Table of Contents

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 September 30, 2017

or

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

For the transition period from ____________ to __________

Commission File Number: 000-25131

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

Delaware	**91-1718107**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6333 State Hwy 161, 6th Floor, Irving, Texas	**75038**
(Address of principal executive offices)	**(Zip Code)**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes o 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	o	Accelerated filer	☒
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o
		Emerging growth company	o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o 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 October 19, 2017
Common Stock, Par Value $0.0001	46,125,990

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 78,558	$ 51,713
Cash segregated under federal or other regulations	313	2,355
Available-for-sale investments	—	7,101
Accounts receivable, net of allowance	6,952	10,209
Commissions receivable	16,432	16,144
Other receivables	592	4,004
Prepaid expenses and other current assets, net	4,777	6,321
Total current assets	107,624	97,847
Long-term assets:		
Property and equipment, net	9,552	10,836
Goodwill, net	549,064	548,741
Other intangible assets, net	336,872	362,178
Other long-term assets	2,557	3,057
Total long-term assets	898,045	924,812
Total assets	$ 1,005,669	$ 1,022,659
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,161	$ 4,536
Commissions and advisory fees payable	16,564	16,587
Accrued expenses and other current liabilities	18,768	18,528
Deferred revenue	7,118	12,156
Current portion of long-term debt, net	2,560	2,560
Total current liabilities	48,171	54,367
Long-term liabilities:		
Long-term debt, net	344,232	248,221
Convertible senior notes, net	—	164,176
Deferred tax liability, net	59,118	111,126
Deferred revenue	1,031	1,849
Other long-term liabilities	8,530	10,205
Total long-term liabilities	412,911	535,577
Total liabilities	461,082	589,944
Redeemable noncontrolling interests	16,162	15,696
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock, par $0.0001—authorized shares, 900,000; issued and outstanding shares, 46,077 and 41,845	5	4
Additional paid-in capital	1,552,609	1,510,152
Accumulated deficit	(1,024,222)	(1,092,756)
Accumulated other comprehensive income (loss)	33	(381)
Total stockholders' equity	528,425	417,019
Total liabilities and stockholders' equity	$ 1,005,669	$ 1,022,659

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenue:				
Wealth management services revenue	$ 86,809	$ 80,088	$ 254,772	$ 233,496
Tax preparation services revenue	3,362	3,149	156,936	135,614
Total revenue	90,171	83,237	411,708	369,110
Operating expenses:				
Cost of revenue:				
Wealth management services cost of revenue	59,607	54,921	172,444	158,213
Tax preparation services cost of revenue	1,314	1,319	7,543	6,549
Amortization of acquired technology	50	49	145	765
Total cost of revenue	60,971	56,289	180,132	165,527
Engineering and technology	5,051	4,588	14,041	12,842
Sales and marketing	13,680	11,965	84,974	75,715
General and administrative	12,207	11,638	39,405	35,899
Depreciation	867	968	2,680	2,906
Amortization of other acquired intangible assets	8,615	8,297	25,192	24,929
Restructuring	106	—	2,726	—
Total operating expenses	101,497	93,745	349,150	317,818
Operating income (loss)	(11,326)	(10,508)	62,558	51,292
Other loss, net	(5,241)	(11,453)	(39,149)	(29,883)
Income (loss) from continuing operations before income taxes	(16,567)	(21,961)	23,409	21,409
Income tax benefit (expense)	(166)	8,537	(5,952)	(8,899)
Income (loss) from continuing operations	(16,733)	(13,424)	17,457	12,510
Discontinued operations, net of income taxes	—	(40,528)	—	(57,981)
Net income (loss)	(16,733)	(53,952)	17,457	(45,471)
Net income attributable to noncontrolling interests	(164)	(167)	(466)	(426)
Net income (loss) attributable to Blucora, Inc.	$ (16,897)	$ (54,119)	$ 16,991	$ (45,897)
Net income (loss) per share attributable to Blucora, Inc. - basic:				
Continuing operations	$ (0.37)	$ (0.33)	$ 0.39	$ 0.29
Discontinued operations	—	(0.97)	—	(1.40)
Basic net income (loss) per share	$ (0.37)	$ (1.30)	$ 0.39	$ (1.11)
Net income (loss) per share attributable to Blucora, Inc. - diluted:				
Continuing operations	$ (0.37)	$ (0.33)	$ 0.36	$ 0.29
Discontinued operations	—	(0.97)	—	(1.37)
Diluted net income (loss) per share	$ (0.37)	$ (1.30)	$ 0.36	$ (1.08)
Weighted average shares outstanding:				
Basic	45,459	41,635	43,749	41,404
Diluted	45,459	41,635	46,813	42,329
Other comprehensive income (loss):				
Net income (loss)	$ (16,733)	$ (53,952)	$ 17,457	$ (45,471)
Unrealized gain on available-for-sale investments, net of tax	—	—	1	10
Foreign currency translation adjustment	223	(77)	413	246
Other comprehensive income (loss)	223	(77)	414	256
Comprehensive income (loss)	(16,510)	(54,029)	17,871	(45,215)
Comprehensive income attributable to noncontrolling interests	(164)	(167)	(466)	(426)
Comprehensive income (loss) attributable to Blucora, Inc.	$ (16,674)	$ (54,196)	$ 17,405	$ (45,641)

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Operating Activities:		
Net income (loss)	$ 17,457	$ (45,471)
Less: Discontinued operations, net of income taxes	—	(57,981)
Net income from continuing operations	17,457	12,510
Adjustments to reconcile net income from continuing operations to net cash from operating activities:		
Stock-based compensation	8,434	10,616
Depreciation and amortization of acquired intangible assets	28,553	29,080
Restructuring (non-cash)	1,499	—
Deferred income taxes	(473)	(12,484)
Amortization of premium on investments, net	10	164
Amortization of debt issuance costs	891	1,440
Accretion of debt discounts	1,893	3,599
(Gain) loss on debt extinguishment	19,764	(641)
Revaluation of acquisition-related contingent consideration liability	—	391
Other	—	18
Cash provided (used) by changes in operating assets and liabilities:		
Accounts receivable	3,259	793
Commissions receivable	(288)	1,034
Other receivables	2,384	19,656
Prepaid expenses and other current assets	1,720	6,003
Other long-term assets	432	(1,174)
Accounts payable	(1,375)	1,151
Commissions and advisory fees payable	(23)	(1,600)
Deferred revenue	(5,856)	(1,805)
Accrued expenses and other current and long-term liabilities	949	19,786
Net cash provided by operating activities from continuing operations	79,230	88,537
Investing Activities:		
Business acquisition, net of cash acquired	—	(1,788)
Purchases of property and equipment	(3,809)	(2,648)
Proceeds from sales of investments	249	—
Proceeds from maturities of investments	7,252	11,808
Purchases of investments	(409)	(5,147)
Net cash provided by investing activities from continuing operations	3,283	2,225
Financing Activities:		
Proceeds from credit facilities	367,212	—
Payments on convertible notes	(172,827)	(20,667)
Payments on credit facilities	(285,000)	(105,000)
Proceeds from stock option exercises	38,228	1,141
Proceeds from issuance of stock through employee stock purchase plan	1,428	1,402
Tax payments from shares withheld for equity awards	(6,744)	(1,447)
Contingent consideration payments for business acquisition	(946)	—
Net cash used by financing activities from continuing operations	(58,649)	(124,571)
Net cash provided (used) by continuing operations	23,864	(33,809)
Net cash provided by operating activities from discontinued operations	—	12,359
Net cash provided by investing activities from discontinued operations	1,028	43,230
Net cash used by financing activities from discontinued operations	—	(9,000)
Net cash provided by discontinued operations	1,028	46,589
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	86	(15)
Net increase in cash, cash equivalents, and restricted cash	24,978	12,765
Cash, cash equivalents, and restricted cash, beginning of period	54,868	59,830
Cash, cash equivalents, and restricted cash, end of period	$ 79,846	$ 72,595
Cash paid for income taxes from continuing operations	$ 1,013	$ 2,079
Cash paid for interest from continuing operations	$ 14,205	$ 23,455

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

BLUCORA, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: The Company and Basis of Presentation

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

Prior to 2017, the Company also operated an internet Search and Content business and an E-Commerce business through 2016. The Search and Content business operated through the InfoSpace LLC subsidiary (***"InfoSpace"***), and the E-Commerce business consisted of the operations of Monoprice, Inc. (***"Monoprice"***).

On October 14, 2015, the Company announced its plans to focus on the technology-enabled financial solutions market (the ***"Strategic Transformation"***). Strategic Transformation refers to the Company's transformation into a technology-enabled financial solutions company comprised of TaxAct and HD Vest (see "Note 3: Business Combinations") and the divestitures of the Search and Content and E-Commerce businesses in 2016 (see "Note 4: Discontinued Operations"). As part of the Strategic Transformation and "One Company" operating model, the Company announced on October 27, 2016 plans to relocate its corporate headquarters by June 2017 from Bellevue, Washington to Irving, Texas. The actions to relocate corporate headquarters were intended to drive efficiencies and improve operational effectiveness (see "Note 5: Restructuring"). The restructuring is now substantially complete and it is expected to be completed by early 2018.

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

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

Note 2: Summary of Significant Accounting Policies

Interim financial information: The accompanying consolidated financial statements have been prepared by the Company under the rules and regulations of the Securities and Exchange Commission (the ***"SEC"***) for interim financial reporting. These consolidated financial statements are unaudited and, in management's opinion, include all adjustments, consisting of normal recurring adjustments and accruals, necessary for a fair presentation of the consolidated financial position, results of operations, and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (***"GAAP"***) have been omitted in accordance with the rules and regulations of the SEC. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes in Part II Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2016. Interim results are not necessarily indicative of results for a full year.

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

	September 30,		December 31,	
	2017	2016	2016	2015
Cash and cash equivalents	$ 78,558	$ 71,165	$ 51,713	$ 55,473
Cash segregated under federal or other regulations	313	630	2,355	3,557
Restricted cash included in "Prepaid expenses and other current assets, net"	425	100	250	100
Restricted cash included in "Other long-term assets"	550	700	550	700
Total cash, cash equivalents, and restricted cash	$ 79,846	$ 72,595	$ 54,868	$ 59,830

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

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

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

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

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

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

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

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

Revenue recognition - In May 2014, the FASB issued guidance codified in ASC 606, "Revenue from Contracts with Customers," which amends the guidance in former ASC 605 "Revenue Recognition." The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This will be achieved in a five-step process. Enhanced disclosures also will be required. This guidance is effective on a retrospective basis--either to each reporting period presented or with the cumulative effect of initially applying this guidance recognized at the date of initial application--for annual reporting periods, including interim reporting periods within those annual reporting periods, beginning after December 15, 2017. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period.

The Company will adopt the requirements of the new standard on January 1, 2018, utilizing the modified retrospective transition method. Upon adoption, the Company will recognize the cumulative effect of adopting this ASU as an adjustment to the opening balance of retained earnings. Prior periods will not be retrospectively adjusted. The Company expects that the adoption of this ASU will not have a material impact to its consolidated financial statements, including the presentation of revenues in the statement of comprehensive income.

