2014
ANNUAL REPORT TO STOCKHOLDERS

BLUCORA™

NOTICE OF ANNUAL MEETING

PROXY STATEMENT

ANNUAL REPORT ON FORM 10-K

To Our Shareholders:

2014 was a busy year for Blucora. While we faced a number of challenges, we made important progress in our businesses and remain confident in our ability to drive long-term value for shareholders.

Consolidated Blucora results were below our expectations, primarily due to declines in our Search and Content segment, where Infospace struggled in the face of changing dynamics in the search marketplace. Our Tax Preparation segment performed well in the year. TaxACT continued to expand across consumer and assisted preparation product lines and drove accelerated growth in revenue and segment income. In E-Commerce, Monoprice delivered solid profitability but top line momentum slowed following execution delays and insufficient new product innovation.

While results at TaxACT last year were impressive, our model requires all of our businesses to perform well in order to meet our expectations, and we are dedicated to ensuring that performance. To that end, we appointed new Presidents at Monoprice and Infospace in the second half of 2014. I have charged both executives with revitalizing their teams, evolving core offerings, and improving execution to keep pace with market and customer demands. The outlook for each of these businesses under new leadership is encouraging.

The transformation underway at Blucora is unmistakable. In 2010, we set out to diversify our Company through a focused acquisition strategy, accelerate growth through investment and effective operations, and manage at the parent-level with discipline and cost-mindedness. To begin, we were a single business with undue dependency on one customer. Today we operate three business segments in growing digital markets under strong senior leadership. We diversified through the acquisition of quality businesses in TaxACT and Monoprice and meaningfully reduced our customer dependency in the process.

Our performance during this transition has been strong. As a result of our efforts, Blucora is significantly more diversified and better positioned for growth, stability, and profitability going forward:

Performance Scorecard *(at December 31; $ millions except per share amounts)*

	2010	2014	CAGR
Adjusted EBITDA*	$32.5	$102.9	*33%*
Non-GAAP Net Income per Share*	$1.11	$ 1.92	*15%*
Price Per Share	$8.30	$13.85	*14%*

An important part of the Blucora value-creation formula involves leveraging the tax efficiency afforded by our outsized net operating loss tax asset (the "NOL"). Since 2010 we have unlocked approximately $75 million of value in this asset through cash tax savings. Further opportunity exists, with the remaining NOL balance at approximately $570 million.

I joined the Blucora management team in November 2010 with a passionate belief we could drive a transformation of our Company and, in so doing, generate sustainable long-term value for our shareholders, delight our customers, and create meaningful career opportunities for our employees. Our journey may not be linear year-to-year, but the progress is clear and the benefits over time are compelling.

It is a distinct privilege to work at Blucora during this important period of transformation and value-creation. As always I welcome your feedback and thoughts as we continue to execute against our vision.

Sincerely,

Bill Ruckelshaus
President and CEO
Blucora, Inc.

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* Adjusted EBITDA and Non-GAAP Net Income per Share are both non-GAAP financial measures. For specific information on how these non-GAAP figures are calculated, and for reconciliation of them to GAAP figures, please see "Management's Discussion and Analysis" in our 2014 Form 10-K, a copy of which is included in this annual report to stockholders. Reconciliation of the 2010 figures can be found in our 2012 Form 10-K, which is available on our website at www.blucora.com and is on file with the SEC and available at www.sec.gov.

BLUCORA™

BLUCORA, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on May 28, 2015

TO THE STOCKHOLDERS:

Notice is hereby given that the annual meeting of stockholders of Blucora, Inc. (“***Company***”), a Delaware corporation, will be held on May 28, 2015, at 2:00 p.m. The meeting will be held in the large conference room on the 2nd floor of the Plaza Center Building, located at 10900 NE 8th Street, Bellevue, Washington 98004, for the following purposes:

1. To elect the three Class I directors nominated by the Board of Directors of the Company;
2. To ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm for the Company for 2015;
3. To approve, on an advisory basis, the compensation of the Company’s Named Executive Officers, as disclosed in this Proxy Statement;
4. To approve the Blucora, Inc. 2015 Incentive Plan; and
5. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this notice.

The Board of Directors has fixed the close of business on March 30, 2015 as the record date for the determination of stockholders entitled to notice of this meeting and the right to vote.

All stockholders are cordially invited to attend the meeting in person. However, to save the expense of additional solicitation, you are urged to vote online, by telephone, or by signing, dating, and returning the enclosed proxy card or voting instruction card as promptly as possible. For specific instructions regarding voting online, by telephone, or by mail, please see the enclosed proxy card or voting instruction card. Any stockholder attending the meeting may vote in person even if the stockholder has previously returned a proxy. Please see “Information Concerning Proxy Solicitation and Voting – Questions and Answers” in the Proxy Statement for more details on voting in person at the meeting.

By Order of the Board of Directors,

Nathan Garnett
General Counsel and Secretary

Bellevue, Washington
April 28, 2015

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THIS MEETING, PLEASE VOTE ONLINE, BY TELEPHONE, OR SIGN, DATE, AND RETURN THE ACCOMPANYING PROXY CARD IN THE ENCLOSED ENVELOPE, OR VOTE IN ACCORDANCE WITH THE INSTRUCTIONS SET FORTH ON THE ENCLOSED VOTING INSTRUCTION CARD.

BLUCORA, INC.

PROXY STATEMENT FOR
2015 ANNUAL MEETING OF STOCKHOLDERS

INFORMATION CONCERNING PROXY SOLICITATION AND VOTING

The Board of Directors of Blucora, Inc. ("***Blucora***" or the "***Company***") is soliciting proxies for the 2015 annual meeting of stockholders and any adjournment or postponement of such meeting. This Proxy Statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

The annual meeting will be held on May 28, 2015, at 2:00 p.m., in the large conference room on the 2^{nd} floor of the Plaza Center Building, at 10900 NE 8th Street, Bellevue, Washington 98004. All proxies are solicited for the purposes set forth herein and in the notice of annual meeting of stockholders that accompanies this Proxy Statement. Proxy materials, which include the Proxy Statement, form of proxy, and 2014 Annual Report to Stockholders, will be sent or otherwise distributed on or about April 28, 2015 to Stockholders of Record (as defined below).

This Proxy Statement and the 2014 Annual Report to Stockholders are also available at www.proxyvote.com.

Stockholders of Record and beneficial owners may access the form of proxy on the Internet by following the instructions on the proxy card or voting instruction card. Please note that you will not be required to provide any personal information, other than the identification number provided on the proxy card or voting instruction card, to execute a proxy.

This solicitation of proxies is made on behalf of the Company, and it will pay for all related costs. The Company has engaged Georgeson, Inc. to assist in the solicitation of proxies, and we anticipate that the costs associated with this engagement will be approximately $9,000 plus reimbursement of reasonable out-of-pocket expenses. In addition, the Company will reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. Proxies may also be solicited by certain of our directors, officers, and regular employees, without additional compensation, personally or by telephone.

The Company does not expect any matters other than those described in the Proxy Statement to come before the annual meeting. The accompanying proxy card confers on the persons named as proxies the authority to vote the shares represented by such proxy in their discretion on any other matters that may properly come before the annual meeting.

Notice Regarding Discretionary Voting by Brokers

If you hold your shares in an account with a broker, bank, or other nominee (this is called ***"Street Name"***), it is critical that you instruct your broker, bank, or other nominee to cast your vote if you want it to count in the election of directors (Proposal One), in the advisory vote to approve the compensation of our named executive officers as disclosed in this proxy statement (Proposal Three), or in the vote to approve the Blucora, Inc. 2015 Incentive Plan (Proposal Four). Pursuant to the rules of the New York Stock Exchange, if you hold your shares in Street Name your shares will not be voted on these proposals unless you instruct your broker, bank, or other nominee how to vote. In such a case, your shares will be considered "broker non-votes" with regard to such proposals because the broker, bank, or other nominee will not have discretionary authority to vote your shares. The only proposal for which brokers and banks have discretionary authority is the ratification of Ernst & Young LLP as our independent registered public accounting firm (Proposal Two).

Questions and Answers

Q: Who is entitled to vote?

A: All stockholders who owned Blucora common stock at the close of business on the record date of March 30, 2015 ("***Stockholders of Record***") are entitled to receive notice of the annual meeting and to vote the shares they own as of the record date. Each stockholder is entitled to one vote for each share of common stock held on all matters properly brought before the meeting to be voted on.

On the record date, 40,851,407 shares of our common stock were outstanding and entitled to vote, and shares were held of record by 437 stockholders. If, as of the record date, your shares were registered directly in your name with the Company's transfer agent, Computershare Shareowner Services, you are considered the Stockholder of Record with respect to those shares. The number of holders of record does not include beneficial owners of our common stock who hold their shares in Street Name.

Q: How many votes do you need at the meeting to transact business?

A: A majority of Blucora's outstanding shares as of the record date must be present at the meeting in order to hold the meeting and conduct business. This is called a quorum. In addition to shares that are voted on any matter, abstentions and broker non-votes will be considered present at the meeting for purposes of establishing a quorum.

Q: What proposals will be voted on at the meeting?

A: There are four proposals scheduled to be voted on at the meeting:

Proposal One: Election of the three Class I directors nominated by the Board of Directors of the Company;

Proposal Two: Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2015;

Proposal Three: Approval, on an advisory basis, of the compensation of the Company's Named Executive Officers, as disclosed in this Proxy Statement; and

Proposal Four: Approval of the Blucora, Inc. 2015 Incentive Plan.

Q: What are the voting options for each proposal?

A: In the election of the directors (Proposal One), you may vote *"FOR"* each of the nominees or your vote may be *"WITHHELD"* with respect to any nominee. On the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm (Proposal Two), the approval of the compensation of the Company's Named Executive Officers, as disclosed in this Proxy Statement (Proposal Three), and the approval of the Blucora, Inc. 2015 Incentive Plan (Proposal Four), you may vote *"FOR," "AGAINST,"* or *"ABSTAIN."*

Q: What are the Company's voting recommendations?

A: The Board of Directors recommends that you vote your shares *"FOR"* each nominee to the Board of Directors listed in this Proxy Statement, *"FOR"* the ratification of Ernst & Young LLP as Blucora's independent registered public accounting firm, *"FOR"* the approval of the compensation of the Company's Named Executive Officers, as disclosed in this Proxy Statement, and *"FOR"* the approval of the Blucora, Inc. 2015 Incentive Plan.

Q: What is the voting requirement to approve each of the proposals?

A: For the election of directors (Proposal One), the three nominees to the Board of Directors of the Company who receive the greatest number of *"FOR"* votes from shares present and entitled to vote at the meeting will be elected. Withheld votes and broker non-votes will have no effect on the outcome of the election of directors.

The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm (Proposal Two) requires the affirmative *"FOR"* vote of a majority of the shares voted at the meeting with respect to such proposal in order for it to be approved. Abstentions will have no effect on the outcome of the vote.

The approval, on an advisory basis, of the compensation of the Company's Named Executive Officers, as disclosed in this Proxy Statement, (Proposal Three) requires the affirmative *"FOR"* vote of a majority of the shares voted at the meeting with respect to such proposal in order for it to be approved. Abstentions and broker non-votes will have no effect on the outcome of the vote.

The approval of the Blucora, Inc. 2015 Incentive Plan (Proposal Four) requires the affirmative *"FOR"* vote of a majority of the shares voted at the meeting with respect to such proposal in order for it to be approved. Abstentions and broker non-votes will have no effect on the outcome of the vote.

Q: What if I do not vote for some of the items listed on my proxy card or voting instruction card?

A: If you provide specific voting instructions (either on your proxy card or to your broker, bank, or other nominee), your shares will be voted as you have instructed. If you are a Stockholder of Record, execute the proxy card, and do not provide voting instructions on certain matters, your shares will be voted in accordance with the Board's recommendations. If you hold your shares in Street Name and do not provide voting instructions, your broker, bank or other nominee will have discretionary authority to vote such shares ONLY on the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm (Proposal Two) and your shares will not be voted or counted on any of the other proposals.

Q: How can I vote my shares without attending the meeting?

A: Whether you hold shares directly as a Stockholder of Record or beneficially through a broker, bank, or other nominee, you may vote without attending the meeting. You may vote by granting a proxy or, for shares held in Street Name, by submitting voting instructions to your broker, bank, or other nominee. In most cases, you will be able to do this by telephone, via the Internet, or by mail. For Stockholders of Record, please refer to the summary instructions included on your proxy card. For shares held through a broker, bank, or other nominee, please refer to the voting instruction card that will be provided by your broker, bank, or other nominee.

If your shares are registered under different names, or if they are in more than one account, you may receive more than one proxy card or voting instruction card. Please follow the instructions on each proxy card or voting instruction card to ensure that all of your shares are represented at the meeting. Please sign each proxy card exactly as your name or names appear on the proxy card. For joint accounts, each owner should sign the proxy card. When signing as an executor, administrator, attorney, trustee, guardian, or other representative, please print your full name and title on the proxy card.

