or ever had against any member of the Company Group or any shareholder, employee, officer, director, agent, attorney, representative, trustee, administrator or fiduciary of any member of the Company Group (collectively, the “**Company Releasees**”) up to and including the date of Executive’s execution of this Agreement. The Claims waived and released by this Release include, without limitation, any and all Claims arising out of Executive’s employment

with the Company Group under, by way of example and not limitation, the Age Discrimination in Employment Act of 1967 (“*ADEA*”, a law which prohibits discrimination on the basis of age against persons age 40 and older), the National Labor Relations Act, the Civil Rights Act of 1991, the Americans With Disabilities Act of 1990, Title VII of the Civil Rights Act of 1964, the Employee Retirement Income Security Act of 1974, the Family Medical Leave Act, the Securities Act of 1933, the Securities Exchange Act of 1934, and the Texas Labor Code Chapter 21, all as amended, and all other federal, state and local statutes, ordinances, regulations and the common law, and any and all Claims arising out of any express or implied contract, except as described in Paragraphs 2(b) and 2(c) below.

(b) The waiver and release set forth in this Section 3 is intended to be construed as broadly and comprehensively as applicable law permits. The waiver and release shall not be construed as waiving or releasing any claim or right that as a matter of law cannot be waived or released, including Executive’s right to file a charge with the Equal Employment Opportunity Commission or other government agency.

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

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

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

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

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

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

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

(e) Subject to Section 4, Executive represents that Executive has not filed any complaints, charges or lawsuits against the Company with any governmental agency or any court based on Claims that are released and waived by this Release.

4. No Interference

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

5. No Admission of Wrongdoing

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

6. Legal Disclosure

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

7. Binding Agreement; Successors and Assigns

This Release binds Executive's heirs, administrators, representatives, executors, successors, and assigns, and will inure to the benefit of the respective heirs, administrators, representatives, executors, successors, and assigns of any person or entity as to whom the waiver and release set forth in Section 3 applies.

8. Other Agreements

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

9. Knowing and Voluntary Agreement; Consideration and Revocation Periods

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

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

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

10. Disclaimer of Reliance

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

11. Execution in Multiple Counterparts

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

12. Effective Date

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

[Signature Page Follows]

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

EXECUTIVE:

Signature:

Printed Name: Enrique M. Vasquez

Date:

THE COMPANY:

Blucora, Inc.:

Signature:

Name:

Title:

Date:

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

I, John S. Clendening, certify that:

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

Dated: August 8, 2019

/s/ John S. Clendening

John S. Clendening
Chief Executive Officer and President
(Principal Executive Officer)

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

I, Davinder Athwal, certify that:

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

Dated: August 8, 2019

/s/ Davinder Athwal

Davinder Athwal

Chief Financial Officer

(Principal Financial Officer)

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

I, John S. Clendening, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Blucora, Inc. for the quarter ended June 30, 2019 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: August 8, 2019

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

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

I, Davinder Athwal, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Blucora, Inc. for the quarter ended June 30, 2019 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: August 8, 2019

By: /s/ Davinder Athwal
Name: Davinder Athwal
Title: Chief Financial Officer
(Principal Financial Officer)