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

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

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

- At the time of adoption and on a prospective basis, the primary impact of adoption was the recognition of excess tax benefits and deficiencies, including deferred tax assets related to net operating losses that arose from excess tax benefits which the Company has deemed realizable, in the income tax provision (rather than in additional paid-in capital). This caused income taxes to differ from taxes at the statutory rates in 2017. For the three months ended September 30, 2017, the Company recognized an estimated $7.0 million increase to the income tax provision, which resulted in a $7.0 million decrease to income from continuing operations and net income attributable to Blucora, a $0.15 decrease to basic earnings per share, and a $0.15 decrease to diluted earnings per share. For the nine months ended September 30, 2017, the Company recognized an estimated $0.4 million increase to the income tax provision, which resulted in a $0.4 million decrease to income from continuing operations and net income attributable to Blucora, a $0.01 decrease to basic earnings per share, and a $0.01 decrease to diluted earnings per share.

- The Company applied the cash flow presentation guidance on a retrospective basis, restating the consolidated statements of cash flows to present excess tax benefits as an operating activity (rather than a financing activity). For the three months ended September 30, 2016, this resulted in a decrease to cash provided by operating activities from continuing operations of $5.6 million and a corresponding decrease to cash used by financing activities from continuing operations for the amount historically presented in the "excess tax benefits from stock-based award activity" line item in the consolidated statements of cash flows. For the nine months ended September 30, 2016, this resulted in an increase to cash provided by operating activities from continuing operations of $21.4 million and a corresponding increase to cash used by financing activities from continuing operations for the amount historically presented in the "excess tax benefits from stock-based award activity" line item in the consolidated statements of cash flows. The restatement had no impact on total cash flows for the period presented.

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

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

Note 3: Business Combinations

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

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

Note 4: Discontinued Operations

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Major classes of items in net income (loss):				
Revenues	$ —	$ 53,721	$ —	$ 209,108
Operating expenses	—	(50,952)	—	(192,874)
Other loss, net	—	(415)	—	(844)
Income from discontinued operations before income taxes	—	2,354	—	15,390
Loss on sale of discontinued operations before income taxes	—	(29,509)	—	(68,034)
Discontinued operations, before income taxes	—	(27,155)	—	(52,644)
Income tax expense	—	(13,373)	—	(5,337)
Discontinued operations, net of income taxes	$ —	$ (40,528)	$ —	$ (57,981)

Note 5: Restructuring

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

	Employee-Related Termination Costs	Contract Termination Costs	Fixed Asset Impairments	Stock-Based Compensation	Other Costs	Total
Balance as of December 31, 2016	$ 4,234	$ —	$ —	$ —	$ —	$ 4,234
Restructuring charges	(30)	(241)	1,878	981	32	2,620
Payments	(434)	(161)	—	—	(32)	(627)
Non-cash	—	1,457	(1,878)	(981)	—	(1,402)
Balance as of June 30, 2017	3,770	1,055	—	—	—	4,825
Restructuring charges	(3)			97	12	106
Payments	(2,447)	(256)	—	—	(12)	(2,715)
Non-cash	—	—	—	(97)	—	(97)
Balance as of September 30, 2017	$ 1,320	$ 799	$ —	$ —	$ —	$ 2,119

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

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

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

Note 6: Fair Value Measurements

In accordance with ASC 820, "Fair Value Measurements and Disclosures", 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		
	September 30, 2017	Quoted prices in active markets using identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents: money market and other funds	$ 10,827	$ —	$ 10,827	$ —
Total assets at fair value	$ 10,827	$ —	$ 10,827	$ —
Acquisition-related contingent consideration liability	$ 2,704	$ —	$ —	$ 2,704
Total liabilities at fair value	$ 2,704	$ —	$ —	$ 2,704

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

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

Acquisition-related contingent consideration liability:		
Balance as of December 31, 2016	$	3,421
Payment		(946)
Foreign currency transaction loss		229
Balance as of September 30, 2017	$	2,704

The contingent consideration liability is related to the Company's 2015 acquisition of SimpleTax. The full contractual obligation under the contingent consideration arrangement was accrued during the year ended December 31, 2016. Payments are contingent upon product availability and revenue performance over a three-year period ending December 31, 2018 and are expected to occur annually over that period. The first payment was made in the first quarter of 2017 and classified as a financing activity on the consolidated statements of cash flows. The remaining payments are expected through 2019. The foreign currency transaction loss was included in "Other loss, net" on the consolidated statements of comprehensive income. As of September 30, 2017, $1.3 million of the contingent consideration liability was included in "Accrued expenses and other current liabilities" and $1.4 million in "Other long-term liabilities" on the consolidated balance sheets.

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

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

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

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

Note 7: Debt

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

	September 30, 2017				December 31, 2016			
	Principal amount	Discount	Debt issuance costs	Net carrying value	Principal amount	Discount	Debt issuance costs	Net carrying value
Senior secured credit facility	$ 350,000	$ (1,681)	$ (4,727)	$ 343,592	$ —	$ —	$ —	$ —
TaxAct - HD Vest 2015 credit facility	—	—	—	—	260,000	(7,124)	(5,295)	247,581
Convertible Senior Notes	—	—	—	—	172,859	(6,913)	(1,770)	164,176
Note payable, related party	3,200	—	—	3,200	3,200	—	—	3,200
Total debt	$ 353,200	$ (1,681)	$ (4,727)	$ 346,792	$ 436,059	$ (14,037)	$ (7,065)	$ 414,957

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

Blucora borrowed $375.0 million under the term loan when it entered into the senior secured credit facility. Principal payments on the term loan are payable quarterly in an amount equal to 0.25% of the initial outstanding principal. The interest rate on the term loan is variable at the London Interbank Offered Rate (***"LIBOR"***), subject to a floor of 1.00%, plus a margin of 3.75%, payable at the end of each interest period. Through September 30, 2017, Blucora has made prepayments of $25.0 million towards the term loan.

Blucora may borrow under the revolving credit loan in an aggregate principal amount not less than $2.0 million or any whole multiple of $1.0 million in excess thereof. Principal payments on the revolving credit loan are payable at maturity. The interest rate on the revolving credit loan is variable, with initial draws at LIBOR plus a margin of 3.00%. Subsequent draws on the revolving credit loan also have variable interest rates, based upon LIBOR plus a margin of between 2.75% and 3.00%. In each case, the applicable margin within the range depends upon Blucora's Consolidated First Lien Net Leverage Ratio (as defined in the credit agreement for the credit facility) over the previous four quarters. Interest is payable at the end of each interest period. Blucora has not borrowed any amounts under the revolving credit loan.

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

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

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

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

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

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

TaxAct - HD Vest 2015 credit facility: The Company had repayment activity of $64.0 million and $105.0 million during the nine months ended September 30, 2017 and 2016, respectively. These repayments resulted in the acceleration of a portion of the unamortized discount and debt issuance costs, which were recorded in "Other loss, net" on the consolidated statements of comprehensive income.

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Contractual interest expense (Cash)	$ —	$ 1,836	$ 3,141	$ 5,782
Amortization of debt issuance costs (Non-cash)	—	231	401	704
Accretion of debt discount (Non-cash)	—	901	1,567	2,749
Total interest expense	$ —	$ 2,968	$ 5,109	$ 9,235

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

Note 8: Redeemable Noncontrolling Interests

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

Balance as of December 31, 2016	$ 15,696
Net income attributable to noncontrolling interests	466
Balance as of September 30, 2017	$ 16,162

The redemption amount at September 30, 2017 was $12.4 million.

Note 9: Commitments and Contingencies

Significant events during the period covered by this Quarterly Report on Form 10-Q, outside of the ordinary course of the Company’s business, include debt activity (as discussed further in "Note 7: Debt"), payment of a portion of the acquisition-related contingent consideration liability (as discussed further in "Note 6: Fair Value Measurements"), estimated sublease income of $3.8 million primarily related to the sublease agreement for the Bellevue facility (as discussed further in "Note 5: Restructuring"), purchase commitments with a vendor to provide cloud computation services of $11.3 million over the next four years, and a commitment to switch to a new clearing firm provider that has been selected by the Company by the third quarter of 2018. Additional information on the Company’s Commitments and Contingencies can be found in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

Litigation: From time to time, the Company is subject to various legal proceedings or claims that arise in the ordinary course of business. The Company accrues a liability when management believes that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. The following is a brief description of the more significant legal proceedings. Although the Company believes that resolving such claims, individually or in aggregate, will not have a material adverse impact on its financial statements, these matters are subject to inherent uncertainties.

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

On March 10, 2017, the Company filed a motion to dismiss for improper venue as a result of a forum selection provision in the Company's bylaws that required the plaintiff to file his derivative fiduciary duty claims in Delaware. Other defendants also filed motions to quash the summons due to a lack of personal jurisdiction over them. On July 25, 2017, the Court granted the Company's motion to dismiss. The case has been stayed by the Court until November 22, 2017, after which the case will be dismissed without further order of the Court.

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

Note 10: Stockholders' Equity

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Cost of revenue	$ 412	$ 52	$ 546	$ 117
Engineering and technology	225	434	734	1,167
Sales and marketing	529	661	1,801	1,688
General and administrative	1,966	2,217	5,353	7,644
Restructuring	97	—	1,078	—
Total in continuing operations	3,229	3,364	9,512	10,616
Discontinued operations	—	(727)	—	2,014
Total	$ 3,229	$ 2,637	$ 9,512	$ 12,630

In the second quarter of 2017, the Company granted 350,000 non-qualified stock options to certain HD Vest financial advisors, who are considered non-employees. These stock options vest fully three years from the date of grant. The Company used the Black-Scholes-Merton valuation method to calculate stock-based compensation, using assumptions for the risk-free interest rate, expected dividend yield, expected volatility, and expected life under the same methodology that is used for employee grants. Since these are non-employee grants, stock-based compensation expense will be remeasured at the end of each quarter. For the three and nine months ended September 30, 2017, stock-based compensation expense for these non-employees was $0.4 million and $0.5 million, respectively, and was recorded in "Cost of revenue" on the consolidated statements of comprehensive income.