BY TELEPHONE OR THE INTERNET – If you have telephone or Internet access, you may submit your vote by following the instructions on the proxy card or voting instruction card.

BY MAIL – You may submit your proxy by mail by signing your proxy card or, for shares held through a broker, bank, or other nominee, by following the voting instruction card included by your broker, bank, or other nominee and mailing it in the enclosed, postage-paid envelope.

Q: How may I vote my shares in person at the meeting?

A: Shares held directly in your name as the Stockholder of Record may be voted in person at the meeting. If you hold your shares in Street Name, and you wish to vote at the meeting, you must present a legal proxy from your broker, bank or other nominee in order to vote at the meeting. If you choose to attend the meeting, please bring proof of identification for entrance to the meeting. If you hold your shares in Street Name, please also bring your proof of beneficial ownership from your bank, broker, or other nominee, such as a brokerage statement. Even if you currently plan to attend the annual meeting, the Company recommends that you submit your proxy card or voting instruction card as described above so that your vote will be counted if you later decide not to attend the meeting.

Q: How can I change my vote?

A: If you are a Stockholder of Record, you may change your vote by signing and submitting a new proxy card with a later date, voting by telephone or via the Internet as instructed above (only your latest telephone or Internet proxy is counted), or by attending the meeting and voting in person (as described above). Attending the meeting will not revoke your proxy unless you specifically request it.

If you are a Street Name holder, you should contact your broker, bank, or other nominee prior to the time such voting instructions are exercised. In general, Street Name holders may change their vote at any time prior to 11:59 p.m. on the day before the meeting date.

Q: Where can I find the voting results of the meeting?

A: The preliminary voting results will be announced at the meeting. The final results will be published in a Current Report on Form 8-K within four business days of the end of the meeting, which will be filed with the Securities and Exchange Commission and will also be available at www.blucora.com. If final results are not available within four business days of the end of the meeting, preliminary results will be published in a Current Report on Form 8-K at that time, and the final results will be published in an amended Current Report on Form 8-K/A when they are available.

Q: Is a list of registered stockholders available?

A: The Company's list of stockholders as of March 30, 2015 will be available for inspection for 10 days prior to the 2015 annual meeting and at the annual meeting for any purpose germane to the meeting. If you want to inspect the stockholder list, please call the office of the General Counsel at (425) 201-6100 to schedule an appointment.

"Householding" of Proxy Materials

The Company has adopted a procedure approved by the U.S. Securities and Exchange Commission called "householding." Under this procedure, Stockholders of Record who have the same address and last name and who do not participate in electronic delivery of proxy materials will receive only one set of the proxy materials, unless one or more of these stockholders notifies the Company that they wish to continue receiving individual copies. The Company believes this will provide greater convenience for stockholders, as well as cost savings for the Company by reducing the number of duplicate documents that are mailed.

Stockholders who participate in householding will continue to receive separate proxy cards. Householding will not in any way affect your rights as a stockholder.

If you are eligible for householding, but you and other Stockholders of Record with whom you share an address currently receive multiple copies of our proxy materials, or if you hold stock in more than one account, and in either case you wish to receive only a single copy of each of these documents for your household, please contact Broadridge, either by calling toll-free (800) 542-1061, or by writing to Broadridge Financial Solutions, Inc., Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

If you participate in householding and wish to receive a separate copy of our Annual Report to Stockholders, including the Annual Report on Form 10-K for the year ended December 31, 2014, or this Proxy Statement, or if you do not wish to participate in householding and prefer to receive separate copies of these documents in the future, please contact Broadridge as indicated above.

Street Name holders can request information about householding from their banks, brokers, or other holders of record.

PROPOSAL ONE

ELECTION OF DIRECTORS

General

The Board of Directors has set the size of the Board at nine members. Each director is assigned to one of three classes, with members in each class serving staggered three-year terms. A director serves in office until his or her successor is duly elected and qualified unless the director resigns, dies, or is unable to serve in the capacity of director due to disability or other cause. If a director resigns or is otherwise unable to serve before the end of his or her term, the Board may appoint a director to fill the remainder of that term, reduce the size of the Board, or leave the position vacant.

Nominees for Directors

Three directors are nominated for election at the 2015 annual meeting of stockholders. John Cunningham, Lance Dunn, and William Ruckelshaus are nominated for election as Class I directors with three-year terms ending in 2018. For further information on the director nominees, see "Information Regarding the Board of Directors and Committees" below. For further information on the process of director nominations and criteria for selection of director nominees, see "Director Nomination Process" below.

Unless otherwise instructed, the proxy holders will vote the proxies received by them "*FOR*" the nominees listed in this Proxy Statement. The director nominees have consented to be named in this Proxy Statement and agreed to serve as directors if elected by stockholders. In the event that any nominee to the Board of Directors is unable or declines to serve as a director at the time of the annual meeting, the proxies will be voted for a nominee who may be designated by the present Board of Directors to fill the vacancy. It is not expected that any nominees will be unable or will decline to serve as a director. Alternatively, the Board of Directors may reduce the size of the Board of Directors or maintain such vacancy.

If a quorum is present, the three nominees receiving the highest number of votes will be elected to the Board of Directors. Votes withheld from any nominee and broker non-votes will be counted for purposes of determining the presence or absence of a quorum, but will not otherwise have an effect on the outcome of the vote. Proxies cannot be voted for a greater number of persons than the number of nominees named in this Proxy Statement and on the proxy card or the voting instruction card.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE NOMINEES NAMED HEREIN.

PROPOSAL TWO

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2015

The Audit Committee of the Board of Directors has appointed Ernst & Young LLP as the Company's independent registered public accounting firm for 2015 and recommends that stockholders vote *"FOR"* ratification of this appointment. Although stockholder approval of this appointment is not required by law and is not binding on the Company, the Audit Committee will take your vote on this proposal into consideration when appointing the independent registered public accounting firm in the future. Even if you ratify the appointment of Ernst & Young LLP, the Audit Committee may in its sole discretion terminate such engagement and direct the appointment of another independent registered public accounting firm at any time during the year, although it has no current intention to do so.

Ernst & Young LLP was initially appointed by the Audit Committee in March 2012, and this appointment was ratified by stockholders at the 2012, 2013, and 2014 annual meetings. Representatives of Ernst & Young LLP are expected to be present at the meeting, with the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" PROPOSAL TWO.

PROPOSAL THREE

ADVISORY VOTE TO APPROVE THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS

In accordance with Section 14A of the Securities Exchange Act, the Company is asking stockholders to approve, on an advisory basis, the compensation of the Company's executive officers named below in "Compensation of Named Executive Officers" (the "***Named Executive Officers***").

The Board recommends a vote FOR the following resolution:

> "Resolved, that the stockholders approve, on an advisory basis, the compensation of the Named Executive Officers of Blucora, Inc., as disclosed in the Company's Proxy Statement for the 2015 annual meeting of stockholders, including the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure in the Proxy Statement."

This vote is nonbinding. The Board of Directors and the Compensation Committee expect to consider the outcome of the vote when considering future executive compensation decisions to the extent they can determine the cause or causes of any significant negative voting results.

The compensation of the Named Executive Officers is described in detail under "Compensation Discussion and Analysis and "Compensation of Named Executive Officers." Stockholders are encouraged to read the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure. The Company holds advisory votes on Named Executive Officer compensation on an annual basis, and the next such vote will be at the 2016 annual meeting of stockholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" PROPOSAL THREE.

PROPOSAL FOUR

APPROVAL OF THE BLUCORA, INC.
2015 INCENTIVE PLAN

We are asking stockholders to approve our 2015 Incentive Plan (the "***Plan***"). The Plan was adopted by the Board in April 2015 upon the recommendation of the Compensation Committee, subject to stockholder approval. The Plan will replace our Restated 1996 Flexible Stock Incentive Plan (the "***1996 Plan***"), which was originally approved by stockholders in 1996 and subsequently approved by stockholders as amended and restated, most recently in 2002. If approved by stockholders, the Plan will become effective as of May 28, 2015. No further awards will be made under the 1996 Plan after the effective date of the Plan.

Background and Reasons for the Proposal

The Board and the Compensation Committee believe that to enhance long-term stockholder value, we need to maintain competitive employee compensation, incentive, and retention programs. Providing employees and other key contributors an equity stake in our success is a vital component of these programs. The Board and Compensation Committee further believe that the number of shares of common stock currently available under the 1996 Plan is insufficient to meet our current and future equity compensation needs. Stockholder approval of the Plan is intended to ensure that we have sufficient shares available to attract and retain employees and to further our growth and development. For a discussion of awards under the Plan as components of our executive compensation program, please refer to the "Compensation Discussion and Analysis" section below.

Highlights of the Plan

The Plan includes several features that are consistent with the interests of our stockholders and sound corporate governance practices, including the following:

- *Fungible share pool.* Shares issued as restricted stock units and other full-value awards count as 2.0 shares against the number of shares authorized for issuance under the Plan.
- *No recycling of shares or "liberal share counting" practices.* Shares tendered to us or retained by us in the exercise or settlement of an award or for tax withholding may not become available again for issuance under the Plan. In addition, the gross shares subject to a stock appreciation right (SAR) award and not the net number of shares actually issued upon exercise counts against our plan reserve.
- *No automatic share replenishment or "evergreen" provision.* There is no evergreen feature pursuant to which the shares authorized for issuance under the Plan can be automatically replenished.
- *Double-trigger change in control vesting.* Awards assumed by a successor company in connection with a change in control will not automatically vest and pay out solely as a result of the change in control.
- *No liberal change in control definition.* Change in control benefits are triggered only by the occurrence, rather than stockholder approval, of a merger or other change in control event.
- *No discounted stock options or SARs.* All stock options and SARs must be issued with an exercise or grant price at fair market value.
- *No repricing without stockholder approval.* Repricing or other exchanges or buyouts of stock options and SARs are prohibited without prior stockholder approval.
- *Awards subject to clawback.* Awards under the Plan are subject to recoupment as provided in any clawback policy adopted by the Company.
- *Seven-year term for stock options and SARs.* Stock option and SARs have a maximum term of seven years.
- *No dividends on stock options or SARs.* No dividends or dividend equivalents accrue on stock options or SARs.

- *No dividends on unearned performance awards.* No dividends or dividend equivalents accrue on performance-based awards before they are earned.
- *Limit on non-employee director awards.* The Plan establishes an amount of shares that may be granted to any non-employee director in any calendar year.
- *No tax gross ups*. The Plan does not provide for the gross-up of any excise tax liability on Plan awards.
- *No reload options*. The Plan does not provide for the grant of reload stock options.

Background for Requested Share Authorization

The Plan authorizes the issuance of an additional 5,000,000 shares. If the Plan is approved, the number of shares of our common stock authorized for grant under the Plan will be equal to the sum of up to (i) 5,000,000 shares authorized under the Plan plus (ii) the number of shares remaining available for grant under the 1996 Plan as of the effective date of the Plan and (iii) the number of shares subject to awards granted under the 1996 Plan that were outstanding as of the effective date of the Plan and subsequently expire, terminate, or are otherwise surrendered, cancelled, or forfeited. As of March 31, 2015, we had the following:

Total shares underlying outstanding options	4,844,327
Weighted-average exercise price of outstanding options	$ 14.1672
Weighted-average remaining contractual life of outstanding options	4.87 years
Total shares underlying outstanding unvested restricted stock units	794,482
Total shares available for grant under the 1996 Plan	1,771,874

In setting the number of shares authorized for issuance under the Plan, the Compensation Committee and the Board considered the number of outstanding equity awards and shares available for grant under the 1996 Plan, our historical granting practices and burn rate, and the level of potential dilution that will result from adoption of the Plan.

In 2012, 2013, and 2014, the Company granted equity awards representing a total of approximately 1,711,175, 1,687,863, and 2,020,440 shares, respectively, as follows:

	2012	2013	2014
Stock options granted	1,014,200	912,237	1,483,486
Restricted stock units granted / performance stock units earned	696,975	775,626	536,954
Weighted-average common stock outstanding during the year	40,279,000	41,201,000	41,396,000
Gross burn rate (unadjusted)	4.25%	4.10%	4.88%
Gross burn rate (adjusted)[1]	5.98%	5.98%	6.18%

(1) For the purposes of calculating Gross Burn Rate (adjusted), RSU grants and earned performance shares are converted to option equivalents at a 2/1 ratio based on the Company's stock price volatility.

Our three-year average annual gross burn rate for the period from January 1, 2012 through December 31, 2014 was 4.41% on an unadjusted basis and 6.05% on an adjusted basis. As of March 31, 2015, the number of shares subject to outstanding equity awards plus the number of the shares available for grant under the 1996 Plan (an aggregate of 7,410,683 shares), represent 18.1% of our outstanding common stock on a fully diluted basis. If the Plan is approved, the potential dilution will be 30.4%. We believe our three-year average annual burn rate and level of potential dilution assuming the Plan is approved by stockholders compare favorably to our industry peers and are lower than the industry thresholds established by certain major proxy advisory firms.