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Stock options exercised	1,243	—	3,651	140
RSUs vested	91	102	442	426
Shares purchased pursuant to ESPP	62	114	138	191
Total	1,396	216	4,231	757

Note 11: Segment Information

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenue:				
Wealth Management	$ 86,809	$ 80,088	$ 254,772	$ 233,496
Tax Preparation	3,362	3,149	156,936	135,614
Total revenue	90,171	83,237	411,708	369,110
Operating income (loss):				
Wealth Management	12,425	11,628	36,684	32,458
Tax Preparation	(6,238)	(4,382)	83,410	72,987
Corporate-level activity	(17,513)	(17,754)	(57,536)	(54,153)
Total operating income (loss)	(11,326)	(10,508)	62,558	51,292
Other loss, net	(5,241)	(11,453)	(39,149)	(29,883)
Income tax benefit (expense)	(166)	8,537	(5,952)	(8,899)
Discontinued operations, net of income taxes	—	(40,528)	—	(57,981)
Net income (loss)	$ (16,733)	$ (53,952)	$ 17,457	$ (45,471)

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Wealth Management:				
Commission	$ 39,432	$ 38,962	$ 117,181	$ 111,070
Advisory	37,588	32,705	107,078	95,759
Asset-based	6,526	5,476	19,276	16,689
Transaction and fee	3,263	2,945	11,237	9,978
Total Wealth Management revenue	$ 86,809	$ 80,088	$ 254,772	$ 233,496
Tax Preparation:				
Consumer	$ 3,149	$ 2,950	$ 143,239	$ 122,678
Professional	213	199	13,697	12,936
Total Tax Preparation revenue	$ 3,362	$ 3,149	$ 156,936	$ 135,614

Note 12: Net Income (Loss) Per Share

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Numerator:				
Income (loss) from continuing operations	$ (16,733)	$ (13,424)	$ 17,457	$ 12,510
Net income attributable to noncontrolling interests	(164)	(167)	(466)	(426)
Income (loss) from continuing operations attributable to Blucora, Inc.	(16,897)	(13,591)	16,991	12,084
Loss from discontinued operations attributable to Blucora, Inc.	—	(40,528)	—	(57,981)
Net income (loss) attributable to Blucora, Inc.	$ (16,897)	$ (54,119)	$ 16,991	$ (45,897)
Denominator:				
Weighted average common shares outstanding, basic	45,459	41,635	43,749	41,404
Dilutive potential common shares	—	—	3,064	925
Weighted average common shares outstanding, diluted	45,459	41,635	46,813	42,329
Net income (loss) per share attributable to Blucora, Inc. - basic:				
Continuing operations	$ (0.37)	$ (0.33)	$ 0.39	$ 0.29
Discontinued operations	—	(0.97)	—	(1.40)
Basic net income (loss) per share	$ (0.37)	$ (1.30)	$ 0.39	$ (1.11)
Net income (loss) per share attributable to Blucora, Inc. - diluted:				
Continuing operations	$ (0.37)	$ (0.33)	$ 0.36	$ 0.29
Discontinued operations	—	(0.97)	—	(1.37)
Diluted net income (loss) per share	$ (0.37)	$ (1.30)	$ 0.36	$ (1.08)
Shares excluded	5,798	10,246	1,160	6,317

Shares excluded primarily related to the anti-dilutive effect of a net loss (for the three months ended September 30, 2017 and 2016), and stock options with an exercise price greater than the average price during the applicable periods.

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

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

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

The following discussion should be read in conjunction with our consolidated financial statements and accompanying notes included under Part 1 Item 1 of this report, as well as with our consolidated financial statements, accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2016.

Our Business

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

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

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

Strategic Transformation

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

In connection with the relocation of our corporate headquarters, we have incurred restructuring costs of approximately $6.6 million. These costs are recorded within corporate-level activity for segment purposes. See "Note 5: Restructuring" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report for additional information. We also have incurred costs that do not qualify for restructuring classification, such as recruiting and overlap in personnel expenses as we transition positions to Texas (***"Strategic Transformation Costs"***). The restructuring is now substantially complete and it is expected to be completed by early 2018.

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

Seasonality

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

Comparability

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

RESULTS OF OPERATIONS

Summary

(In thousands, except percentages)	Three months ended September 30, 2017	Three months ended September 30, 2016	Percentage Change	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Percentage Change
Revenue	$ 90,171	$ 83,237	8%	$ 411,708	$ 369,110	12%
Operating income (loss)	$ (11,326)	$ (10,508)	8%	$ 62,558	$ 51,292	22%

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

Revenue increased approximately $6.9 million due to increases of $6.7 million and $0.2 million in revenue related to our Wealth Management and Tax Preparation businesses, respectively, as discussed in the following "Segment Revenue/Operating Income" section.

Operating loss increased approximately $0.8 million, consisting of the $6.9 million increase in revenue and offset by an $7.8 million increase in operating expenses. Key changes in operating expenses were:

- $5.9 million increase in the Wealth Management segment's operating expenses primarily due to higher commissions paid to our financial advisors, which fluctuated in proportion to the change in underlying commission and advisory revenues earned on client accounts.

- $2.1 million increase in the Tax Preparation segment's operating expenses primarily due to higher maintenance fees, development costs and personnel expenses resulting from overall increased headcount supporting most functions.

- $0.2 million decrease in corporate-level expense activity primarily due to changes in headcount across most functions.

Nine months ended September 30, 2017 compared with nine months ended September 30, 2016

Revenue increased approximately $42.6 million due to increases of $21.3 million and $21.3 million in revenue related to our Wealth Management and Tax Preparation businesses, respectively, as discussed in the following "Segment Revenue/Operating Income" section.

Operating income increased approximately $11.3 million, consisting of the $42.6 million increase in revenue and offset by a $31.3 million increase in operating expenses. Key changes in operating expenses were:

- $17.1 million increase in the Wealth Management segment's operating expenses due to higher commissions paid to our financial advisors, which fluctuated in proportion to the change in underlying commission and advisory revenues earned on client accounts, and higher net personnel expenses as we continue to standardize employee benefits across our businesses.

- $10.9 million increase in the Tax Preparation segment's operating expenses primarily due to higher spending on marketing, higher professional services fees mostly related to marketing and development projects, higher data center costs related to software support and maintenance fees, increases in growth initiative investments, and higher personnel expenses resulting from overall increased headcount supporting most functions.

- $3.4 million increase in corporate-level expense activity primarily due to Strategic Transformation Costs and increased headcount supporting most functions, partially offset by lower stock-based compensation costs due to fewer grants in the current year and higher expense recognized in the prior year related to HD Vest grants in 2016, partially offset by activity within our Tax Preparation business due to prior forfeitures.

SEGMENT REVENUE/OPERATING INCOME

The revenue and operating income amounts in this section are presented on a basis consistent with accounting principles generally accepted in the U.S. (***"GAAP"***) and include certain reconciling items attributable to each of the segments. Segment information appearing in "Note 11: Segment Information" of the Notes to Unaudited Condensed Consolidated Financial

Statements in Part I Item 1 of this report is presented on a basis consistent with our current internal management financial reporting. We have two reportable segments: Wealth Management and Tax Preparation. We do not allocate certain general and administrative costs (including personnel and overhead costs), stock-based compensation, depreciation, amortization of acquired intangible assets, restructuring, other loss, net, and income taxes to segment operating results. We analyze these separately.

Wealth Management

(In thousands, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	Percentage Change	2017	2016	Percentage Change
Revenue	$ 86,809	$ 80,088	8%	$ 254,772	$ 233,496	9%
Operating income	$ 12,425	$ 11,628	7%	$ 36,684	$ 32,458	13%
Segment margin	14%	15%		14%	14%	

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

Sources of revenue

(In thousands, except percentages)			Three months ended September 30,			Nine months ended September 30,		
	Sources of Revenue	Primary Drivers	2017	2016	Percentage Change	2017	2016	Percentage Change
Advisor-driven	Commission	- Transactions - Asset levels	$ 39,432	$ 38,962	1%	$ 117,181	$ 111,070	6%
	Advisory	- Advisory asset levels	37,588	32,705	15%	107,078	95,759	12%
Other revenue	Asset-based	- Cash balances - Interest rates - Number of accounts - Client asset levels	6,526	5,476	19%	19,276	16,689	16%
	Transaction and fee	- Account activity - Number of clients - Number of advisors - Number of accounts	3,263	2,945	11%	11,237	9,978	13%
	Total revenue		$ 86,809	$ 80,088	8%	$ 254,772	$ 233,496	9%
	Total recurring revenue		$ 70,539	$ 62,543	13%	$ 203,417	$ 183,772	11%
	Recurring revenue rate		81.3%	78.1%		79.8%	78.7%	

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

Business metrics

(In thousands, except percentages and as otherwise indicated)	September 30,		
	2017	2016	Percentage Change
Total Assets Under Administration ("AUA")	$ 42,696,862	$ 38,482,620	11 %
Advisory Assets Under Management ("AUM")	$ 11,984,320	$ 10,204,448	17 %
Percentage of total AUA	28.1%	26.5%	
Number of advisors (in ones)	4,392	4,568	(4)%
Advisor-driven revenue per advisor	$ 17.5	$ 15.7	11 %

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

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

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

Wealth Management revenue increased approximately $6.7 million as discussed by each source of revenue below.

Wealth Management operating income increased approximately $0.8 million, consisting of the $6.7 million increase in revenue and offset by a $5.9 million increase in operating expenses. The increase in Wealth Management operating expenses was primarily due to higher commissions paid to our financial advisors, which fluctuated in proportion to the change in underlying commission and advisory revenues earned on client accounts.

Nine months ended September 30, 2017 compared with nine months ended September 30, 2016

Wealth Management revenue increased approximately $21.3 million as discussed by each source of revenue below.

Wealth Management operating income increased approximately $4.2 million, consisting of the $21.3 million increase in revenue and offset by an $17.1 million increase in operating expenses. The increase in Wealth Management operating expenses was primarily due to higher commissions paid to our financial advisors, which fluctuated in proportion to the change in underlying commission and advisory revenues earned on client accounts, and higher net personnel expenses as we continue to standardize employee benefits across our businesses.

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

(In thousands, except percentages)	**Three months ended September 30,**			**Nine months ended September 30,**		
	2017	**2016**	**Percentage Change**	**2017**	**2016**	**Percentage Change**
By product category:						
Mutual funds	$ 21,128	$ 20,196	5 %	$ 62,371	$ 59,021	6%
Variable annuities	12,879	12,395	4 %	36,820	35,725	3%
Insurance	3,037	3,689	(18)%	9,715	8,836	10%
General securities	2,388	2,682	(11)%	8,275	7,488	11%
Total commission revenue	$ 39,432	$ 38,962	1 %	$ 117,181	$ 111,070	6%
By sales-based and trailing:						
Sales-based	$ 15,590	$ 16,925	(8)%	$ 49,190	$ 47,703	3%
Trailing	23,842	22,037	8 %	67,991	63,367	7%
Total commission revenue	$ 39,432	$ 38,962	1 %	$ 117,181	$ 111,070	6%

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

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

Trailing commission revenue increased approximately $1.8 million and reflects an increase in the market value of the underlying assets and, to a lesser extent, the impact of new investments.

Nine months ended September 30, 2017 compared with nine months ended September 30, 2016

Sales-based commission revenue increased approximately $1.5 million primarily due to increased activity in mutual funds, insurance and general securities resulting from overall market performance, portfolio rebalancings, product availability and segment refocusing, partially offset by decreased activity in variable annuities.

Trailing commission revenue increased approximately $4.6 million and reflects an increase in the market value of the underlying assets and the impact of new investments.

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

The activity within our AUM was as follows:

(In thousands)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Balance, beginning of the period	$ 11,551,288	$ 9,814,232	$ 10,397,071	$ 9,692,244
Net increase (decrease) in new advisory assets	94,408	131,982	613,848	(1,357)
Market impact and other	338,624	258,234	973,401	513,561
Balance, end of the period	$ 11,984,320	$ 10,204,448	$ 11,984,320	$ 10,204,448

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

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

The increase in advisory revenue of approximately $4.9 million is primarily due to the increase in the beginning-of-period AUM for the three months ended September 30, 2017 compared with three months ended September 30, 2016, and the conversion of AUA to fee-based AUM.

Nine months ended September 30, 2017 compared with nine months ended September 30, 2016

The increase in advisory revenue of approximately $11.3 million is consistent with the increase in the beginning-of-period AUM for the nine months ended September 30, 2017 compared with nine months ended September 30, 2016, and the conversion of AUA to fee-based AUM.

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

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

Asset-based revenue increased $1.1 million, primarily from higher cash sweep revenues following increases in interest rates. In the current interest rate environment, and through our current clearing provider, we will not benefit from any future interest rate increases.

Nine months ended September 30, 2017 compared with nine months ended September 30, 2016

Asset-based revenue increased $2.6 million, primarily from higher cash sweep revenues following increases in interest rates. In the current interest rate environment, and through our current clearing provider, we will not benefit from any future interest rate increases.

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

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

Transaction and fee revenue increased approximately $0.3 million primarily related to advisor fee increases.

Nine months ended September 30, 2017 compared with nine months ended September 30, 2016

Transaction and fee revenue increased approximately $1.3 million primarily related to advisor fee increases.

Tax Preparation

(In thousands, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	Percentage Change	2017	2016	Percentage Change
Revenue	$ 3,362	$ 3,149	7%	$ 156,936	$ 135,614	16%
Operating income (loss)	$ (6,238)	$ (4,382)	42%	$ 83,410	$ 72,987	14%
Segment margin	(186)%	(139)%		53%	54%	

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

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

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

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

Tax Preparation revenue was comparable to the prior period.

Tax Preparation operating loss increased approximately $1.9 million, consisting of the $0.2 million increase in revenue and offset by a $2.1 million increase in operating expenses. The increase in Tax Preparation segment operating expenses was primarily due to higher maintenance fees, development costs and personnel expenses resulting from overall increased headcount supporting most functions.

Nine months ended September 30, 2017 compared with nine months ended September 30, 2016

Tax Preparation revenue increased approximately $21.3 million primarily due to growth in revenue earned from online consumer users and, to a lesser extent, increased sales of our professional tax preparer software. Online consumer revenue grew, despite a decrease in e-files, due to growth in average revenue per user, primarily resulting from price increases. The decrease in e-files is consistent with our expectations as we are in the early stages of a multi-year pivot toward profitable customers. Revenue derived from professional tax preparers increased primarily due to an increase in the number of professional preparer units sold.

Tax Preparation operating income increased approximately $10.4 million, consisting of the $21.3 million increase in revenue and offset by a $10.9 million increase in operating expenses. The increase in Tax Preparation segment operating expenses was primarily due to higher spending on marketing, higher professional services fees mostly related to marketing and development projects, higher data center costs related to software support and maintenance fees, increases in growth initiative investments, and higher personnel expenses resulting from overall increased headcount supporting most functions.

Corporate-Level Activity

(In thousands)	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	Change	2017	2016	Change
Operating expenses	$ 4,587	$ 4,907	$ (320)	$ 17,823	$ 14,066	$ 3,757
Stock-based compensation	3,132	3,364	(232)	8,434	10,616	(2,182)
Acquisition-related costs	—	—	—	—	391	(391)
Depreciation	1,023	1,137	(114)	3,216	3,386	(170)
Amortization of acquired intangible assets	8,665	8,346	319	25,337	25,694	(357)
Restructuring	106	—	106	2,726	—	2,726
Total corporate-level activity	$ 17,513	$ 17,754	$ (241)	$ 57,536	$ 54,153	$ 3,383

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

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

Operating expenses, stock-based compensation, depreciation, amortization of acquired intangible assets and restructuring were comparable to the prior period.

Nine months ended September 30, 2017 compared with nine months ended September 30, 2016

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

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

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

Amortization of acquired intangible assets were comparable to the prior period.

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

OPERATING EXPENSES

Cost of Revenue

(In thousands, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	Change	2017	2016	Change
Wealth management services cost of revenue	$ 59,607	$ 54,921	$ 4,686	$ 172,444	$ 158,213	$ 14,231
Tax preparation services cost of revenue	1,314	1,319	(5)	7,543	6,549	994
Amortization of acquired technology	50	49	1	145	765	(620)
Total cost of revenue	$ 60,971	$ 56,289	$ 4,682	$ 180,132	$ 165,527	$ 14,605
Percentage of revenue	68%	68%		44%	45%	

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

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

Wealth management services cost of revenue increased primarily due to higher commissions paid to our financial advisors, which fluctuated in proportion to the change in underlying commission and advisory revenues earned on client accounts, and higher stock-based compensation costs related to grants to certain HD Vest financial advisors.

Tax preparation services cost of revenue was comparable to the prior period.

Nine months ended September 30, 2017 compared with nine months ended September 30, 2016

Wealth management services cost of revenue increased primarily due to an increase in commissions paid to our financial advisors, which fluctuated in proportion to the change in underlying commission and advisory revenues earned on client accounts, and higher stock-based compensation costs related to grants to certain HD Vest financial advisors.

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

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

Engineering and Technology

(In thousands, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	Change	2017	2016	Change
Engineering and technology	$ 5,051	$ 4,588	$ 463	$ 14,041	$ 12,842	$ 1,199
Percentage of revenue	6%	6%		3%	3%	

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

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

Engineering and technology expenses were comparable to the prior period.

Nine months ended September 30, 2017 compared with nine months ended September 30, 2016

Engineering and technology expenses increased primarily due to an increase in professional services fees mostly related to Tax Preparation development projects.

Sales and Marketing

(In thousands, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	Change	2017	2016	Change
Sales and marketing	$ 13,680	$ 11,965	$ 1,715	$ 84,974	$ 75,715	$ 9,259
Percentage of revenue	15%	14%		21%	21%	

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

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

Sales and marketing expenses increased primarily due to a $0.6 million increase in marketing expenses and a $1.0 million increase in personnel expenses. The increase in marketing expenses was driven by increased marketing and software support in our Tax Preparation business. Personnel expenses increased primarily in our Wealth Management business due to higher headcount.

Nine months ended September 30, 2017 compared with nine months ended September 30, 2016

Sales and marketing expenses increased primarily due to a $5.8 million increase in marketing expenses and a $2.6 million increase in personnel expenses. The increase in marketing expenses was driven by increased marketing in our Tax Preparation business. Personnel expenses increased primarily as we continue to standardize employee benefits across our businesses, and higher headcount across our businesses.

General and Administrative

(In thousands, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	Change	2017	2016	Change
General and administrative	$ 12,207	$ 11,638	$ 569	$ 39,405	$ 35,899	$ 3,506
Percentage of revenue	14%	14%		10%	10%	

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

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

G&A expenses increased primarily due to a $0.8 million increase in personnel expenses, mainly related to Strategic Transformation Costs, offset by lower stock-based compensation due to fewer grants in the current year and higher expense recognized in the prior year related to the timing of grants.

Nine months ended September 30, 2017 compared with nine months ended September 30, 2016

G&A expenses increased primarily due to a $5.6 million net increase in personnel expenses, mainly related to Strategic Transformation Costs and costs associated with leadership changes at HD Vest, offset by lower stock-based compensation due to fewer grants in the current year and higher expense recognized in the prior year related to the timing of grants.

Depreciation and Amortization of Acquired Intangible Assets

(In thousands, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	Change	2017	2016	Change
Depreciation	$ 867	$ 968	$ (101)	$ 2,680	$ 2,906	$ (226)
Amortization of acquired intangible assets	8,615	8,297	318	25,192	24,929	263
Total	$ 9,482	$ 9,265	$ 217	$ 27,872	$ 27,835	$ 37
Percentage of revenue	11%	11%		7%	8%	

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

Restructuring

(In thousands, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	Change	2017	2016	Change
Restructuring	$ 106	$ —	$ 106	$ 2,726	$ —	$ 2,726
Percentage of revenue	—%	—%		1%	—%	

In connection with the Strategic Transformation, including the relocation of our headquarters, we have incurred restructuring costs of approximately $6.6 million, which includes all costs associated with our non-cancelable operating lease. While the relocation and the related costs were substantially completed by June 2017, the Company expects some costs through early 2018, primarily related to employees who will continue to provide service through that time period.

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

Other Loss, Net

(In thousands)	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	Change	2017	2016	Change
Interest income	$ (31)	$ (18)	$ (13)	$ (76)	$ (54)	$ (22)
Interest expense	4,781	7,824	(3,043)	16,746	25,396	(8,650)
Amortization of debt issuance costs	177	413	(236)	891	1,440	(549)
Accretion of debt discounts	53	1,099	(1,046)	1,893	3,599	(1,706)
(Gain) loss on debt extinguishment	183	2,205	(2,022)	19,764	(641)	20,405
Other	78	(70)	148	(69)	143	(212)
Other loss, net	$ 5,241	$ 11,453	$ (6,212)	$ 39,149	$ 29,883	$ 9,332

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

In the second and third quarter of 2017 we had a loss on debt extinguishment related to prepayments of a portion of the credit facility entered into on May 22, 2017. In the first half of 2017, the third quarter of 2016 and the nine months ended September 30, 2016, we had a loss on debt extinguishment related to the credit facility previously entered into in 2015 for the purpose of financing the HD Vest acquisition (the "TaxAct - HD Vest 2015 credit facility"). In 2016, we made prepayments on a portion of the TaxAct - HD Vest 2015 credit facility, which resulted in the acceleration of a portion of the unamortized debt discount and issuance costs. In connection with the refinancing through the senior secured credit facility that was entered into in May 2017, we paid-off the remaining TaxAct - HD Vest 2015 credit facility and wrote-off the remaining unamortized debt discount and issuance costs. Consequently, the TaxAct - HD Vest 2015 credit facility was terminated. For further detail, see "Note 7: Debt" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

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

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

(In thousands)	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	Change	2017	2016	Change
Write-off of debt discount and debt issuance costs on TaxAct - HD Vest 2015 credit facility (related to closure)	$ —	$ —	$ —	$ 9,593	$ —	$ 9,593
Write-off of debt discount and debt issuance costs on the Notes (related to termination)	—	—	—	6,715	—	6,715
Accelerated accretion of debt discount and amortization of debt issuance costs on credit facilities (related to prepayments)	183	2,205	(2,022)	3,456	5,039	(1,583)
Gain on the Notes repurchased	—	—	—	—	(7,724)	7,724
Accelerated accretion of debt discount on the Notes (related to repurchase)	—	—	—	—	1,628	(1,628)
Accelerated amortization of debt issuance costs on the Notes (related to repurchase)	—	—	—	—	416	(416)
Total (gain) loss on debt extinguishment	$ 183	$ 2,205	$ (2,022)	$ 19,764	$ (641)	$ 20,405

Nine months ended September 30, 2017 compared with nine months ended September 30, 2016

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

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

Income Taxes

We recorded income tax expense of $0.2 million and $6.0 million in the three and nine months ended September 30, 2017, respectively. Income taxes differed from taxes at the statutory rates in 2017 primarily due to the January 1, 2017 implementation of Accounting Standards Update (***"ASU"***) 2016-09 on stock-based compensation (see "Note 2: Summary of Significant Accounting Policies" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report for additional information). We recorded income tax benefit of $8.5 million and income tax expense of $8.9 million in the three and nine months ended September 30, 2016, respectively. Income taxes differed from taxes at the statutory rates in 2016 primarily due to the domestic manufacturing deduction, offset by non-deductible compensation and state income taxes.