Based on a review of the Company's historical practice, the recent trading price of our common stock, and advice from its independent compensation consultant, Compensia, the Compensation Committee and the Board currently believe the amounts authorized for issuance under the Plan will be sufficient to cover awards for at least

2.5 years. Our future burn rate will depend on a number of factors, including the number of participants in the Plan, the price per share of our common stock, any changes to our compensation strategy, changes in business practices or industry standards, changes in the compensation practices of our competitors, or changes in compensation practices in the market generally, and the methodology used to establish the equity award mix.

The closing sale price of a share of our common stock on the NASDAQ Global Select Market on March 31, 2015 was $13.66 per share.

Summary of the Plan

The complete text of the Plan is attached to this proxy statement as *Appendix A*. The following description of the Plan is a summary of certain provisions of the Plan and is qualified in its entirety by reference to the full text of the Plan.

Purpose

The purpose of the Plan is to attract, retain, and motivate employees, officers, directors, consultants, agents, advisors, and independent contractors of the Company and its related companies by providing them with the opportunity to acquire a proprietary interest in the Company and to align their interests and efforts to the long-term interests of the Company's stockholders.

Administration

The Plan will be administered by the Board or the Board's Compensation Committee, which must be composed of two or more directors, each of whom is a "non-employee director" within the meaning of Rule 16b-3(b)(3) under the Exchange Act, and an "outside director" within the meaning of Section 162(m) of the Code. The Board may delegate concurrent administration of the Plan to different committees consisting of one or more members of the Board in accordance with the Plan's terms. In addition, the Board or the Compensation Committee may delegate granting authority to one or more officers of the Company in accordance with the Plan's terms. References to the "Committee" in this plan description are, as applicable, to the Board or the Compensation Committee, or other committee or officers authorized to administer the Plan.

The Committee is authorized to select the individuals to be granted awards, the types of awards to be granted, the number of shares to be subject to awards, and the other terms, conditions, and provisions of such awards, as well as to interpret and administer the Plan and any award or agreement entered into under the Plan.

Eligibility

Awards may be granted under the Plan to employees, officers, directors, consultants, agents, advisors, and independent contractors of the Company and its related companies selected by the Committee. As of March 31, 2015, approximately 550 people were eligible to receive grants under the Plan.

Number of Share; Limitations

Subject to adjustment as provided in the Plan, the number of shares of common stock initially authorized for issuance under the Plan is 5,000,000 shares. In addition, as of the date of stockholder approval of the Plan, any shares not issued or subject to outstanding awards under the 1996 Plan plus any shares then subject to outstanding awards under the 1996 Plan that subsequently cease to be subject to such awards (other than by reason of exercise or settlement of the awards in shares) will automatically become available for issuance under the Plan, up to an aggregate maximum of 5,600,000 shares. The shares of common stock issuable under the Plan will consist of authorized and unissued shares or shares now held or subsequently acquired by the Company as treasury shares.

Directors who are not employees of the Company may not be granted any award or awards denominated in shares that exceed in the aggregate $700,000 in value in any fiscal year, plus an additional $700,000 in value for one-time awards to a newly appointed or elected non-employee director.

Subject to adjustment as provided in the Plan as proposed to be amended, a maximum of 5,000,000 shares of common stock is available for issuance under incentive stock options.

Share Counting and Fungible Pool

If any award lapses, expires, terminates, or is canceled prior to the issuance of shares or if shares are issued under the Plan and thereafter are forfeited to the Company, the shares subject to such awards and the forfeited shares will again be available for issuance under the Plan. The following shares will not become available for issuance under the Plan:

- shares tendered by a participant as full or partial payment upon exercise of a stock option;
- the gross number of shares subject to any grant of SARs; and
- shares withheld by, or otherwise tendered to, the Company to satisfy a participant's tax withholding obligations with respect to the grant, vesting, or exercise of an award.

Awards granted in assumption of or in substitution for awards previously granted by an acquired company will not reduce the number of shares authorized for issuance under the Plan.

The number of shares available for issuance under the Plan will be reduced on a one-for-one basis for any shares delivered upon the exercise or settlement of options or SARs and by 2.0 shares for every one share delivered in settlement for any awards other than options or SARs, such as restricted stock units.

Types of Awards

The Plan permits the granting of any or all of the following types of awards:

Stock Options. Stock options entitle the holder to purchase a specified number of shares of common stock at a specified price, which is called the exercise price, subject to the terms and conditions of the stock option grant. The Committee may grant either incentive stock options, which must comply with Section 422 of the Code, or nonqualified stock options. The Committee sets exercise prices and terms, except that stock options must be granted with an exercise price not less than 100% of the fair market value of our common stock on the date of grant (excluding stock options granted in connection with assuming or substituting stock options in acquisition transactions). Unless the Committee determines otherwise, fair market value means, as of a given date, the closing price of our common stock. At the time of grant, the Committee determines when stock options are exercisable and what the term of the stock options will be, except that the term cannot exceed seven years.

In the event of termination of service with the Company or a related company, a participant will be able to exercise his or her stock option for the period of time and on the terms and conditions determined by the Committee and stated in the stock option agreement.

Stock Appreciation Rights (SARs). The Committee may grant SARs as a right in tandem with the number of shares underlying stock options granted under the Plan or as a freestanding award. Upon exercise, SARs entitle the holder to receive payment per share in stock or cash, or in a combination of stock and cash, equal to the excess of the share's fair market value on the date of exercise over the grant price of the SAR. The grant price of a tandem SAR is equal to the exercise price of the related stock option and the grant price for a freestanding SAR is determined by the Committee in accordance with the procedures described above for stock options. Exercise of an SAR issued in tandem with a stock option will reduce the number of shares underlying the related stock option to the extent of the SAR exercised. The term of a freestanding SAR cannot be more than seven years, and the term of a tandem SAR cannot exceed the term of the related stock option.

Stock Awards, Restricted Stock, and Stock Units. The Committee may grant awards of shares of common stock or awards designated in units of common stock. These awards may be made subject to repurchase or forfeiture restrictions at the Committee's discretion. The restrictions may be based on continuous service with the Company or the achievement of specified performance criteria, as determined by the Committee. Stock units may be paid in stock or cash or a combination of stock and cash, as determined by the Committee.

Performance Awards. The Committee may grant performance awards in the form of performance shares or performance units. Performance shares are units valued by reference to a designated number of shares of common stock. Performance units are units valued by reference to a designated amount of property other than shares of common stock. Performance shares and performance units may be payable upon the attainment of performance criteria and other terms and conditions as established by the Committee. Performance awards may be payable in stock, cash or other property, or a combination thereof.

Other Stock or Cash-Based Awards. The Committee may grant other incentives denominated in shares of common stock or in cash, which may be payable in shares of common stock or cash or a combination of both, subject to the terms of the Plan and any other terms and conditions determined by the Committee.

No Repricing

Without stockholder approval, the Committee is not authorized to (a) lower the exercise or grant price of an option or SAR after it is granted, except in connection with certain adjustments to our corporate or capital structure permitted by the Plan, such as stock splits, (b) cancel a stock option or SAR at a time when its exercise or grant price exceeds the fair market value of the underlying stock, in exchange for cash, another stock option or SAR, restricted stock or other equity award, unless the cancellation and exchange occur in connection with a merger, acquisition, spin-off or similar corporate transaction or (c) take any other action that is treated as a repricing under generally accepted accounting principles.

Performance-Based Compensation under Section 162(m)

Performance Goals and Criteria. Under Section 162(m) of the Code, we are generally prohibited from deducting compensation paid to our principal executive officer and our three other most highly compensated executive officers (other than our principal financial officer) in excess of $1 million per person in any year. However, compensation that qualifies as "performance-based" is excluded for purposes of calculating the amount of compensation subject to the $1 million limit. If the Plan is approved by our stockholders, the Compensation Committee will have the flexibility to grant awards under the Plan that are intended to qualify as "performance-based" compensation under Section 162(m) of the Code.

For awards intended to qualify as "performance-based" compensation under Section 162(m) of the Code, the performance criteria must be set by the Compensation Committee at the start of each performance period and must be based on one or a combination of two or more of the following performance criteria as reported or calculated by the Company: cash flows (including, but not limited to, operating cash flow, free cash flow or cash flow return on capital); working capital; earnings per share; book value per share; operating income (including or excluding depreciation, amortization, extraordinary items, restructuring charges, or other expenses); revenues; operating margins; return on assets; return on equity; debt; debt plus equity; market or economic value added; stock price appreciation; total stockholder return; cost control; strategic initiatives; market share; net income; return on invested capital; improvements in capital structure; or customer satisfaction, employee satisfaction, services performance, subscriber, cash management, or asset management metrics.

The performance goals also may be based on the achievement of specified levels of performance for the Company as a whole (or of any affiliate or business unit) under one or more of the performance criteria described above relative to the performance of other corporations.

The Compensation Committee may provide in any award of performance-based compensation that any evaluation of performance may include or exclude any of the following events that occur during a performance period: asset write-downs; litigation or claim judgments or settlements; the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results; any reorganization and restructuring programs; extraordinary, unusual and/or nonrecurring items of gain or loss, that in all of the foregoing the Company identifies in its audited financial statements, including notes to the financial statements, or the Management's Discussion and Analysis section of our periodic reports; acquisitions or divestitures; foreign exchange gains and losses; gains and losses on asset sales; and impairments.

With respect to any award intended to be performance-based compensation, the Compensation Committee must establish and administer the performance criteria in a manner that satisfies the requirements of Section 162(m) of the Code.

Adjustments. Awards that are intended to qualify as "performance-based" compensation under Section 162(m) of the Code may be adjusted downwards but not upwards. In addition, achievement of the applicable performance goals related to an award may not be waived, except in the case of the participant's death or disability. Section 162(m) of the Code requires that a qualifying committee certify that performance goals were achieved before the payment of the "performance-based" compensation.

Limitations. Subject to certain adjustment as provided in the Plan, participants who are granted awards intended to qualify as "performance-based" compensation may not be granted awards, other than performance units, for more than 1,500,000 shares of common stock in any calendar year. However, additional one-time grants of such awards may be granted for up to 1,500,000 shares to newly hired or newly promoted individuals. The maximum dollar value payable to any participant with respect to performance units or any other awards payable in cash that are intended to qualify as "performance-based" compensation cannot exceed $3,000,000 in any calendar year.

Change in Control

Effect of Change in Control. Under the Plan, unless the Committee determines otherwise in the instrument evidencing an award or in a written employment, services or other agreement between a participant and the Company or a related company, in the event of a change in control:

- If the change in control is a company transaction in which awards, other than performance shares and performance units, could be converted, assumed, substituted for or replaced by the successor company, then, to the extent that the successor company converts, assumes, substitutes for, or replaces such awards, the vesting restrictions and forfeiture provisions applicable to such awards will not be accelerated or lapse, and all such vesting restrictions and forfeiture provisions will continue with respect to any shares of the successor company or other consideration that may be received with respect to such awards. To the extent such outstanding awards are not converted, assumed, substituted for, or replaced by the successor company, such awards will become fully vested and exercisable or payable, and all applicable restrictions or forfeiture provisions will lapse, immediately prior to the change in control. Such awards will then terminate at the effective time of the change in control.
- If the change in control is not a company transaction in which awards, other than performance shares and performance units, could be converted, assumed, substituted for, or replaced by the successor company, all outstanding awards, other than performance shares and performance units, will become fully vested and exercisable or payable, and all applicable restrictions or forfeiture provisions will lapse, immediately prior to the change in control. Such awards will then terminate at the effective time of the change in control.
- All performance shares and performance units earned and outstanding as of the date the change in control occurs and for which the payout level has been determined will be payable in full in accordance with the payout schedule included in the instrument evidencing the award. Any remaining outstanding

performance shares or performance units for which the payout level has not been determined will be prorated at the target payout level up to and including the date of the change in control and will be payable in accordance with the payout schedule included in the instrument evidencing the award.

- The Committee may in its discretion instead provide that a participant's outstanding awards will terminate in exchange for a cash payment.

Definitions of Change in Control and Company Transaction. Unless the Committee determines otherwise with respect to an award at the time it is granted or unless otherwise defined for purposes of an award in a written employment, services or other agreement between a participant and the Company or a related company, a change in control of the Company generally means the occurrence of any of the following events:

- an acquisition by any individual, entity or group of beneficial ownership of 40% or more of either (a) the then outstanding shares of common stock or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (generally excluding any acquisition directly from the Company, any acquisition by the Company, any acquisition by any employee benefit plan of the Company or a related company, or an acquisition pursuant to certain related party transactions);
- a change in the composition of the Board during any two-year period such that the incumbent Board members cease to constitute at least a majority of the Board (not including directors whose election, or nomination for election by stockholders, was approved by a majority of the incumbent Board); or
- consummation of a company transaction, which is generally defined as a merger or consolidation, a sale of all of the Company's outstanding voting securities, or a sale, lease or other transfer of all or substantially all of the assets of the Company, unless (a) after such transaction the beneficial owners of common stock and voting securities immediately prior to the transaction retain at least 50% of such common stock and voting securities of the company resulting from such transaction, (b) no person beneficially owns 40% or more of the then outstanding common stock or voting securities of the company resulting from such transaction, and (c) at least a majority of the board of directors of the company resulting from such transaction were incumbent directors of the Company prior to such transaction.

If we dissolve or liquidate, unless the Committee determines otherwise, outstanding awards will terminate immediately prior to such dissolution or liquidation.

Significant Operating Unit Transaction

In the event of a sale or other disposition of one of the Company's operating units (a "Significant Operating Unit"), the Committee will have the discretion to determine the effect of such sale or disposition on grants held by employees of the Significant Operating Unit. The Committee's options in such situation include, but are not limited to (a) arranging for the assumption of the awards by the successor company, (b) acceleration of vesting of the awards, and (c) termination of the awards in exchange for cash or other property.

Adjustment of Shares

If any change is made in the stock subject to the Plan, or subject to any award, without the receipt of consideration by us (through stock dividend, stock split, spin-off, combination or exchange of shares, recapitalization, merger, consolidation, distribution to stockholders other than a normal cash dividend or other change in our corporate or capital structure not involving the receipt of consideration by us), or in the event of an extraordinary cash dividend, then the Committee will make proportional adjustments to (a) the maximum number and kind of securities available for issuance under the Plan, (b) the maximum number and kind of securities issuable as incentive stock options, (c) the maximum number and kind of securities issuable as "performance-based" compensation under Section 162(m) of the Code and (d) the number and kind of securities subject to any outstanding awards and the per share price of such securities.

Term, Termination, and Amendment

Unless earlier terminated by the Board or the Compensation Committee, the Plan will terminate, and no further awards may be granted, ten years after the date on which it is approved by stockholders. The Board or the Compensation Committee may amend, suspend, or terminate the Plan at any time, except that, if required by applicable law, regulation, or stock exchange rule, stockholder approval will be required for any amendment, and only the Board may amend the Plan if stockholder approval of the amendment is required. The amendment, suspension or termination of the Plan or the amendment of an outstanding award generally may not, without a participant's consent, materially adversely affect any rights under an outstanding award.

Recoupment of Awards

Awards made under the Plan are subject to the requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act and any implementing rules and regulations regarding the recoupment or clawback of incentive compensation, similar rules and laws in other jurisdictions, and any compensation recoupment or clawback policies we may have in place from time to time.

U. S. Federal Income Tax Considerations

The following is a general summary of the U.S. federal income tax consequences of awards under the Plan to us and to participants in the Plan who are citizens or residents of the United States for U.S. federal tax purposes. The summary is based on the Code, applicable Treasury Regulations and administrative and judicial interpretations thereof, each as in effect on the date of this proxy statement and is, therefore, subject to future changes in the law, possibly with retroactive effect. The summary is general in nature and does not purport to be legal or tax advice. Furthermore, the summary does not address issues relating to any U.S. gift or estate tax consequences or the consequences of any state, local, or foreign tax laws.

Nonqualified Stock Options. A participant generally will not recognize taxable income upon the grant or vesting of a nonqualified stock option with an exercise price at least equal to the fair market value of our common stock on the date of grant and no additional deferral feature. Upon the exercise of a nonqualified stock option, a participant generally will recognize compensation taxable as ordinary income in an amount equal to the difference between the fair market value of the shares underlying the option on the date of exercise and the option exercise price. When a participant sells the shares acquired upon exercise, the participant will have short-term or long-term capital gain or loss, as the case may be, equal to the difference between the amount the participant received from the sale and the tax basis of the shares sold. The tax basis of the shares generally will be equal to the greater of the fair market value of the shares on the exercise date or the option exercise price.

Incentive Stock Options. A participant generally will not recognize taxable income upon the grant of an incentive stock option. If a participant exercises an incentive stock option during employment as an employee or within three months after his or her employment ends (12 months in the case of permanent and total disability), the participant will not recognize taxable income at the time of exercise for regular U.S. federal income tax purposes (although the participant generally will have taxable income for alternative minimum tax purposes at that time as if the option were a nonqualified stock option). If a participant sells or otherwise disposes of the shares acquired upon exercise of an incentive stock option after the later of (a) one year from the date the participant exercised the option and (b) two years from the grant date of the option, the participant generally will recognize long-term capital gain or loss equal to the difference between the amount the participant received in the disposition and the option exercise price. If a participant sells or otherwise disposes of shares acquired upon exercise of an incentive stock option before these holding period requirements are satisfied, the disposition will constitute a "disqualifying disposition," and the participant generally will recognize taxable ordinary income in the year of disposition equal to the excess of the fair market value of the shares on the date of exercise over the option exercise price (or, if less, the excess of the amount realized on the disposition of the shares over the option exercise price). The balance of the participant's gain on a disqualifying disposition, if any, will be taxed as short-term or long-term capital gain, as the case may be.

With respect to both nonqualified stock options and incentive stock options, special rules apply if a participant uses shares of our common stock already held by the participant to pay the exercise price or if the shares received upon exercise of the option are subject to a substantial risk of forfeiture by the participant.

Stock Appreciation Rights. A participant generally will not recognize taxable income upon the grant or vesting of an SAR with a specified grant price at least equal to the fair market value of our common stock on the date of grant and no additional deferral feature. Upon the exercise of an SAR, a participant generally will recognize compensation taxable as ordinary income in an amount equal to the difference between the fair market value of the shares underlying the SAR on the date of exercise and the specified grant price of the SAR. When a participant sells any shares acquired upon exercise, the participant generally will have short-term or long-term capital gain or loss, as the case may be, equal to the difference between the amount the participant received from the sale and the tax basis of the shares sold. The tax basis of the shares generally will be equal to the greater of the fair market value of the shares on the exercise date or the total base value.

Restricted Stock Awards. A recipient of a restricted stock award generally will recognize compensation taxable as ordinary income when the shares cease to be subject to restrictions in an amount equal to the excess of the fair market value of the shares on the date the restrictions lapse over the amount, if any, paid by the participant with respect to the shares.

Instead of postponing the federal income tax consequences of a restricted stock award until the restrictions lapse, the participant may elect to recognize compensation taxable as ordinary income in the year of the award in an amount equal to the fair market value of the shares at the time of receipt. This election is made under Section 83(b) of the Code. A Section 83(b) election is made by filing a written notice with the Internal Revenue Service office with which the participant files his or her federal income tax return. The notice must be filed within 30 days of the date of grant of the restricted stock award for which the election is made and must meet certain technical requirements.

The tax treatment of a subsequent disposition of restricted stock will depend upon whether the participant has made a timely and proper Section 83(b) election. If the participant makes a timely and proper Section 83(b) election, when the participant sells the restricted shares, the participant will have short-term or long-term capital gain or loss, as the case may be, equal to the difference between the amount the participant received from the sale and the tax basis of the shares sold. If no Section 83(b) election is made, any disposition after the restrictions lapse generally will result in short-term or long-term capital gain or loss, as the case may be, equal to the difference between the amount the participant received from the sale and the tax basis of the shares sold. The tax basis of the shares generally will be equal to the amount, if any, paid by the participant with respect to the shares, plus the amount of taxable ordinary income recognized by the participant either at the time the restrictions lapsed or at the time of the Section 83(b) election, as the case may be. If the participant forfeits the shares to the Company (e.g., upon the participant's termination prior to expiration of the restriction period), the participant may not claim a deduction with respect to the income recognized as a result of making a Section 83(b) election.

Restricted Stock Units. A participant generally will not recognize income at the time a restricted stock unit is granted. When any part of a restricted stock unit is issued or paid, the participant generally will recognize compensation taxable as ordinary income at the time of such issuance or payment in an amount equal to the cash and then fair market value of any shares the participant receives.

Performance Share or Performance Unit Awards. A participant generally will not recognize income at the time a performance share or performance unit award is granted. When any part of a performance share or performance unit award is issued or paid, the participant generally will recognize compensation taxable as ordinary income at the time of such issuance or payment in an amount equal to the cash and then fair market value of any shares the participant receives.

Other Awards. The U.S. federal income tax consequences of other awards under the Plan will depend upon the specific terms of each award.

Tax Consequences to Us. In the foregoing cases, we generally will be entitled to a deduction at the same time, and in the same amount, as a participant recognizes ordinary income, subject to certain limitations imposed under the Code.

Section 409A of the Code. We intend that awards granted under the Plan comply with, or otherwise be exempt from, Section 409A of the Code, but make no representation or warranty to that effect.

Section 162(m) of the Code. Under Section 162(m) of the Code, we are generally prohibited from deducting compensation paid to our chief executive officer and three other most highly compensated executive officers (other than the chief financial officer) in excess of $1 million per person in any year. Compensation that qualifies as "performance-based" is excluded for purposes of calculating the amount of compensation subject to the $1 million limit. If the Plan is approved by our stockholders, the Compensation Committee will have the flexibility to grant awards under the Plan that are intended to qualify as "performance-based" compensation under Section 162(m) of the Code.

Tax Withholding. We are authorized to deduct or withhold from any award granted or payment due under the Plan, or require a participant to remit to us, the amount of any withholding taxes due in respect of the award or payment and to take such other action as may be necessary to satisfy all obligations for the payment of applicable withholding taxes. We are not required to issue any shares of our common stock or otherwise settle an award under the Plan until all tax withholding obligations are satisfied.

Plan Benefits

All awards to employees, officers, and consultants under the Plan are made at the discretion of the Compensation Committee. Therefore, the benefits and amounts that will be received or allocated to such individuals under the Plan are not determinable at this time. However, please refer to the description of grants made to our named executive officers in the last fiscal year described in the "Grants of Plan-Based Awards in 2014" table below. Grants made to our non-employee directors in the last fiscal year are described under "Director Compensation" below.

The approval of the Plan requires the affirmative "FOR" vote of a majority of shares voted at the meeting on the proposal.

THE BOARD RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE BLUCORA, INC. 2015 INCENTIVE PLAN.

EQUITY COMPENSATION PLAN INFORMATION

Our stockholders have approved the 1996 Plan and the 1998 Employee Stock Purchase Plan. These plans are described in detail in “Note 9: Stockholders’ Equity” in the Notes to Consolidated Financial Statements included in Part II Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2014. The table below sets forth information as of December 31, 2014 regarding securities of the Company to be issued and available for issuance under the Company’s equity compensation plans:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights	(b) Weighted-average exercise price of outstanding options, warrants, and rights (1)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders	5,097,247(2)	$14.21	2,867,947(3)
Equity compensation plans not approved by stockholders	—	—	—
Total	5,097,247	$14.21	2,867,947

(1) Consists of the weighted-average exercise price of outstanding options, as rights do not have an exercise price.

(2) Consists of 4,343,825 shares of common stock issuable upon exercise of outstanding options and 753,422 shares of common stock issuable upon vesting of RSUs granted under the 1996 Plan.

(3) Includes 2,574,232 shares available for future grant under the 1996 Plan and 293,715 shares available for future grant under the 1998 Employee Stock Purchase Plan.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND COMMITTEES

The "Director Nominees" and "Continuing Directors" sections below set forth the business experience during at least the past five years for each nominee and each of the directors whose term of office will continue after the 2015 annual meeting of stockholders. In addition, these sections include a brief discussion of the specific experience, qualifications, attributes, and skills that led to the conclusion that each of the directors and nominees should continue to serve on the Board of Directors. The Board of Directors nominates candidates for election after receiving recommendations from the Nominating and Governance Committee, which bases its recommendations on the criteria set forth in the Director Nomination Policy, as described below under "Director Nomination Process." The Board of Directors believes that the directors and nominees have an appropriate balance of knowledge, experience, attributes, skills, and expertise as a whole to ensure the Board of Directors appropriately satisfies its oversight responsibilities and acts in the best interests of stockholders.

Class I Director Nominees

The names of the director nominees, who are Class I directors and who are nominated for election to terms that expire in 2018, and certain information about them are set forth below:

Name of Director	Age	Positions with Blucora	Director Since
John E. Cunningham, IV	57	Chairman	1998
Lance G. Dunn	52	Director	2012
William J. Ruckelshaus	50	President and Chief Executive Officer	2007

John Cunningham has served as a director of Blucora since 1998 and as the Chairman of the Board of Directors since 2011. Mr. Cunningham also served as Lead Independent Director of Blucora prior to serving as Chairman. Mr. Cunningham has been a general partner of Clear Fir Partners, L.P., a venture capital investment partnership, since February 1998. He previously served as Chief Executive Officer of RealCom Office Communications Inc., a national telecom services company. Mr. Cunningham also formerly served as a board member and non-executive Chairman of Citel Technologies, Inc., a telecommunications company. Currently, Mr. Cunningham serves as a board member of RealNetworks, Inc., AudienceScience, Inc., and Qliance, Inc., and as an advisor to Petra Growth Fund II and Fund III.