Discontinued Operations, Net of Income Taxes

(In thousands)	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	Change	2017	2016	Change
Discontinued operations, net of income taxes	$ —	$ (40,528)	$ 40,528	$ —	$ (57,981)	$ 57,981

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

NON-GAAP FINANCIAL MEASURES

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

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

(In thousands)	**Three months ended September 30,**		**Nine months ended September 30,**	
	2017	**2016**	**2017**	**2016**
Net income (loss) attributable to Blucora, Inc.	$ (16,897)	$ (54,119)	$ 16,991	$ (45,897)
Stock-based compensation	3,132	3,364	8,434	10,616
Depreciation and amortization of acquired intangible assets	9,688	9,483	28,553	29,080
Restructuring	106	—	2,726	—
Other loss, net	5,241	11,453	39,149	29,883
Net income attributable to noncontrolling interests	164	167	466	426
Income tax expense (benefit)	166	(8,537)	5,952	8,899
Discontinued operations, net of income taxes	—	40,528	—	57,981
Acquisition-related costs	—	—	—	391
Adjusted EBITDA	$ 1,600	$ 2,339	$ 102,271	$ 91,379

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

The decrease in Adjusted EBITDA was primarily due to an increase in segment operating loss of $1.9 million related to our Tax Preparation segment, an increase in segment operating income of $0.8 million related to our Wealth Management segment, and a $0.3 million decrease in corporate operating expenses not allocated to the segments primarily due to changes in headcount across most functions.

Nine months ended September 30, 2017 compared with nine months ended September 30, 2016

The increase in Adjusted EBITDA was primarily due to increases in segment operating income of $10.4 million and $4.2 million related to our Tax Preparation and Wealth Management segments, respectively, offset by a $3.8 million increase in corporate operating expenses not allocated to the segments primarily due to Strategic Transformation Costs and increased headcount supporting most functions, partially offset by lower stock-based compensation costs.

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

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

(In thousands, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net income (loss) attributable to Blucora, Inc.	$ (16,897)	$ (54,119)	$ 16,991	$ (45,897)
Discontinued operations, net of income taxes	—	40,528	—	57,981
Stock-based compensation	3,132	3,364	8,434	10,616
Amortization of acquired intangible assets	8,665	8,346	25,337	25,694
Impairment of goodwill and intangible assets	—	—	—	—
Accretion of debt discount on the Notes	—	901	1,567	2,749
Accelerated accretion of debt discount on the Notes repurchased	—	—	—	1,628
Gain on the Notes repurchased	—	—	—	(7,724)
Write-off of debt discount and debt issuance costs on terminated Notes	—	—	6,715	—
Write-off of debt discount and debt issuance costs on terminated TaxAct - HD Vest 2015 credit facility	—	—	9,593	—
Acquisition-related costs	—	—	—	391
Restructuring	106	—	2,726	—
Impact of noncontrolling interests	164	167	466	426
Cash tax impact of adjustments to GAAP net income	(928)	(17)	(3,334)	244
Non-cash income tax (benefit) expense	224	(9,312)	6,325	6,460
Non-GAAP net income (loss)	$ (5,534)	$ (10,142)	$ 74,820	$ 52,568
Per diluted share:				
Net income (loss) attributable to Blucora, Inc.	$ (0.37)	$ (1.30)	$ 0.36	$ (1.08)
Discontinued operations, net of income taxes	—	0.97	—	1.37
Stock-based compensation	0.07	0.08	0.18	0.25
Amortization of acquired intangible assets	0.20	0.21	0.55	0.60
Accretion of debt discount on the Notes	—	0.02	0.03	0.06
Accelerated accretion of debt discount on the Notes repurchased	—	—	—	0.04
Gain on the Notes repurchased	—	—	—	(0.18)
Write-off of debt discount and debt issuance costs on terminated Notes	—	—	0.14	—
Write-off of debt discount and debt issuance costs on closed TaxAct - HD Vest 2015 credit facility	—	—	0.20	—
Acquisition-related costs	—	—	—	0.01
Restructuring	—	—	0.06	—
Impact of noncontrolling interests	0.00	0.00	0.01	0.01
Cash tax impact of adjustments to GAAP net income	(0.02)	(0.00)	(0.07)	0.01
Non-cash income tax (benefit) expense	0.00	(0.22)	0.14	0.15
Non-GAAP net income (loss)	$ (0.12)	$ (0.24)	$ 1.60	$ 1.24
Weighted average shares outstanding used in computing per diluted share amounts	45,459	41,635	46,813	42,329

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

The decrease in non-GAAP net loss was primarily due to an increase in segment operating loss of $1.9 million related to our Tax Preparation segment and an increase in segment operating income of $0.8 million related to our Wealth Management segment. Further contributing to the decrease in non-GAAP net loss was a $3.4 million decrease in interest expense, amortization of debt issuance costs, and accretion of debt discounts, primarily related to lower balances in the TaxAct - HD Vest 2015 credit facility and the Notes due to pay-off of the entire TaxAct - HD Vest 2015 credit facility and redemption of all of the Notes, respectively, in the second quarter of 2017, and a $2.0 million decrease in loss on debt extinguishment related to the TaxAct - HD Vest 2015 credit facility. The decreases in non-GAAP net loss were offset by a $0.3 million decrease in corporate operating expenses not allocated to the segments primarily due to changes in headcount across most functions.

Nine months ended September 30, 2017 compared with nine months ended September 30, 2016

The increase in non-GAAP net income was primarily due to increases in segment operating income of $10.4 million and $4.2 million related to our Tax Preparation and Wealth Management segments, respectively. Further contributing to the increase in non-GAAP net income was a $9.7 million decrease in interest expense, amortization of debt issuance costs, and accretion of debt discounts, primarily related to lower balances in the TaxAct - HD Vest 2015 credit facility and the Notes due to pay-off of the entire credit facility and redemption of all of the Notes, respectively, in the second quarter of 2017, and a $2.3 million decrease in loss on debt extinguishment related to the TaxAct - HD Vest 2015 credit facility. The increases in non-GAAP net income were offset by a $3.8 million increase in corporate operating expenses not allocated to the segments primarily due to Strategic Transformation Costs and increased headcount supporting most functions, partially offset by lower stock-based compensation costs, and a $0.8 million increase in taxes due to an increase in non-GAAP income.

LIQUIDITY AND CAPITAL RESOURCES

Cash, Cash Equivalents, and Short-Term Investments

Our principal source of liquidity is our cash, cash equivalents, and short-term investments. As of September 30, 2017, we had cash and marketable investments of approximately $78.6 million, consisting entirely of cash and cash equivalents. Our HD Vest broker-dealer subsidiary operates in a highly regulated industry and is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have substantial monetary and non-monetary impacts to HD Vest's operations. As of September 30, 2017, HD Vest met all capital adequacy requirements to which it was subject.

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

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

Use of Cash

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

On May 22, 2017, we entered into an agreement for a new senior secured credit facility for the purposes of refinancing the TaxAct - HD Vest 2015 credit facility, redeeming the Notes, and providing future working capital and capital expenditure flexibility. Consequently, the TaxAct - HD Vest 2015 credit facility was repaid in full and the commitments under the TaxAct - HD Vest revolving credit facility were terminated. The Blucora senior secured credit facility consists of a committed $50.0 million revolving credit loan, which includes a letter of credit sub-facility, and a $375.0 million term loan for an aggregate $425.0 million credit facility. The final maturity dates of the revolving credit loan and term loan are May 22, 2022 and May 22, 2024, respectively. The interest rates on the revolving credit loan and term loan are variable. The credit facility includes financial and operating covenants with respect to certain ratios, including a net leverage ratio, which are defined further in the credit facility agreement. We were in compliance with these covenants as of September 30, 2017. We initially borrowed $375.0 million under the term loan. Through the third quarter of 2017, we have made prepayments of $25.0 million million towards the term loan. We have not borrowed any amounts under the revolving credit loan. For further detail, see "Note 7: Debt" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

Related to the TaxAct - HD Vest 2015 credit facility, we had repayment activity of $64.0 million and $105.0 million during the nine months ended September 30, 2017 and 2016, respectively. Related to the Notes, we repurchased $28.4 million of the Notes' for cash of $20.7 million during the nine months ended September 30, 2016. For further detail, see "Note 7: Debt" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

On July 2, 2015, TaxAct acquired SimpleTax, which included additional consideration of up to C$4.6 million (with C$ indicating Canadian dollars and amounting to approximately $3.7 million based on the acquisition-date exchange rate). The related payments are contingent upon product availability and revenue performance over a three-year period and are expected to occur annually over that period. The first payment was made in the first quarter of 2017, and the remaining payments of $2.7 million are expected through 2019. For further detail, see "Note 6: Fair Value Measurements" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report.

Contractual Obligations and Commitments

The material events during 2017, outside of the ordinary course of our business, include debt activity (as discussed further in "Note 7: Debt"), payment of a portion of the acquisition-related contingent consideration liability (as discussed further in "Note 6: Fair Value Measurements"), estimated sublease income of $3.8 million primarily related to the sublease agreement for the Bellevue facility (as discussed further in "Note 5: Restructuring"), purchase commitments with a vendor to provide cloud computation services of $11.3 million over the next four years, and a commitment to switch to a new clearing firm provider that has been selected by the Company by the third quarter of 2018. Additional information on our Commitments and Contingencies can be found in our Annual Report on Form 10-K for the year ended December 31, 2016.

Off-balance Sheet Arrangements

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

Cash Flows

Our cash flows were comprised of the following:

(In thousands)	Nine months ended September 30,	
	2017	**2016**
Net cash provided by operating activities from continuing operations	$ 79,230	$ 88,537
Net cash provided by investing activities from continuing operations	3,283	2,225
Net cash used by financing activities from continuing operations	(58,649)	(124,571)
Net cash provided (used) by continuing operations	23,864	(33,809)
Net cash provided by discontinued operations	1,028	46,589
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	86	(15)
Net increase in cash, cash equivalents, and restricted cash	$ 24,978	$ 12,765

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

Net cash provided by operating activities was $79.2 million and $88.5 million for the nine months ended September 30, 2017 and 2016, respectively. The activity in the nine months ended September 30, 2017 included a $1.2 million working capital contribution and approximately $78.0 million of income from continuing operations (offset by non-cash adjustments). The working capital contribution primarily related to the impact of TaxAct's seasonality, HD Vest 2016 prepayments, recognition of deferred revenues in our Tax Preparation segment and restructuring activities.

The activity in the nine months ended September 30, 2016 included a $43.8 million working capital contribution and approximately $44.7 million of income from continuing operations (offset by non-cash adjustments). The working capital contribution was driven by accrued expenses and the impact of excess tax benefits from stock-based activity primarily due to utilizing net operating loss carryforwards from prior years. In addition, in connection with the acquisition of HD Vest, we had placed into escrow $20.0 million of additional consideration that was contingent upon HD Vest's 2015 earnings performance, and that amount was returned to us in the first quarter of 2016 since it was not achieved (see "Note 3: Business Combinations" of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I Item 1 of this report for additional information).

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

Net cash provided by investing activities was $3.3 million for the nine months ended September 30, 2017 and net cash from investing activities was $2.3 million for the nine months ended September 30, 2016. The activity in the nine months ended September 30, 2017 primarily consisted of net cash inflows on our available-for-sale investments of $7.1 million offset by approximately $3.8 million in purchases of property and equipment. The activity in the nine months ended September 30, 2016 consisted of a $1.8 million final working capital adjustment on the HD Vest acquisition and $2.6 million in purchases of property and equipment, offset by net cash inflows on our available-for-sale investments of $6.7 million.