Relevant Qualifications and Experience: Mr. Cunningham has extensive experience in, and a significant knowledge of, the technology industry from his work with various technology companies as an executive, investor, advisor, and director. Mr. Cunningham also has significant experience with Blucora gained through 17 years as a director. The Board believes that Mr. Cunningham's extensive experience as a venture capitalist in multiple industries, as an executive, and as a board member and advisor to public and private companies and non-profit organizations provides insight and guidance that assists the Board in its oversight obligations and makes him a valued advisor to the Board and management.

Lance Dunn has served as a director of Blucora since 2012. Mr. Dunn was a co-founder and Chief Executive Officer of TaxACT, Inc. (formerly 2nd Story Software, Inc.) until January 31, 2012, when Blucora acquired TaxACT. From the closing of this acquisition until August 2012, Mr. Dunn served as TaxACT's Vice President, Development. Prior to co-founding TaxACT in 1998, Mr. Dunn was Vice President of Software Development at Parsons Technology, Inc., where he played a significant role in the development and growth of Parson's tax software.

Relevant Qualifications and Experience: As the co-founder and former CEO of the Company's TaxACT business, Mr. Dunn brings significant experience and background to the Board with respect to an industry and business that is important to the Company's success. The Board also believes that Mr. Dunn's extensive experience as a technology executive provides insight and guidance that assists the Board in its oversight and strategy roles.

Proxy

William Ruckelshaus has served as a director of Blucora since 2007. Mr. Ruckelshaus has also served as President and Chief Executive Officer of Blucora since November 2010. Prior to his appointment as President and Chief Executive Officer of Blucora, Mr. Ruckelshaus served as Chief Financial Officer of AudienceScience, Inc., a digital advertising and technology company, from May 2006 to November 2010. Mr. Ruckelshaus also served as Chief Operating Officer of AudienceScience for two years. From July 2002 to April 2006, he served as Senior Vice President, Corporate Development at Expedia, Inc., an online travel agency, where he oversaw Expedia's mergers and acquisitions and led corporate strategic planning.

Relevant Qualifications and Experience: Mr. Ruckelshaus has relevant experience as an executive in the technology industry and a strong background in finance, strategy, and mergers and acquisitions. Mr. Ruckelshaus also has significant familiarity with Blucora as President and Chief Executive Officer. His day-to-day leadership of the Company gives him critical insights into the Company's operations, strategy, and competition, and allows him to facilitate the Board's ability to perform its critical oversight function. The Board believes that Mr. Ruckelshaus's experience as an executive and director provides him with insight into the Board's oversight role, and that as President and Chief Executive Officer, Mr. Ruckelshaus plays an important role in the Board's processes.

Continuing Directors

Class II – Terms expiring in 2016

The names of the continuing Class II directors, whose terms expire in 2016, and certain information about them are set forth below:

Name of Director	Age	Positions with Blucora	Director Since
David H. S. Chung	47	Director	2013
Steven W. Hooper	62	Director	2011
Christopher W. Walters	41	Director	2014

David Chung was elected to the Board of Directors at the 2013 annual meeting of stockholders. Mr. Chung is a private investor with over 20 years of experience in private equity and public market investing. From May 2006 to December 2012, Mr. Chung was a Partner at Blum Capital Partners, L.P., a San Francisco-based investment firm focused on private equity and public strategic block investments. Prior to Blum Capital, Mr. Chung was a founder of Perspective Value Partners from 2005 to 2006, a Partner at Standard Pacific Capital from 2002 to 2004, and a Director/Principal at KKR from 1995 to 2002. Previously, Mr. Chung was a management consultant at McKinsey & Co. and an investment banker at Hambrecht & Quist. He is currently a Director of Payless Holdings, Inc. and also serves on the Board of Trustees of the Fine Arts Museums of San Francisco, the Hamlin School, and Cathedral School for Boys.

Relevant Qualifications and Experience: Mr. Chung has extensive experience investing in, overseeing, and providing advice to public and private companies in many industries, including technology. He has expertise and experience in all aspects of investing, including deal sourcing, investment analysis, deal structuring, raising of debt financing, deal negotiation, structuring of management incentives, investor relations, strategy, and management oversight. The Board believes this expertise and experience provides insight and guidance that assists the Company in its deal-making and capital allocation activities and the Board in its oversight obligations, which makes him a valued contributor and advisor to the Board and to management.

Steven Hooper was appointed to the Board of Directors in 2011. Mr. Hooper is a founding partner of Ignition Partners, a venture capital firm, where he has invested in telecommunications and wireless companies since Ignition's founding in March 2000. From 1999 to 2000, Mr. Hooper served as Chairman and Chief Executive Officer of Nextlink Communications, Inc. From 1998 to 1999, Mr. Hooper served as Chief Executive Officer of Teledesic LLC. From 1994 to 1997, Mr. Hooper served as CEO of AT&T Wireless Services, Inc. Prior to joining AT&T Wireless, Mr. Hooper was an executive with McCaw Cellular Communications, Inc., where he, among other roles, served as CEO for a variety of McCaw-affiliated companies. Mr. Hooper served as a trustee of Seattle University from 1995 to 2009 and represents Ignition Partners as a director on the boards of a number of privately-held companies in which Ignition has invested. Mr. Hooper also serves on the boards of Recreational Equipment, Inc. (REI) and Puget Sound Energy, Inc.

Relevant Qualifications and Experience: Mr. Hooper has extensive experience as a business leader in the technology industry. He has served in management and as a director for numerous technology companies and brings to the Company extensive experience, knowledge, and connections that the Board believes provide valuable assistance to the Company as it pursues strategic opportunities in the technology industry.

Christopher Walters was appointed to the Board of Directors in 2014. Mr. Walters is currently the Chief Executive Officer of Encompass Digital Media, Inc. Mr. Walters joined Encompass in January 2015, and as Chief Executive Officer, he oversees Encompass's day-to-day operations on a worldwide basis. Mr. Walters joined Encompass from The Weather Company, where he served as the Chief Operating Officer from March 2012 to January 2015. Prior to The Weather Company, Mr. Walters served in a variety of leadership roles at Bloomberg L.P. between 2008 and 2012, most recently as the Chief Operating Officer of the Bloomberg Industry Verticals Group, responsible for operations, strategy, business development, and expansion of the premium web-based subscription businesses. Previously, Mr. Walters was a partner at McKinsey & Co., advising media, entertainment, and investment companies.

Relevant Qualifications and Experience: Mr. Walters has extensive operational and management experience from his work as an executive and an advisor to a variety of Companies. Mr. Walters' experience also includes work with technology and digital content businesses that are relevant to the Company's current operations and future strategies. The Board believes this experience and knowledge provides valuable guidance in its oversight obligations and in the pursuit of strategic opportunities.

Class III – Terms expiring in 2017

The names of the continuing Class III directors, whose terms expire in 2017, and certain information about them are set forth below:

Name of Director	Age	Positions with Blucora	Director Since
Elizabeth J. Huebner	57	Director	2009
Andrew M. Snyder	44	Director	2011
Mary S. Zappone	50	Director	2015

Elizabeth Huebner has served as a director of Blucora since 2009. Ms. Huebner retired from a 26-year career in the finance sector in 2006. Prior to retiring, Ms. Huebner was Chief Financial Officer from 2000 to 2006 at Getty Images, Inc., a provider of visual content and rights services. Prior to her service as Chief Financial Officer of Getty Images, Ms. Huebner was Chief Financial Officer of Primus Knowledge Solutions, Inc. Ms. Huebner also formerly served on the Board of Directors of Procera Networks, Inc.

Relevant Qualifications and Experience: Ms. Huebner has significant experience as an executive in the technology industry, and a strong background in finance and accounting. The Board of Directors has determined that she is qualified as an "audit committee financial expert" under the SEC's rules, and that expertise assists the Board in complying with its Audit Committee membership requirements and enables her to provide significant insight on public accounting and financial statement matters. The Board believes that Ms. Huebner's experience in management and finance provides insight and guidance that assists the Board in its oversight, financial review, and risk management obligations.

Andrew Snyder has served as a director of Blucora, Inc. since 2011. Mr. Snyder is CEO of Cambridge Information Group, Inc. ("***CIG***") and Chairman of CIG's subsidiaries, ProQuest LLC, R. R. Bowker LLC, and Navtech, Inc. Mr. Snyder also served on the Board of Directors of Navtech when it was an independent, publicly-traded company, beginning in November 2005 and continuing through its merger with a CIG subsidiary in November 2007. Mr. Snyder has been employed by CIG since 2003 and has served as President or CEO since 2004. Prior to joining CIG, Mr. Snyder worked for the Goldman Sachs Group, most recently as Vice President in the Principal Investment Area, where he focused on traditional media, technology, and services investing for the firm's investment fund. He also currently serves on the Board of Overseers of Penn Libraries and on the Board of Shining Hope for Communities (SHOFCO).

Relevant Qualifications and Experience: Mr. Snyder was added to the Board in August 2011 after a process in which the Board sought to identify a candidate that could both provide stockholder perspective through owning or representing a significant holding of Company shares and provide assistance with the Company's primary goal of making a large acquisition. The Board met both of these objectives by adding Mr. Snyder. Mr. Snyder has significant experience in the management and oversight of technology companies and a strong background in mergers and acquisitions. His expertise and experience makes him an important resource for the Company, the Board, and the Mergers and Acquisitions Committee (which he chairs) in identifying, acquiring, and integrating acquisition targets in the technology space. Mr. Snyder is the Board representative of Cambridge Information Group I LLC, which, pursuant to certain agreements with the Company, has the right to nominate a representative to the Company's Board of Directors. These agreements were described in, and filed as exhibits to, the Current Report on Form 8-K filed by the Company on August 23, 2011. Because Mr. Snyder and CIG hold a significant amount of the Company's shares, the Board believes that he provides the Board valuable insight into the perspectives of stockholders.

Mary Zappone joined the Board in March 2015. Ms. Zappone has extensive experience as an executive, including her recent tenure as President and Chief Executive Officer of Recovercare, LLC from May 2011 to February 2015. Prior to joining Recovercare, Ms. Zappone worked at Alcoa, Inc. from 2006 to 2011, serving in a variety of roles, most recently as President of the Alcoa Oil & Gas Group, where she was responsible for operations, strategy, business development, and expansion of the aluminum alloy product systems business. During her career, Ms. Zappone has also held other senior-level positions at Tyco International, General Electric, and Exxon, and worked at McKinsey & Co., where she advised companies in improving operating performance, capital investment, and merger and acquisition strategies. She earned her undergraduate degree from Johns Hopkins University, and her MBA in Finance at Columbia Business School. Ms. Zappone is also a board member of the American Heart Association and Supplies Over Seas.

Relevant Qualifications and Experience: Ms. Zappone has significant operational and management experience from her career as an executive and advisor. This experience includes high-level roles at companies that are renowned for their operational excellence, and the Board believes Ms. Zappone will be a valuable resource for both the Board and management as the Company seeks to optimize its current operations and to find and integrate new opportunities.

Board of Directors and Committee Information

The Board of Directors has general oversight responsibility for the Company's affairs and, in exercising its fiduciary duties, the Board represents and acts on behalf of the stockholders. Although the Board does not have responsibility for the Company's day-to-day management, it stays regularly informed about the Company's business and provides oversight and guidance to management through periodic meetings and other communications. The Board is significantly involved in, among other things, the Company's strategic planning process, leadership development, and succession planning, as well as other functions carried out through the Board committees as described below.

Leadership Structure. The leadership structure of the Board of Directors consists of Chairman John Cunningham and the chairs of each of the principal committees of the Board of Directors. The Company's

Bylaws require that the Chairman be an independent director, and thus the Chairman position is not combined with the Chief Executive Officer position, which is filled by William Ruckelshaus. The Board of Directors believes that the current leadership structure is appropriate for the Company because it balances the operational and day-to-day management leadership of the CEO with the independent oversight provided by the independent Chairman of the Board and the independent chairs of each of the principal committees. This structure ensures that oversight of risk management and the Company's management is distributed among multiple independent directors. The Board of Directors currently believes that this distribution of oversight is the best method of ensuring optimal Company performance and risk management.

Risk Management. The Board of Directors oversees the Company's risk management, both as a full Board of Directors and through its committees. This oversight is administered primarily through the following:

- the Board of Directors' periodic review and approval of management strategic plans, including the projected opportunities and challenges facing the business;
- the Board of Directors' oversight of succession planning;
- the Board of Directors' oversight of capital spending, cash management, investment in marketable securities, and financings;
- the Audit Committee's quarterly review of financial statements and its oversight of the Company's accounting and financial reporting functions, including internal control over financial reporting, its discussions with management and the independent accountants regarding the quality and adequacy of internal controls and financial reporting (and related reports to the full Board of Directors), and its oversight of legal and regulatory compliance, compliance with the Code of Ethics and Conduct, and any related person transactions;
- the Nominating and Governance Committee's oversight of governance policies and the self-evaluation assessments of the Board of Directors and committees; and
- the Compensation Committee's review and recommendations or approvals regarding executive officer compensation and its relationship to the Company's business plan, as well as its review of compensation plans generally and the related risks and risk mitigants.

Independence. NASDAQ listing rules require that a majority of the members of the Board of Directors be independent directors. The Board of Directors recently undertook its annual review of director independence in accordance with the applicable rules of NASDAQ. The independence rules include a series of objective tests, including that the director is not employed by the Company and has not engaged in various types of business dealings with the Company. In addition, the Board of Directors is required to make a subjective determination as to each independent director that no relationships exist that, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Board of Directors has affirmatively determined that each of John Cunningham, David Chung, Jules Haimovitz (whose term expired in May 2014), Steven Hooper, Elizabeth Huebner, Andrew Snyder, Christopher Walters, and Mary Zappone is independent as defined in the NASDAQ rules. In determining independence, the Board considered, among other factors, the fact that Mr. Cunningham's brother is a non-executive, at-will employee of the Company and that CIG, of which Andrew Snyder is CEO, is party to a stockholder agreement with the Company. Mr. Ruckelshaus is not considered independent because he is an employee of the Company. Mr. Dunn is not currently considered independent because he was an employee of the Company's TaxACT, Inc. subsidiary within the past three years, but it is anticipated that he will become independent in August 2015.

Each of the members of the Audit Committee, Compensation Committee, and Nominating and Governance Committee are independent under the NASDAQ rules. In addition, the Board of Directors has affirmatively determined that each of the members of the Audit Committee qualifies as independent under the audit committee independence rules established by the SEC.

Meeting Attendance. The Board of Directors of Blucora held a total of 8 meetings during 2014. For 2014, each director attended at least 75% of the aggregate number of meetings of the Board of Directors and committees thereof, if any, on which such director served during the period for which he or she has been a director or committee member. The Board of Directors has not adopted a formal policy regarding directors' attendance at the annual meetings of stockholders. William Ruckelshaus, John Cunningham, Lance Dunn, Steven Hooper, Elizabeth Huebner, and Christopher Walters attended the 2014 annual meeting of stockholders on May 21, 2014.

Communication with the Board of Directors. The Board of Directors believes that management speaks for Blucora. Individual Board members may occasionally meet or otherwise communicate with our stockholders and other constituencies that are involved with Blucora, but it is expected that Board members would do this with the advance knowledge of management and at the request of management, absent unusual circumstances or as contemplated by Board committee charters. Stockholders who wish to communicate with the Board of Directors, or with any individual member of the Board of Directors, may do so by sending such communication in writing to the attention of the Corporate Secretary at the address of our principal executive office with a request to forward to the intended recipient. The Corporate Secretary will generally forward such communication to the Board of Directors or the specific Board member. However, the Corporate Secretary reserves the right to not forward any material that is inappropriate. In addition, employees may communicate with the Board through, among other processes, the Company's internal whistleblower hotline process administered under the Code of Ethics and Conduct.

Corporate Website. The Company's corporate website, located at www.blucora.com, contains information regarding the Company, including information regarding directors, executive officers, and corporate governance documents. That information includes the Certificate of Incorporation, Bylaws, Committee Charters, Director Nomination Policy, Code of Ethics and Conduct (which is applicable to all employees, executive officers, and members of the Board of Directors), and the Corporate Governance Guidelines. The Company uses the corporate website to provide current information to investors, including information on recent developments and upcoming events.

Committees. The Board of Directors' committee structure currently consists of four principal committees (the Audit Committee, the Compensation Committee, the Nominating and Governance Committee, and the Mergers and Acquisitions Committee). During 2014, the Audit Committee held 9 meetings, the Compensation Committee held 6 meetings, the Mergers and Acquisitions Committee held 1 meeting, and the Nominating and Governance Committee held 11 meetings. The Board may also convene other ad hoc or sub committees, the composition, number, and membership of which the Board of Directors may revise from time to time, as appropriate. Copies of the charters for the Audit, Compensation, Nominating and Governance, and Mergers and Acquisitions Committees can be found on the Company's corporate website at www.blucora.com. You may also request copies of these documents and other corporate governance documents available on the website from the Company's investor relations department at (425) 201-6100.

The current membership and leadership of each of the committees of the Board of Directors is set forth in the table below:

Board Committees as of April 1, 2015
(M = Committee Member; C = Committee Chair)

Director	Audit Committee	Compensation Committee	Nominating and Governance Committee	Mergers and Acquisitions Committee
John E. Cunningham, IV	M		M	
David H.S. Chung			M	M
Lance G. Dunn				
Steven W. Hooper	M	C		
Elizabeth J. Huebner	C	M		
William J. Ruckelshaus				M
Andrew M. Snyder			C	C
Christopher W. Walters		M		M
Mary S. Zappone		M		

The Audit Committee. The Audit Committee currently consists of the following independent directors: Steven Hooper, Elizabeth Huebner, and John Cunningham. Ms. Huebner is Chair of the Audit Committee. The Audit Committee is responsible for providing independent and objective oversight and review of the Company's auditing, accounting, and financial reporting processes. Among other functions, the Audit Committee's duties include the following:

- Reviewing and approving the appointment, compensation, oversight, and retention of the independent registered public accounting firm;
- Pre-approving all services (audit and non-audit) to be performed by the independent registered public accounting firm;
- Monitoring the adequacy and effectiveness of accounting and financial controls, including internal control over financial reporting;
- Reviewing the audited financial statements and quarterly unaudited financial information and discussing them with management and the independent registered public accounting firm;
- Establishing procedures for receiving and reviewing accounting-related complaints and concerns by whistle blowers;
- Reviewing and monitoring compliance with risk management and investment policies;
- Reviewing and pre-approving related person transactions; and
- Reviewing and monitoring compliance with the Code of Ethics and Conduct and recommending changes to the Code of Ethics and Conduct to the Board as appropriate.

The Board of Directors has determined that each Committee member has sufficient knowledge in reading and understanding financial statements to serve on the Committee. The Board of Directors has further determined that Ms. Huebner qualifies as an "audit committee financial expert" in accordance with SEC rules and the professional experience requirements of NASDAQ. The designation of an "audit committee financial expert" does not impose upon such person any duties, obligations, or liabilities that are greater than those that are generally imposed on him or her as a member of the Committee and the Board of Directors, and such designation does not affect the duties, obligations, or liability of any other member of the Committee or the Board of Directors. Under the terms of the Audit Committee Charter, the Audit Committee is authorized to engage independent advisors, at the Company's expense, to advise the Audit Committee on any matters within the scope of the Committee's duties. The Committee may also form subcommittees and delegate its authority to those subcommittees as it deems appropriate.

The Compensation Committee. The Compensation Committee currently consists of the following independent directors: Steven Hooper, Elizabeth Huebner, Christopher Walters, and Mary Zappone. Mr. Hooper is Chair of the Compensation Committee. The Compensation Committee's duties include the following:

- Evaluating the performance of, and reviewing and approving (or recommending to the Board) the compensation of, our CEO and other executive officers;
- Recommending to the full Board of Directors any changes to the non-employee director compensation plan;
- Reviewing and making recommendations to management regarding general compensation goals and guidelines for employees and criteria by which employee bonuses are determined;
- Monitoring compensation trends;
- Reviewing the Company's compensation policies and practices for all employees, including a review of the interaction between compensation incentives that could encourage risk-taking and the Company's risk management policies and practices; and
- Acting as administrator of Blucora's stock plans.

Under the terms of the Compensation Committee Charter, the Compensation Committee is authorized to engage independent advisors, at the Company's expense, to advise the Compensation Committee on any matters within the scope of the Committee's duties. The Committee may also form subcommittees and delegate its authority to those subcommittees as it deems appropriate. A description of the considerations and determinations of the Compensation Committee regarding the compensation of our Named Executive Officers is contained in "Compensation Discussion and Analysis" below. A description of the compensation program for our non-employee directors is set forth in "Director Compensation" below.

The Nominating and Governance Committee. The Nominating and Governance Committee currently consists of the following independent directors: John Cunningham, David Chung, and Andrew Snyder. Mr. Snyder is Chair of the Nominating and Governance Committee. The Nominating and Governance Committee's duties include:

- Assisting the Board of Directors by identifying prospective director nominees to fill vacancies and recommending to the Board of Directors the director nominees for the next annual meeting of stockholders;
- Reviewing, and recommending to the Board of Directors any appropriate changes to, the Blucora Corporate Governance Guidelines and Director Nomination Policy;
- Reviewing proposed changes to the Company's Certificate of Incorporation and Bylaws and making recommendations for any such changes to the Board of Directors;
- Evaluating the performance and effectiveness of the committees and the Board of Directors as a whole;
- Recommending to the Board of Directors membership for each committee;
- Overseeing director orientation and education;
- Evaluating committee structure and recommending changes to the Board of Directors;
- Monitoring compliance with independence standards by the directors;
- Monitoring, and periodically reporting to the Board of Directors, any significant developments in the law and practice of corporate governance; and
- Considering stockholder nominees for election to the Board of Directors as described below under "Director Nomination Process."

Director Nomination Process

The Nominating and Governance Committee is responsible for reviewing and recommending nominees to the Board of Directors for election at the annual meeting and for reviewing and recommending director appointments to fill any vacancies on the Board of Directors. The Nominating and Governance Committee's objective, pursuant to its charter, is to ensure that the Board of Directors is properly constituted to meet its fiduciary obligations to Blucora and its stockholders.

In considering director candidates, the Nominating and Governance Committee seeks the following minimum qualifications, as set forth in the Company's Corporate Governance Guidelines and Director Nomination Policy:

- Commitment to Blucora's business success while maintaining the highest standards of responsibility and ethics;
- Representation of the best interests of all of Blucora's stockholders and not any particular constituency;
- Conscientious preparation for, attendance at, and participation in Board of Directors and applicable committee meetings;
- No personal or professional commitments that would interfere or conflict with a director's obligations to the Company and its stockholders;
- An established record of professional accomplishment in the director's chosen field; and
- No material personal, financial, or professional interest in any Blucora competitor that would interfere or conflict with the director's obligations to the Company and its stockholders.

The Nominating and Governance Committee also considers the professional and personal experience of each nominee and whether that nominee has expertise relevant to Blucora's business objectives. Although the Board of Directors does not have a formal diversity policy, the Board of Directors desires candidates that contribute to the Board of Directors' overall diversity, with diversity being broadly construed to mean a variety of personal and professional experiences, opinions, perspectives, and backgrounds. The Board of Directors and the Nominating and Governance Committee implement this goal during the nomination process that applies to both new nominees and incumbent directors, per the Company's Director Nomination Policy. The Board assesses its effectiveness in achieving this goal during its annual self-assessment process.

The Nominating and Governance Committee generally re-nominates incumbent directors who continue to satisfy the Committee's criteria for membership on the Board of Directors, continue to make important contributions to the Board of Directors, and consent to continue their service on the Board of Directors. However, the Committee regularly considers the needs of the Company and the Board with respect to directors, and if appropriate, the Committee will nominate new directors that best fit those needs. When nominating new directors, the Committee actively seeks individuals who satisfy its criteria for membership on the Board of Directors, and the Nominating and Governance Committee may solicit ideas for possible Board of Directors candidates from a variety of sources, including members of the Board of Directors, Company executives, stockholders, or individuals known to the members of the Board of Directors or Company executives through personal or professional relationships. The Nominating and Governance Committee also has the authority to retain a search firm, at the Company's expense, to identify or evaluate director candidates at its discretion.

Any stockholder may nominate candidates for election as directors by following the procedures set forth in our Bylaws and Director Nomination Policy, including the applicable notice, information, and consent provisions. For further information regarding these procedures, see "Deadline for Receipt of Stockholder Proposals and Director Nominations" below. Copies of our Bylaws and Director Nomination Policy are available on our corporate website at www.blucora.com.

In addition, pursuant to our Director Nomination Policy, any single stockholder, or group of stockholders, that has beneficially owned more than 5% of our outstanding common stock for at least one year may propose a director candidate for evaluation by the Nominating and Governance Committee by delivering a written notice to the Nominating and Governance Committee that satisfies the notice, information, and consent requirements of our Bylaws and the Director Nomination Policy. The Committee will evaluate such recommended nominees using the same criteria that it uses to evaluate other nominees. Any such Board of Directors candidate must be independent of the stockholder in all respects and must also qualify as an independent director under applicable NASDAQ rules. The notice must be received by the Nominating and Governance Committee no later than the date that is 120 calendar days before the anniversary of the date that our Proxy Statement was released to stockholders in connection with the previous year's annual meeting. The notice must include, among other things, proof of the required stock ownership, proof of identification of the stockholder(s) submitting the proposal, and information regarding the proposed Board of Directors candidate. The notice should be sent to the following address:

Chair, Nominating and Governance Committee
Blucora, Inc.
c/o Corporate Secretary
10900 NE 8th Street, Suite 800
Bellevue, WA 98004

The Nominating and Governance Committee did not receive any recommendations for director candidates for the 2015 annual meeting from any non-management stockholder or group of stockholders that beneficially owns more than 5% of Blucora's common stock.