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

Net cash used by financing activities was $58.6 million and $124.6 million for the nine months ended September 30, 2017 and 2016, respectively. The activity for the nine months ended September 30, 2017 primarily consisted of payments of $285.0 million in connection with the termination of the TaxAct - HD Vest credit facility, $172.8 million for redemption in full of the outstanding Notes, $6.7 million in tax payments from shares withheld for equity awards, and $0.9 million in contingent consideration paid related to the 2015 acquisition of SimpleTax. These cash outflows were offset by approximately $367.2 million in proceeds from the senior secured credit facility that was entered into in May 2017 and $39.7 million in combined proceeds from the issuance of common stock related to stock option exercises and the employee stock purchase plan.

The activity for the nine months ended September 30, 2016 primarily consisted of payments of $105.0 million on the TaxAct - HD Vest credit facility, the $20.7 million repurchase of the Notes, and $1.4 million in tax payments from shares withheld for equity awards. These cash outflows were offset by approximately $2.5 million in combined proceeds from the issuance of common stock related to stock option exercises and the employee stock purchase plan.

Critical Accounting Policies and Estimates

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

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our market risk during the nine months ended September 30, 2017, other than related to borrowings under the senior secured credit facility entered into on May 22, 2017. We borrowed $375.0 million under the term loan when we entered into the senior secured credit facility, and the interest rate on the term loan is variable at the London Interbank Offered Rate (***"LIBOR"***), subject to a floor of 1.00%, plus a margin of 3.75%. A hypothetical 100 basis point increase in LIBOR would result in a $3.5 million increase, based upon our September 30, 2017 principal amount, in our annual interest expense until the scheduled maturity date in 2024. For additional information, see Part II Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated (pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934), the effectiveness of our disclosure controls and procedures as of September 30, 2017. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e)) were effective as of September 30, 2017.

Changes in Internal Control over Financial Reporting

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

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

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

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

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

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

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

On May 22, 2017, the DOL issued a temporary enforcement policy covering the Transition Period, during which the DOL will not pursue claims against investment advice fiduciaries who are working diligently and in good faith to comply with their fiduciary duties and to meet the conditions of the prohibited transaction exemptions, or otherwise treat investment advice fiduciaries as being in violation of their fiduciary duties. The Treasury Department and IRS confirmed a similar enforcement policy covering excise taxes and related reporting obligations with respect to transactions covered by the DOL's enforcement policy.

On August 31, 2017, the DOL issued a proposed rule to delay the effective date of the Fiduciary Rule's transaction exemptions to July 1, 2019. The purpose of the proposed delay is to permit the DOL to complete the analysis required by the President's memorandum. The comment period for the proposed rule closed on September 15, 2017 but the DOL had not issued a final rule as of the date of this report. In the proposed rule, the DOL solicited comments on whether this delay should be extended beyond July 1, 2019 or made contingent upon other events, such as the conclusion of any additional substantive rulemaking affecting the Fiduciary Rule or the transaction exemptions. The proposed rule would also extend the Transition Period, and continue the DOL's previously announced temporary enforcement policy, through the pendency of any delay. The DOL also solicited comments about whether application of the enforcement policy should be made contingent on any particular factors, such as a firm's continued good faith efforts to comply with the Fiduciary Rule. We cannot predict what the DOL's final rule will provide on these matters.

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

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

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

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

Risks Related to our Financing Arrangements

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

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

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

- increasing our vulnerability to downturns in our businesses, to competitive pressures, and to adverse economic and industry conditions;

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

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

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

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

The Company moved its headquarters moved to Irving, Texas from Bellevue, Washington in June 2017, and Eric M. Emans, the Company's Chief Financial Officer, has decided not to relocate with the Company. Consequently, on October 23, 2017, Mr. Emans informed the Company that he intends to resign effective as of November 1, 2017. Upon his termination of employment, Mr. Emans will receive severance compensation in accordance with his Amended and Restated Employment Agreement, which was filed as Exhibit 10.4 to the Company’s Form 10-Q on October 27, 2016.

In connection with this announcement, on October 25, 2017 the Company entered into a Consulting Agreement with Mr. Emans that will become effective on November 2, 2017. Pursuant to the Consulting Agreement, Mr. Emans will serve as a consultant to the Company to assist with the Chief Financial Officer transition and other matters that may be requested by the Company and will receive $50,500 per month through February 28, 2018 when the Consulting Agreement terminates. In addition, Mr. Emans will receive $550,000 upon termination or expiration of the Consulting Agreement. The Consulting Agreement also contains a customary confidentiality provision and customary covenants regarding non-competition, non-recruitment, non-solicitation and non-disparagement. The foregoing description of Mr. Emans’ Consulting Agreement does not purport to be complete and is qualified in its entirety by the Consulting Agreement, a copy of which is filed as Exhibit 10.2 to this Quarterly Report on Form 10-Q and is incorporated by reference herein.

Following Mr. Emans’ notice of resignation, on October 23, 2017, the Board of Directors of the Company appointed John Palmer, the Company's Vice President - Accounting, to serve as its Principal Accounting Officer and its Principal Financial Officer, effective as of Mr. Emans’ departure from the Company on November 1, 2017 and continuing until a new Chief Financial Officer has been hired. In connection with Mr. Palmer’s appointment as Principal Accounting and Financial Officer, Mr. Palmer will receive a cash bonus of $50,000 that will be paid upon the earlier of (i) the hiring of a new Chief Financial Officer or (ii) March 31, 2018. If a new Chief Financial Officer is not hired prior to March 31, 2018, Mr. Palmer will receive an additional $10,000 per month until the new Chief Financial Officer is hired. There is no family relationship between Mr. Palmer and any director, executive officer, or person chosen by the Company to become a director or executive officer. There are no transactions to which the Company or any of its subsidiaries is a party and in which Mr. Palmer has a direct or indirect material interest subject to disclosure under Item 404(a) of Regulation S-K, and there are no arrangements or understandings between Mr. Palmer and any other persons pursuant to which he was selected to serve as the Company’s Principal Accounting and Financial Officer.

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Mr. Palmer, 51, has served as the Company's Vice President - Accounting since February 2017. Prior to joining the Company, Mr. Palmer served as Vice President and Chief Accounting Officer at Sizmek, Inc., a global technology company that provides technology-enabled advertising services, from the time it was spun-off from Digital Generation, Inc. in February 2014 until February 2017. Mr. Palmer served as Vice President and Controller at Digital Generation, Inc. from March 2003 to February 2014. Prior to that, Mr. Palmer held a variety of controller positions for technology companies, including Entrust Technologies, Inc. and Nortel Networks, Inc. He began his career working at each of KPMG and Ernst & Young.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
10.1	First Amendment to Employment Agreement dated September 5, 2017 between Blucora, Inc. and John S. Clendening	8-K	September 5, 2017	10.1	
10.2	Consulting Agreement Dated October 25, 2017 between Blucora, Inc, and Eric M. Emans				X
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101	The following financial statements from the Company's 10-Q for the fiscal quarter ended September 30, 2017, formatted in XBRL: (i) Unaudited Condensed Consolidated Balance Sheets, (ii) Unaudited Condensed Consolidated Statements of Operations, (iii) Unaudited Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Unaudited Condensed Consolidated Financial Statements				X

SIGNATURES

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

BLUCORA, INC.

By: /s/ Eric M. Emans

Eric M. Emans
Chief Financial Officer
(On behalf of the Registrant and as Principal Financial Officer)

Date: October 26, 2017

CONSULTING AGREEMENT

This Consulting Agreement ("***Consulting Agreement***") is entered into by and between Blucora, Inc., a Delaware Corporation, (the "***Company***") and Eric Emans ("***Consultant***"), as of the 25th day of October, 2017 and is to be effective as of November 2, 2017 (the "***Effective Date***"). The Company and Consultant shall be referred to herein individually as a "***Party***" and collectively as the "***Parties***."

RECITALS

Consultant was employed by the Company as its Chief Financial Officer pursuant to the Amended and Restated Employment Agreement dated January 6, 2015, as amended by Amendment No. 1 to Amended and Restated Employment Agreement by and between Blucora and Eric M. Emans dated January 22, 2016, and Amendment No. 2 to Amended and Restated Employment Agreement by and between Blucora and Eric M. Emans dated October 25, 2016 (the "***Employment Agreement***").

Consultant's employment pursuant to the Employment Agreement will terminate effective November 1, 2017, pursuant to Section 6(e) of the Employment Agreement.

The Company wishes to utilize certain services which can be performed by Consultant, and Consultant can provide and desires to render to the Company such services, and the Parties agree that it would be to their mutual advantage to execute this Consulting Agreement and thereby define the terms and conditions which shall control the rendering of services provided to the Company by Consultant.

Except as explicitly modified by this Consulting Agreement (i) Consultant will be entitled to all of the payments and benefits provided for in Section 6(e) of the Employment Agreement *in addition to* the consideration provided for in this Consulting Agreement; and (ii) the terms of the Employment Agreement will survive the termination of the Employment Agreement to the extent their survival is intended to survive such termination as provided for in the Employment Agreement.

In consideration of the promises and mutual covenants in this Consulting Agreement, the Company and Consultant agree as follows:

I. SERVICES TO BE PROVIDED BY CONSULTANT

A. Description of Services.

i. Consultant agrees to provide various services relating to the Company's financial and tax needs and requirements, and to perform for the Company such other services requested from time to time by the Company's Chief Executive Officer ("***CEO***") or the CEO's designee during the Term (as defined below). Consultant shall (i) cooperate fully and provide assistance, at the request of the Company, in the orderly transitioning of Consultant's duties and responsibilities to such other persons as the Company shall designate, (ii) transfer or otherwise make available to employees designated by the Company all of Consultant's knowledge and experience regarding the Services and the Company; and (iii) accomplish a smooth transition of Consultant's responsibilities to any successors. In addition to the specific duties and responsibilities set forth above, Consultant shall fulfill any other duties or responsibilities reasonably requested by the Company. The services to be performed by Consultant as set forth in this Section are referred to collectively as the "***Services***". In performing the Services, Consultant shall not be involved in setting Company policy.

ii. The Consultant shall report directly to the Company's CEO. Consultant agrees that Consultant shall from time to time during the Term keep the Company advised as to Consultant's progress in performing the Services hereunder and that Consultant shall, as requested by the Company, prepare written reports with respect thereto. It is understood that the time required in the preparation of such written reports shall be considered time devoted to the performance of Consultant's Services.

iii. The Company shall provide Consultant an office in Bothell, Washington, and a laptop, but Consultant shall provide all other equipment to perform the Services. Consultant agrees to travel to the Company's headquarters located at 6333 State Highway 161, Irving, Texas 75038 or at such other locations as shall be designated by the Company from time to time for one leadership team meeting per month and on an as-needed basis. Consultant agrees to make himself reasonably available by cellular phone during the Term. The Company shall be responsible for all of Consultant's travel and related expenses associated with rendering the Services, but only in accordance with the Company's existing policies and procedures on travel and other expense reimbursements. Consultant shall abide by any and all applicable laws and regulations related to the performance of the Services.

B. **Consultant's Standard of Care**. Consultant shall perform such Services in a diligent, trustworthy, and business-like manner in compliance with all applicable laws and regulations, the Company's policies (including insider-trading policies) and in accordance with this Consulting Agreement.

C. **Company's Reliance**. The Company is entering into this Consulting Agreement in reliance on Consultant's special and unique abilities in rendering the Services. Consultant represents that Consultant is duly licensed (as applicable) and has the qualifications, the experience, and the ability to properly perform the Services.