Director Compensation

Non-employee director compensation consists of a mix of cash and equity. The combination of cash and equity compensation is intended to provide incentives for non-employee directors to continue to serve on the Board of Directors, to align the interests of the Board of Directors and stockholders, and to attract new non-employee directors with outstanding qualifications. Mr. Ruckelshaus, as an employee of the Company, does not receive any compensation for serving on the Board of Directors and therefore is excluded from the director compensation table below. His compensation is included in the Summary Compensation Table. The Compensation Committee periodically reviews the non-employee director compensation program and makes recommendations to the Board of Directors as appropriate.

Non-Employee Director Compensation Program for 2014

The Company's non-employee director cash compensation program for 2014 consisted of annual cash retainers for board, committee, and chair service, and equity grants.

The annual cash retainers paid to non-employee directors for 2014 were as follows:

	Annual Retainer Paid to All Members (including Chair)	Additional Annual Chair Retainer
Board of Directors	$20,000	$25,000
Audit Committee	$ 4,000	$10,000
Compensation Committee	$ 3,000	$ 5,000
Nominating and Governance Committee	$ 2,000	$ 3,000
Mergers and Acquisitions Committee	$ 4,000	N/A

The equity grants consisted of nonqualified stock options ("***NSO***") and restricted stock units ("***RSU***") grants. The number of shares granted is based on a set monetary value, with the specific number of shares granted based on the Company's standard NSO valuation methodology in the case of NSOs and on the price of our common stock at the time of the grant in the case of RSUs. The equity grants (in monetary value) for the 2014 program were as follows:

	Value of RSUs ($)	Value of NSOs ($)
Initial equity grants to all newly elected or appointed directors, including Board Chair	$105,000	$45,000
Annual equity grants to all directors, including Board Chair and newly elected or appointed directors	$105,000	$45,000
Additional annual equity grant to Board Chair	$ 35,000	$15,000

Initial equity grants vest in three equal annual installments beginning on the first anniversary of the appointment date. Annual grants are made on the date of the annual meeting of stockholders and vest in full on the first anniversary of the grant date, or, if sooner, the date of the next annual meeting of stockholders after the grant date, provided that the grantee continues to be a member of the Board or the Chairperson, as applicable, on such date. In the case of a newly appointed director who is not appointed on the date of the annual meeting of stockholders, a pro rata portion of this annual grant will be awarded based on the date of appointment.

The Company reimburses all directors for expenses incurred in attending meetings or performing their duties as directors. The Company does not provide any perquisites to directors.

The following table sets forth information concerning the value of compensation paid or awarded to each non-employee director for the year ended December 31, 2014 pursuant to the 2014 director compensation program described above:

Name	Fees earned or paid in cash	Stock awards (1)	Option awards (1)	Total
John E. Cunningham, IV	$49,000	$140,000	$52,935	$241,935
David H.S. Chung	$29,000	$105,000	$39,702	$173,702
Lance G. Dunn	$20,000	$105,000	$39,702	$164,702
Jules Haimovitz (2)	$13,500	—	—	$ 13,500
Steven W. Hooper	$34,451	$105,000	$39,702	$179,153
Elizabeth J. Huebner	$36,000	$105,000	$39,702	$180,702
Andrew M. Snyder	$29,000	$105,000	$39,702	$173,702
Christopher W. Walters (3)	$39,530	$212,870	$87,338	$339,738

(1) The dollar amount for stock and option awards is the grant date fair value computed in accordance with ASC 718, excluding the effect of any estimated forfeitures. These amounts reflect the Company's accounting expense and do not correspond to the actual value that will be realized by the director. Assumptions used in the valuation of stock and option awards granted in 2014 are discussed in "Note 10: Stock-based Compensation" of the Notes to Consolidated Financial Statements (Item 8 of Part II) in our Annual Report on Form 10-K for the year ended December 31, 2014.

(2) Mr. Haimovitz served on the Board until the date of the 2014 Annual Meeting, when his term ended.

(3) The amount paid to Mr. Walters includes a committee retainer in the amount of $25,000 for his membership in the ad-hoc Strategic Oversight Committee, which over saw a strategy project in 2014 and which dissolved at the conclusion of that project in December 2014.

All equity grants were awarded under the 1996 Plan. Stock awards consist of RSUs, with each RSU representing the right to receive one share of our common stock upon vesting. Option awards consist of options to purchase shares of our common stock. The Company does not coordinate the timing of share grants with the release of material non-public information, as grants are made as of the annual meeting date or election date.

The following table sets forth information concerning the aggregate number of equity awards outstanding for each of the non-employee directors as of December 31, 2014. Unless indicated otherwise, these grants are expected to vest in full on May 21, 2015.

Name	Aggregate number of Unvested RSUs	Aggregate number of options	
		Unvested	Vested
John E. Cunningham, IV	7,178	10,768	82,600
David H.S. Chung (1)	12,884	26,076	9,000
Lance G. Dunn (2)	9,134	8,076	29,100
Steven W. Hooper	5,384	8,076	49,200
Elizabeth J. Huebner	5,384	8,076	54,400
Andrew M. Snyder	5,384	8,076	49,200
Christopher W. Walters (3)	10,981	16,471	230

(1) 7,500 of the RSUs and 18,000 of the unvested options are expected to vest in two equal annual installments, beginning on May 22, 2015. The remaining RSUs and unvested options are expected to vest on May 21, 2015.
(2) 5,384 of the RSUs and all of the unvested options are expected to vest on May 21, 2015. The remainder are expected to vest on August 2, 2015.
(3) 5,597 RSUs and 8,395 of the unvested options are expected to vest in three equal annual installments, beginning on May 13, 2015. The remaining RSUs and unvested options are expected to vest on May 21, 2015.

Director Stock Ownership Guidelines

The Board has adopted stock ownership guidelines that are applicable to all non-employee directors, effective as of January 1, 2014. Under the terms of these guidelines, all non-employee directors are expected to acquire and hold shares of the Company's common stock equal in market value to at least six times the value of the annual retainer paid to non-employee directors. As described above, the amount of this retainer is $20,000 for 2015, so non-employee directors will be expected to hold shares with a market value of at least $120,000. Non-employee directors who sat on the Board at the effective date of the guidelines are expected to hold this value of shares by January 1, 2019, and new non-employee directors will be expected to hold this value of shares within five years of joining the Board. The Compensation Committee will be responsible for administering and applying these guidelines.

AUDIT COMMITTEE REPORT

*The following Report of the Audit Committee of Blucora shall not be deemed to be "soliciting material"" or to be "filed" with the SEC, and the information in this report shall not be incorporated by reference into any future filing under the Securities Act of 1933, as amended (the "**Securities Act**"), or the Exchange Act, except to the extent that Blucora specifically incorporates it by reference into such filing.*

Audit Committee Members

During 2014, Elizabeth Huebner served as Chair of the Audit Committee, and John Cunningham, Jules Haimovitz, and Steven Hooper served as members. Ms. Huebner and Mr. Cunningham served on the Audit Committee for all of 2014 and Mr. Haimovitz served on Audit Committee until the annual meeting of stockholders on May 21, 2014, when his term as a director expired and he was replaced on the Audit Committee by Mr. Hooper. Each member who served on the Audit Committee in 2014 is an independent director as defined in the NASDAQ rules and meets the independence criteria in the applicable SEC rules. Each member who served on the Audit Committee in 2014 meets the NASDAQ's financial knowledge requirements set forth in the NASDAQ rules. Our Board of Directors has determined that Ms. Huebner is an "audit committee financial expert" under SEC rules and meets the financial sophistication and professional experience requirements set forth in the NASDAQ rules.

Audit Committee Responsibilities

Management is responsible for Blucora's internal control over financial reporting, preparation of financial statements, and the financial reporting process. The Company's independent registered public accounting firm, Ernst & Young LLP, is responsible for performing an independent audit of Blucora's consolidated financial statements and internal control over financial reporting in accordance with standards set by the Public Company Accounting Oversight Board ("***PCAOB***"), and to issue reports thereon. The Audit Committee monitors and oversees these processes. The Audit Committee members rely, without independent verification, on the information provided to them, and on the representations made to them, by management and the independent registered public accounting firm.

In this context, during 2014, the Audit Committee:

- Discussed the overall scope and plans for audits with Ernst & Young;
- Met and held discussions with Ernst & Young, both with and without management present, to discuss the results of the audits, management's evaluation of Blucora's internal control over financial reporting, and Ernst & Young's opinion thereof, and the overall quality of Blucora's financial reporting;
- Reviewed and discussed the quarterly and annual financial results prior to the publication of those results and the filing of those results on Form 8-K;
- Discussed the matters required to be discussed with Ernst & Young by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1 AU section 380), as adopted by the PCAOB in Rule 3200T and SEC S-X Rule 2-07, including discussion of the quality, not just acceptability, of the application of accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements;
- Reviewed and discussed the unaudited and audited financial statements with management and Ernst & Young, including Ernst & Young's opinion on the audited financial statements; and
- Received the written disclosures and letter from Ernst & Young required by applicable requirements of the PCAOB regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence and discussed with Ernst & Young its independence.

Based on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC.

Members of the Audit Committee:

Elizabeth Huebner, Chair
John Cunningham
Steven Hooper

Proxy

FEES PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2014 AND 2013

The aggregate fees billed by the Company's current independent registered public accounting firm, Ernst & Young LLP to the Company and its subsidiaries during 2014 and 2013 were as follows:

	2014	2013
Audit fees	$1,347,329	$848,631
Audit-related fees	—	20,000
Tax fees	20,297	13,558
All other fees	30,940	1,995
Total fees	$1,398,566	$884,184

Audit fees reflect fees billed for the annual audits of the Company's consolidated financial statements and internal control over financial reporting of the year indicated. In addition, 2013 audit fees included fees for comfort letter procedures conducted in connection with the Company's convertible debt offering. Audit-related fees in 2013 reflected fees billed for work performed in conjunction with the convertible debt offering, mergers and acquisitions, and transaction-related forms filed with the SEC under the Securities Act. Tax fees were for services in connection with analyzing, estimating, and verifying our federal net operating loss carryforwards. All other fees consist of fees for an enterprise risk management project in 2014 and our annual subscription to Ernst & Young LLP's Global Accounting & Auditing Information Tool, which the Company's staff used when performing technical accounting research in both 2013 and 2014.

The Audit Committee pre-approves all audit and non-audit services to be performed by Blucora's independent registered public accounting firm. As part of its pre-approval procedures, the Audit Committee considers whether the provision of any proposed non-audit services is consistent with the SEC's rules on auditor independence. The Audit Committee has considered whether the provision by Ernst & Young of the non-audit services described above is compatible with Ernst & Young's independence. After consideration, the Audit Committee has determined that Ernst & Young's independence as an auditor has not been compromised by its provision of these services. All audit and non-audit services provided by Ernst & Young in 2013 and 2014 were pre-approved by the Audit Committee in accordance with the foregoing policy.

TRANSACTIONS WITH RELATED PERSONS

*Policies and Procedures***.** Under our Related Party Transaction Policy, proposed related person transactions (which generally include any transactions by the Company or any subsidiary with an employee or director of the Company, a relative of an employee or director, or any entity with which an employee or director has a material interest) must be disclosed to our CFO. If the CFO determines that the transaction is material, or otherwise of such a nature that it should be reviewed and approved by the Audit Committee under the guidance provided in our Related Party Transaction Policy, the Audit Committee must review and approve such related person transactions in advance. In determining whether to approve a related person transaction, the Audit Committee considers whether the terms of the related person transaction are fair to the Company at the time of authorization; the business reasons for the Company to enter into the related person transaction; whether other comparable transactions with non-related parties were considered, and if so, the terms of such transactions and the reason for the selection of the related person transaction; the value of the transaction to the Company and to the related person; whether the related person transaction would impair the independence of a previously independent director; and any other factors that are relevant to a determination of whether the terms of the transaction, and the process that led to it, are fair to the Company.

Related Person Transactions in 2014 and 2015

Employee of the Company. Mr. Cunningham's brother, James S. Cunningham, is a non-executive, at-will employee of the Company who manages business development for the Company's InfoSpace LLC subsidiary. In fiscal 2014, he earned $300,965 in total compensation, which primarily consisted of a base salary of $180,302, a bonus of $62,267 (which was based on both his individual performance and that of the group that he manages), RSUs with a grant date fair value of $13,483, Stock Options with a grant date fair value of $31,779 and $7,800 contributed by the Company to his account in the Blucora, Inc. 401(k) Retirement Plan.