D. **Representations by Consultant**. Consultant represents to the Company that Consultant is under no contractual, legal or fiduciary obligation or burden that reasonably may be expected to interfere with Consultant's ability to perform the Services in accordance with the Consulting Agreement's terms, including without limitation any agreement or obligation to or with any other company.

E. **Nature of Relationship Between Parties**. Consultant will render the Services in this Consulting Agreement as an independent contractor. Except as otherwise specifically agreed to by the Company in writing, Consultant will have no authority or power to bind the Company with respect to third parties and Consultant shall not represent to third parties that Consultant has authority or power to bind the Company. It is not the intention of the Parties to this Consulting Agreement to create, by virtue of this Consulting Agreement, any employment relationship, trust, partnership, or joint venture between Consultant and the Company or any of its affiliates or subsidiaries, to make them legal representatives or agents of each other or to create any fiduciary relationship or additional contractual relationship among them.

II. COMPENSATION FOR SERVICES

A. **Consultant Fee**. As full compensation for the Services rendered pursuant to the Consulting Agreement, the Company shall pay Consultant a rate of $50,500 per month ("***Monthly Rate***") during the Term and a fee of $550,000 upon termination of the Consulting Agreement and all Services on February 28, 2018, or such date thereafter as may be agreed upon by the parties for completion of Services, for any reason ("***Final Fee***", and together with the Monthly Rate, the "***Consultant Fee***"), provided the Consultant presents necessary and appropriate documentation detailing the Services performed or as requested by the Company. The Consultant Fee shall be payable in accordance with the Company's standard accounting practices, and no later than (i) with respect to the Monthly Rate, thirty (30) days following the end of the month in which the Services are rendered, and (ii) with respect to the Final Fee, thirty (30) days following the end of the month in which the Consulting Agreement terminates. In addition to the Consultant Fee, and notwithstanding Section 6(e)(iii)(B) of the Employment Agreement, as additional compensation for the Services, the Company agrees, in addition to the extension of the exercise period for the stock options covered by Section 6(e)(iii)(B) of the Employment Agreement, to take all commercially reasonable actions to provide that any outstanding stock options with respect to the Company's common stock held by Consultant as of the date of this agreement, to the extent vested either pursuant to their respective vesting schedules or pursuant to the acceleration of vesting provided for in Section 6(e)(iii)(A) of the Employment Agreement, shall remain exercisable until the first to occur of June 30, 2019, or each such stock option's original expiration date.

B. **Attorneys Fees**. The Company shall pay or reimburse Consultant for the reasonable attorney or professional fees incurred by Consultant in connection with the review of the Consulting Agreement and any related documents, up to a maximum of $10,000.00, provided that Consultant provides the Company an invoice documenting such attorneys or professional fees. Such payment will be made promptly following the date the Consulting Agreement is executed.

C. **Sole Payment**. The Consultant Fee constitutes the sole compensation to which Consultant shall be entitled for performance of the Services pursuant to the Consulting Agreement. Except as set forth in this Consulting Agreement, Consultant shall not receive, and shall have no entitlement to, any further or other compensation and/or benefits in connection with this Consulting Agreement or the Services. In the event of the death or disability of Consultant, he or his heirs shall be entitled to payment of the Final Fee. If such death or disability occurs prior to February 28, 2018, the Final Fee payable to Consultant or his heirs will be reduced on a pro rata basis through the last date worked.

D. **No Benefits**. Consultant shall at all times be an independent contractor (and not an employee or agent of the Company); therefore, Consultant shall not be entitled to participate in any benefit plans or programs that the Company provides or may provide to its employees, including, but not limited to, pension, profit-sharing, medical, dental, workers' compensation, occupational injury, life insurance and vacation or sick benefits; provided, however, that Consultant will not be required to work holidays recognized by the Company or days as agreed by Consultant and the CEO.

E. **No Workers' Compensation**. Consultant understands and acknowledges that the Company shall not obtain workers' compensation insurance covering Consultant.

III. PAYMENT OF TAXES AND INDEMNIFICATION

A. **Federal, State, and Local Taxes**. Neither federal, state, or local income tax nor payroll tax of any kind shall be withheld or paid by the Company on behalf of Consultant. Consultant shall not be an employee of the Company with respect to the Services performed under this Consulting Agreement for federal, state, or local tax purposes.

B. **Notices to Consultant About Tax Duties And Liabilities**. Consultant understands that Consultant is responsible for paying, according to the applicable law, Consultant's income taxes. The Parties agree that any tax consequences or liability arising from the Company's payments to Consultant shall be the sole responsibility of Consultant. Should any state or federal taxing authority determine that any of the payments under Section II constitute income subject to withholding under any federal or state law, then Consultant agrees to indemnify and hold the Company harmless for any and all tax liability, including, but not limited to, taxes, levies, assessments, fines, interest, costs, expenses, penalties, and attorneys' fees as a result of or related to any such determination.

C. **<u>Indemnification and Insurance by the Company</u>**. Provided that Consultant is in compliance with this Consulting Agreement, the Company shall list Consultant as additional insured on its Directors and Officer's insurance policy and shall indemnify and hold harmless Consultant from and against all losses, judgments, damages, expenses (including reasonable attorneys fees and costs provided that the Company consents to Consultant's attorneys which consent shall not be unreasonably withheld), liabilities, judgments, and amounts paid in settlement (collectively "***Damages***") incurred by or asserted against Consultant arising from Consultant's performance of the Services, except for any Damages arising from any act(s) that was caused by Consultant's dishonesty, willful misconduct, or gross negligence in performing the Services.

D. **<u>Cooperation</u>**. Consultant agrees to cooperate and provide reasonable assistance, at the request of the Company, in any and all investigations or other legal, equitable or business matters or proceedings which involve any matters for which Consultant worked on or had responsibility for the Company. Consultant also agrees to be reasonably available to the Company or its representatives 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 litigation, investigation, claims or other disputed items involving the Company that relate to matters within Consultant's knowledge or responsibility during Consultant's employment. Specifically, Consultant 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; and (iii) to not voluntarily assist any such non-governmental adverse party or such non-governmental adverse party's representatives. Consultant acknowledges and understands that Consultant's obligations of reasonable cooperation under this <u>Section III.D</u> are not limited in time and may include, but shall not be limited to, the need for or availability for testimony. Consultant shall receive no additional compensation for time spent assisting the Company pursuant to this <u>Section III.D</u> other than the compensation provided for in this Consulting Agreement, provided that Consultant shall be entitled to be reimbursed for any reasonable out-of-pocket expenses incurred in fulfilling Consultant's obligations pursuant to subsections (i) and (ii) above. Nothing in this <u>Section III.D</u> is intended to interfere with Consultant's right to engage in the conduct set forth in <u>Section IV.A(ii)(c)</u>.

IV. CONFIDENTIALITY

A. **<u>Confidentiality</u>**.

i. <u>Confidential Information</u>. Consultant acknowledges that during Consultant's engagement with the Company, the Company shall provide Consultant otherwise prohibited access to Confidential Information, 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 Consulting Agreement, "***Confidential Information***" includes, all trade secrets and confidential and proprietary information of the Company, including, but not limited to: (A) financial models, 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, Consultant 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 shall not include: (1) information which is or becomes (through no improper action or inaction by Consultant) generally available to the public, (2) information that was in Consultant's possession or known by him prior to his relationship with the Company or any of its subsidiaries or affiliates; or (3) is received from a third party who did not acquire or disclose such information by a wrongful or tortious act, or a violation of this Consulting Agreement or any other agreement between the Company and such third party. Consultant will have the obligation to prove, with competent evidence, the existence of one of the foregoing exclusions. Confidential Information, whether prepared or compiled by Consultant or the Company or furnished to Consultant at any time by the Company or in connection with Consultant's work for 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 Consultant. Consultant agrees not to dispute, contest, or deny any such ownership rights either during or after Consultant's engagement with the Company. Consultant acknowledges that the Company does not voluntarily disclose Confidential Information, but rather takes precautions to prevent dissemination of Confidential Information beyond those individuals, such as Consultant, entrusted with such information. Consultant further acknowledges that the Confidential Information: (i) is entrusted to Consultant because of Consultant's engagement with the Company; and (ii) is of such value and nature as to make it reasonable and necessary for Consultant to protect and preserve the confidentiality and secrecy of the Confidential Information. Consultant 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.

ii. Non-Disclosure.

a. In exchange for the Company's agreement to provide Consultant with Confidential Information and to protect the Company's legitimate business interests, Consultant agrees to preserve and protect the confidentiality of all Confidential Information. Consultant agrees that during the Term of this Consulting Agreement and at any time thereafter: (A) Consultant 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 General Counsel of the Company, Consultant shall not, directly or indirectly, use for Consultant's own account, use 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 necessary in the proper performance of the Services and for the benefit of the Company; or (2) as otherwise permitted or required by law. Consultant shall immediately notify the General Counsel if Consultant learns of or suspects any actual or potential unauthorized use or disclosure of Confidential Information concerning the Company.

b. During the Term of this Consulting Agreement, 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. Consultant 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 Consultant's engagement with the Company and in accordance with the Company's agreement with such third party.

c. Notwithstanding any other provision of this Consulting Agreement, (i) Consultant may disclose Confidential Information when required to do so by a court of competent jurisdiction, by any governmental agency having authority over Consultant or the business of the Company or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order Consultant to divulge, disclose or make accessible such information; and (ii) nothing in this Consulting Agreement is intended to interfere with Consultant'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, Consultant 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. Consultant is hereby notified that 18 U.S.C. § 1833(b)(1) states: "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal."

iii. <u>Standstill</u>. Consultant agrees that, during the Term and for a period of two (2) years following the expiration of the Term, neither the Consultant nor any of Consultant's agents or affiliates will in any manner, directly or indirectly, without the prior written consent of the Company: (i) acquire, offer to acquire or agree to acquire any securities of the Company with the intent to engage in a control transaction of the Company, control voting over the Company or effect a "change of control" of the Company within the meaning of Section 13(d)(3) of the Exchange Act; (ii) form, join or in any way participate in a "group" (as defined in Section 13(d)(3) of the Exchange Act) with respect to any securities of the Company; (iii) make, or in any way participate in, directly or indirectly, any "solicitation" of "proxies" to vote (as such terms are used in the rules of the United States Securities and Exchange Commission), seek to advise or influence any person with respect to the voting of, any securities of the Company; or (iv) otherwise act, alone or in concert with others, to seek to control or influence the management, the Company's Board of Directors or policies of the Company (other than as expressly contemplated by the provision of advisory services under this Consulting Agreement). Consultant will promptly, but in any event within two (2) business days, provide notice to the Company in the event any third party solicits the Consultant for the purpose of assisting such third party or any other party in connection with any of the activities set forth in this <u>Section IV.A(iii)</u>.

B. **<u>Restrictive Covenants</u>.** In consideration for (i) the Company's promise to provide Confidential Information to Consultant and other consideration set forth in this Consulting Agreement, (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 Consultant, and (iii) access to the Company's customers and clients, to protect the Company's Confidential Information and business goodwill of the Company, Consultant agrees to the following restrictive covenants:

i. <u>Non-Competition</u>. Consultant agrees that during the Term and for a period through April 20, 2019 (the "***Restricted Period***"), other than in connection with Consultant's performance of the

Services, Consultant 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 Consultant and the Services to be performed by the Consultant, "***Restricted Area***" means the United States, and any other geographic area for which Consultant performed any Services or about which Consultant received Confidential Information. For purposes of this Consulting Agreement, "***Competing Business***" means H&R Block, Intuit and any other 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 Term.

ii. Non-Recruitment. Consultant agrees that for a period of twelve (12) months after the Term terminates for any reason (the "***Restricted Time***", and collectively with the Restricted Period, the "***Restricted Covenant Period***") during the Restricted Time, other than in connection with Consultant's duties for the Company, Consultant shall not, and shall not use any Confidential Information to, on behalf of Consultant 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 as of the date of this Consulting Agreement.

iii. Non-Solicitation. Consultant agrees that during the Restricted Time, other than in connection with Consultant's duties for the Company, the Consultant 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, client, vendor or supplier 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) Consultant contacted, called on, serviced or did business with during Consultant's employment with the Company; (2) Consultant learned of as a result of Consultant's employment with the Company; or (3) about whom Consultant received Confidential Information. This restriction applies only to business which is in the scope of services or products provided by the Company or any affiliate thereof as of the date of this Consulting Agreement.

iv. Non-Disparagement. Consultant 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, Consultant agrees that Consultant shall not make, publish or otherwise transmit any false or disparaging statements, whether written or oral, regarding the Company or its current or former officers, directors, executives, employees, consultants, products, business or business practices. A violation or threatened violation of this Section IV.B(iv) 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. Nothing in this Section IV.B(iv) restricts or prevents Consultant from providing truthful testimony as required by court order or other legal process or is intended to interfere with Consultant's rights set forth in Section IV.A(ii)(c).

v. Tolling. If Consultant violates any of the restrictions contained in this Section IV, the Restricted Covenant Period shall be suspended and shall not run in favor of Consultant until such time that Consultant cures the violation to the satisfaction of the Company and the period of time in which Consultant is in breach shall be added to the Restricted Covenant Period applicable to such covenant(s).

vi. Reasonableness. Consultant hereby represents to the Company that Consultant has read and understands, and agrees to be bound by, the terms of Section IV. Consultant understands that the covenants in Section IV may limit Consultant's ability to engage in certain businesses anywhere in or involving the Restricted Area during the Restricted Covenant Period, but Consultant acknowledges that Consultant shall receive Confidential Information, as well as sufficiently high remuneration from the Company to justify such restrictions. Consultant acknowledges that the geographic scope and duration of the restrictions and covenants contained in Section IV are fair and reasonable in light of (i) the nature and wide geographic scope of the operations of the Company's business; (ii) Consultant's access to Confidential Information and contact with the business in the Restricted Area; and (iii) the amount of compensation and Confidential Information that Consultant is receiving in connection with Consultant's employment with the Company. It is the desire and intent of the Parties that the provisions of Section IV 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, Consultant and the Company hereby waive any provision of applicable law that would render any provision of Section IV invalid or unenforceable.

vii. Notice. If Consultant, in the future, seeks or is offered employment, or any other position or capacity with another company or entity, Consultant agrees to inform each new employer or entity, before accepting employment, of the existence of the restrictions in Section IV. The Company shall be entitled to advise such person or subsequent employer of the provisions of Section IV and to otherwise deal with such person to ensure that the provisions of Section IV are enforced and duly discharged.

viii. Supersede Restrictive Covenants in Employment Agreement. The restrictive covenants provided for in this Section IV.B supersede and replace in their entirety the restrictive covenants provided for in the Employment Agreement including without limitation the restrictive covenants provided for in Section IV of Supplementary Terms of Employment incorporated in the Employment Agreement pursuant to Section 9 of the Employment Agreement.

C. **Agreement to Return Company Property/Documents**. Consultant agrees that (i) Consultant shall not remove, copy, alter, destroy, deface, damage or delete any property or information of the Company, in whatever form or media, whether or not embodying or recording any Confidential Information, and all copies thereof whether or not the original was deleted or destroyed, except in the proper performance of the Services or as otherwise permitted pursuant to this Consulting Agreement or applicable law or regulation as set forth in Section IV.A(ii)(c) and Section IV.A(ii)(d); and (ii) at any time upon the request of the Company or immediately upon termination of the Consulting Agreement for any reason, Consultant will promptly return to the Company all property or information of the Company, including, without limitation, Confidential Information, any Company-issued equipment or devices, documents, files, records, reports, 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 Consultant's possession, custody or control, whether prepared by Consultant or others. If at any time after the termination of Consultant's engagement for any reason, Consultant or the Company determines that Consultant has any Company property or information in Consultant's possession, custody or control, Consultant shall immediately return all such property or information, including all copies and portions thereof, to the Company.

D. **Remedies**. Consultant acknowledges that the restrictions contained in this Section IV, in view of the nature of the Company's business, are reasonable and necessary to protect the Company's legitimate business interests, goodwill and reputation, and that any violation of these restrictions 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, Consultant agrees that the Company shall be entitled to a temporary restraining order and injunctive relief restraining Consultant from the commission of any breach or threatened breach of Section IV, without the necessity of establishing irreparable harm or the posting of a bond, and to recover from Consultant 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 Consulting Agreement and enforcement of this Consulting Agreement. Nothing contained in this Consulting 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 Consultant against the Company, whether predicated on this Consulting Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the restrictions contained in Section IV or preclude injunctive relief.

V. PERIOD OF AGREEMENT; TERMINATION

A. **Period**. This Consulting Agreement is effective from the Effective Date and shall continue through February 28, 2018 unless extended in writing by mutual consent of the Parties (the "***Term***"),. This Consulting Agreement governs all Services performed by Consultant for the Company during the Term of this Consulting Agreement. The Company may terminate this Consulting Agreement for any reason, at any time, upon thirty (30) days' prior written notice to Consultant; provided however, if this Consulting Agreement is terminated prior to February 28, 2018 for any reason, the Monthly Payment shall continue to be paid in accordance with Section II.A through the end of the Term and, upon such termination, the Final Payment will be payable as provided in Section II.A. If this Consulting Agreement is terminated, and the Parties fail to execute a new Consulting Agreement, all Services will be discontinued as of the date of such termination; provided, however, Consultant shall use Consultant's best efforts to complete all Services commenced prior to such termination at the discretion of the Company.

B. **Survival**. The provisions set forth in Section III.B, Section III.C, Section III.D, and Section IV shall survive termination of this Consulting Agreement, regardless of the reason(s) for termination. In addition, all provisions of this Consulting Agreement, which expressly continue to operate after the termination of this Consulting Agreement, shall survive the Consulting Agreement's termination.

VI. MISCELLANEOUS PROVISIONS

A. **Notices**. Any notice or other communication required, permitted or desired to be given under this Consulting Agreement shall be deemed delivered when personally delivered; the next business day, if delivered by overnight courier; the same day, if transmitted by facsimile or electronic mail on a business day before noon, CST; the next business day, if otherwise transmitted by facsimile; and the third business day after mailing, if mailed by prepaid certified mail, return receipt requested, as addressed or transmitted as follows (as applicable):

If to Consultant:	Last Payroll Address on File
If to the Company:	Ann J. Bruder Chief Legal Officer 6333 N. State Hwy 161, 6th Floor Irving, TX 75038

B. **Reformation**. The Parties agree that in the event any of the terms, provisions or restrictions contained in this Consulting 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, or restriction is modified to limit its duration or scope, then the court shall have such authority to so reform the term, provision or restriction and the Parties hereto shall consider such term, provision 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 or restriction contained herein shall remain in full force and effect as originally written.

C. **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 Consulting Agreement to be invalid, illegal or unenforceable under applicable law, in whole or in part, such invalid, illegal or unenforceable portion(s) shall be limited or excluded from this Consulting Agreement to the minimum extent required, and the remaining provisions shall not be affected or invalidated and shall remain in full force and effect.

D. **Binding Effect of Agreement and Assignment**. This Consulting Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, successors, legal representatives, and permitted assigns (if any). By entering into this Consulting Agreement, the Company is relying on the unique services of Consultant; services from another company or contractor will not be an acceptable substitute. Except as provided in this Consulting Agreement, Consultant may not assign this Consulting Agreement or any of the rights or obligations set forth in this Consulting Agreement without the explicit written consent of the Company. Any attempted assignment by Consultant in violation of this paragraph shall be void. 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 Consultant’s consent and without advance notice.

E. **Waiver**. The failure of either Party to insist in any one or more instances upon performance of any terms or conditions of this Consulting Agreement shall not be construed as a waiver of future performance of any such term 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 Consulting Agreement shall be construed to be a waiver as to succeeding breaches and no waiver of any provisions of this Consulting Agreement shall constitute a waiver of any other provision of this Consulting Agreement. The breach by one party to this Consulting Agreement shall not preclude equitable relief, injunctive relief or the obligations in Section IV.

F. Controlling Law and Venue. This Consulting 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. Venue of any dispute arising out of or in connection with, or in any way related to this Consulting 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. Consultant 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 or in connection with, or in any way related to this Consulting Agreement, and agrees that Consultant shall not challenge personal jurisdiction in such courts. Consultant waives any objection that Consultant 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).

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

H. Entire Agreement. This Consulting 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, understanding and/or representations between the Parties, whether oral or written, pertaining to the subject matter of this Consulting Agreement. No oral statements or prior written material not specifically incorporated in this Consulting Agreement shall be of any force and effect, and no changes in or additions to this Consulting Agreement shall be recognized, unless incorporated in this Consulting Agreement by written amendment, such amendment to become effective on the date stipulated in it. Any amendment to this Consulting Agreement must be signed by all Parties to this Consulting Agreement. Notwithstanding the foregoing, nothing in this Consulting Agreement will affect the Company's obligations to Consultant pursuant to Section 6(e) of the Employment Agreement as modified explicitly by this Consulting Agreement.

I. Disclaimer of Reliance. Except for the specific representations expressly made by the Company in this Consulting Agreement, Consultant specifically disclaims that Consultant 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 Consulting Agreement. The Parties represent that they relied solely and only on their own judgment in making the decision to enter into this Consulting Agreement.

J. Voluntary Agreement. Consultant acknowledges that Consultant has had an opportunity to consult with an attorney or other counselor (at Consultant's own cost) concerning the meaning, import, and legal significance of this Consulting Agreement, and Consultant has read and understands this Consulting

Agreement, as signified by Consultant's signature hereto, and Consultant is voluntarily executing the same after, if sought, advice of counsel for the purposes and consideration herein expressed.

K. **Execution in Multiple Counterparts**. This Consulting 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*}

By their signatures below, the Parties certify that they have read and understand the above Consulting Agreement and agree to its terms:

CONSULTANT:	Signature: /s/ Eric Emans Printed Name: Eric Emans Date: October 25, 2017
THE COMPANY:	BLUCORA, INC. Signature: /s/ Ann J. Bruder Printed Name: Ann J. Bruder Title: Chief Legal Officer and Secretary Printed Name: Ann J. Bruder

Exhibit 31.1

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

I, John S. Clendening, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Blucora, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 26, 2017

/s/ John S. Clendening

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

Exhibit 31.2

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

I, Eric M. Emans, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Blucora, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 26, 2017

/s/ Eric M. Emans

Eric M. Emans
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

I, John S. Clendening, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Blucora, Inc. for the quarter ended September 30, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Blucora, Inc.

Dated: October 26, 2017

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

Exhibit 32.2

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

I, Eric M. Emans, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Blucora, Inc. for the quarter ended September 30, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Blucora, Inc.

Dated: October 26, 2017

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