COMPENSATION COMMITTEE REPORT

In 2014, David Chung, Jules Haimovitz, Steven Hooper, and Christopher Walters served on the Compensation Committee. Mr. Chung and Mr. Hooper served on the Compensation Committee for all of 2014 and Mr. Haimovitz served on Compensation Committee until the annual meeting of stockholders on May 21, 2014, when his term as a director expired and he was replaced on the Compensation Committee by Mr. Walters. Following the annual revision of committee makeup that was effective at the beginning of the second quarter of 2015, the current members of the Compensation Committee are Steven Hooper (Chair), Elizabeth Huebner, Christopher Walters, and Mary Zappone. Management has prepared the Compensation Discussion and Analysis section of this Proxy Statement and the Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Members of the Compensation Committee:

Steven Hooper, Chair
Elizabeth Huebner
Christopher Walters
Mary Zappone

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

In 2014, Jules Haimovitz, David Chung, Steven Hooper, and Christopher Walters served on the Compensation Committee. None of the members of the Compensation Committee is or has been an officer or an employee of the Company. During 2014, none of the Company's executive officers served on the board of directors or compensation committee (or a committee performing similar functions) of any other company that had one or more executive officers serving on the Blucora Board of Directors or Compensation Committee.

INFORMATION REGARDING EXECUTIVE OFFICERS

The following table sets forth certain information as of April 28, 2015 with respect to our executive officers:

Name	Age	Position
William J. Ruckelshaus	50	President, Chief Executive Officer, and Director
George M. Allen	40	Executive Vice President, Corporate Development
Brett J. Clark-Bolt	44	Executive Vice President, Human Resources
Eric M. Emans	41	Chief Financial Officer and Treasurer
Mark A. Finkelstein	56	Chief Legal and Administrative Officer
Nathan W. Garnett	38	General Counsel and Secretary
JoAnn Z. Kintzel	49	President, TaxACT, Inc.
Bernard W. Luthi	51	President, Monoprice, Inc.
Peter M. Mansour	44	President, InfoSpace LLC

William Ruckelshaus is President and Chief Executive Officer of the Company and a member of the Board of Directors. His experience and qualifications are discussed above under "Director Nominees."

George Allen was appointed Executive Vice President, Corporate Development in May 2012 after working with the Company as a consultant since October 2011. He is responsible for overseeing the Company's corporate and business development efforts, including mergers and acquisitions. From May 2010 to May 2012, Mr. Allen was the founder and managing partner of Geronimo Capital LLC, an investment research firm focused on the telecom, media, and technology mid-cap investment sector. Prior to founding Geronimo Capital, Mr. Allen served as principal for nine years at Warburg Pincus, a global private equity firm where he oversaw private equity investments in telecom, media, and technology companies. He began his corporate development career as an associate analyst at Goldman Sachs Asia with assignments in both Hong Kong and New York. Mr. Allen is a graduate of Yale University.

Brett Clark-Bolt joined Blucora as Executive Vice President, Human Resources in March 2015. Prior to joining Blucora, Mr. Clark-Bolt served as Senior Vice President for Senn Delaney, a Heidrick & Struggles' company. During his tenure, he led product strategy and advised clients on transforming organizational culture to drive high performance. Before joining Senn Delaney, Mr. Clark-Bolt was the CEO of MOC1 Solutions, LLC, a software company focused on improving auto dealership service operations for some of the largest dealer groups throughout the United States. Prior to MOC1 Solutions, he served as an Engagement Manager at McKinsey & Co. Mr. Clark-Bolt also served as an officer in the U.S. Army and Air Force. Mr. Clark-Bolt is a graduate of the University of California, Santa Barbara and Harvard Business School.

Eric Emans has served as the Company's Chief Financial Officer and Treasurer since August 2011. Before being named to these roles, Mr. Emans had served as the Company's Chief Accounting Officer, beginning in January 2008. Mr. Emans joined the Company as Corporate Controller in September 2006, but had previously held various positions at the Company from September 2003 to December 2005, including Manager, Revenue Assurance and Senior Manager, Finance. From December 2005 to September 2006, he served as Director, Mobile Operations, at Corbis Corporation, a provider of visual content and rights services. He began his career as an auditor at Deloitte & Touche LLP. Mr. Emans is a graduate of Western Washington University and the University of Washington.

Mark Finkelstein was appointed Blucora's Chief Legal and Administrative Officer in September 2014. He oversees the company's legal, compliance, and human resources departments, and serves as an advisor to senior management and the Board of Directors on legal and corporate strategy matters. From December 2011 through July 2014, he served as Executive Vice President – Corporate Development and General Counsel of Emeritus Corporation and, from May 2012 through July 2014, he served as the Corporate Secretary of Emeritus. Prior to joining Emeritus, Mr. Finkelstein served as a strategy advisor for private investment management firms in the

United States and Europe and as the chief executive officer and a member of the board of directors of Novellus Capital Management, a specialized asset management firm. From 1986 to 2006, Mr. Finkelstein practiced law with Graham & Dunn P.C., where he specialized in mergers and acquisitions, complex financing strategies, and other corporate transactions. Mr. Finkelstein is also currently a member of the Board of Directors of Columbia Banking System, Inc. Mr. Finkelstein is a graduate of The University of Michigan and The University of Michigan Law School.

Nathan Garnett was named General Counsel and Secretary of Blucora in July 2014. He leads the Company's legal and compliance departments and advises the Company's Board of Directors, management, and business units on legal matters. Prior to his current role, Mr. Garnett served as the Company's Vice President, Deputy General Counsel, and focused on securities reporting, corporate governance, commercial and regulatory matters, and mergers and acquisitions. Mr. Garnett joined Blucora's legal department in September 2009 from the law firm of Perkins Coie LLP, where he specialized in technology transactions. He has also served as Associate General Counsel and Assistant Secretary at drugstore.com, inc., a publicly traded e-commerce company that is now part of Walgreen Co. Mr. Garnett is a graduate of the University of Washington and the University of Washington School of Law.

JoAnn Kintzel is president of the Company's TaxACT, Inc. subsidiary. Ms. Kintzel has served as president of TaxACT since June 2010, and upon the acquisition of TaxACT by the Company in January 2012, she became TaxACT's principal operating executive. Prior to her appointment as President, Ms. Kintzel served as TaxACT's Chief Financial Officer and Chief Operating Officer, beginning in 2006. Prior to TaxACT, Ms. Kintzel worked at AEGON USA Investment Management, a global life insurance and investment provider, as Vice President, Assistant Controller, and Senior Accounting Manager. Ms. Kintzel is a graduate of Mount Mercy College.

Bernard Luthi was appointed President of the Company's Monoprice, Inc. subsidiary in July 2014. Prior to joining Monoprice, Mr. Luthi served as Chief Operating Officer of Rakuten.com (formerly Buy.com), which he joined in January 2012. At Buy.com, Mr. Luthi led operations, including logistics, customer service, legal, human resources, marketing, and public relations. Before his role at Buy.com, Mr. Luthi served as Senior Vice President of Marketing, Web Management, and Customer Service at Newegg, Inc. During his 20-year career in consumer electronics and e-commerce, Mr. Luthi has held positions at several leading online retailing and technology companies, including PC Mall and Ingram Micro. Mr. Luthi is a graduate of California State University, Los Angeles.

Peter Mansour was named President of the Company's InfoSpace LLC subsidiary in August 2014. In this role, he oversees the operations of the InfoSpace internet search business and the HowStuffWorks digital content business, bringing more than 19 years of experience in mobile, local, and online marketing technology to the Company. Mr. Mansour joined InfoSpace from eBay, Inc., where he served as Vice President and General Manager of eBay's Seattle office. Prior to eBay, Mr. Mansour worked at Microsoft in a variety of positions, most recently as General Manager, User Centric Advertising and Local Retail Integration. Mr. Mansour is a graduate of University of California, San Diego.

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committee (referred to as the "***Committee***" in this section) is composed entirely of independent directors and administers the executive officer compensation program of the Company. This Compensation Discussion and Analysis ("***CD&A***") explains how the Committee designed and implemented the Company's 2014 compensation programs with respect to the Named Executive Officers ("***NEOs***"). The sections of this CD&A and the topics covered are as follows:

- Section I of this CD&A discusses the Company's 2014 objectives, specific information regarding the NEOs, and the Company's compensation philosophy and goals;
- Section II discusses the elements of 2014 executive compensation, including base salary, the cash incentive program, and the long-term equity incentive program;

- Section III discusses the Committee's 2014 decisions regarding each of the elements discussed in Section II;
- Section IV discusses the Company's 2014 financial performance, the Company's financial targets for 2014, and how the Company's financial performance in 2014 affected NEO compensation; and
- Section V discusses the Committee's process for determining 2014 executive compensation and some of the Company's key compensation policies.

Section I. Introduction

Named Executive Officers

This CD&A describes the compensation program generally applicable to all executive officers, but specifically discusses the compensation paid to the Company's 2014 NEOs listed below:

Current Officers. The Company's current executive officers who are considered 2014 NEOs under applicable SEC regulations are as follows:

- William Ruckelshaus, Chief Executive Officer and President;
- Eric Emans, Chief Financial Officer and Treasurer;
- Mark Finkelstein, Chief Legal and Administrative Officer;
- Bernard Luthi, President of Monoprice, Inc.; and
- Peter Mansour, President of InfoSpace LLC.

Former Officers. In addition to the NEOs listed above, the following former executive officers are considered 2014 NEOs under applicable SEC regulations:

- Michael Glover, former President of InfoSpace LLC;
- Ajay Kumar, former President of Monoprice, Inc.

2014 Company Objectives

The Company entered 2014 with the objectives of (1) continuing to operate, optimize, and grow the existing InfoSpace *(Search and Content)* and TaxACT *(Tax Preparation)* businesses, (2) integrating and growing the newly-acquired Monoprice *(E-Commerce)* business, and (3) continuing to search for acquisition opportunities, both in the existing segments and in potential new segments. One of the methods that the Company and the Board of Directors use to accomplish the Company's objectives is aligning the executive compensation program, which is heavily weighted towards performance-based compensation, with the Company's objectives. The Company and the Board of Directors also use the executive compensation program to attract and retain talented executives that can execute to these objectives. The sections below in this CD&A describe the means through which this alignment of compensation elements to Company objectives was achieved and the degree to which Company performance actually affected executive compensation.

Compensation Philosophy and Goals

The Company's executive compensation program is designed to increase stockholder value by attracting and retaining executives who can execute on the Company's goals and by aligning the interests of those executives with the goals and interests of the Company and its stockholders. The 2014 compensation program applied this philosophy to the Company's 2014 operational objectives discussed above through the following specific goals of the 2014 executive compensation program:

- Align the compensation of executive management to the key operational goals of the Company by making a significant portion of the compensation dependent upon achievement of specific individual and Company goals, particularly with respect to compensation from the annual performance-based cash bonus plan,

- Provide compensation that is both fair to the Company and the executive and that attracts and retains talented and qualified executives through the use of competitive but reasonable salaries and equity grants, and
- Ensure stockholder-management alignment through the use of equity grants that are heavily weighted towards stock options that only provide value to the executive in the event that the price of the Company's common stock increases.

Consideration of the 2014 Say-on-Pay Vote

The Company holds advisory votes on the compensation of the Company's Named Executive Officers ("***Say-on-Pay***") at every annual meeting of stockholders. Of the stockholders who cast a vote for or against the approval of the Company's compensation of NEOs, **97.0% voted for approval in 2014 and 97.5% voted for approval in 2013**. Although the Committee did not make any specific changes as a result of the Say-on-Pay vote held in May 2014, the Committee does monitor and consider the results of Say-on-Pay votes and will continue to consider results from future advisory votes as appropriate when making compensation decisions.

Section II. Elements of Compensation for 2014

The 2014 executive compensation program consisted of the following elements:

Annual Base Salary. Each executive receives an annual base salary that is intended to provide a minimum fixed level of cash compensation that provides security and preserves an employee's commitment during downturns in the relevant industries and/or equity markets. The Committee considers a competitive base salary to be an important factor in retaining and attracting key employees in a competitive marketplace, but it also balances the base salary with performance-based compensation elements to ensure that executive incentives are aligned with company objectives. The base salary is established by the Committee pursuant to employment agreements with the executives, and annual changes are based on a combination of an evaluation of historical, current, and anticipated future performance, the individual executive's experience, comparative market data, and internal pay equity.

Annual Cash Incentive Bonus. Executives are generally provided the opportunity to earn a variable performance-based cash incentive bonus. This bonus provides incentive for the achievement of the Company's financial and operational goals as well as specific individual goals, assists in retaining, attracting, and motivating employees in the near term, and provides a balance to the volatility of equity prices. Target bonuses, as a percentage of salary, are generally established pursuant to employment agreements. The performance measures for the bonus plan are tied to important Company metrics, such as Revenue and Adjusted EBITDA for the CEO and CFO and, for the other NEOs, operational and financial metrics for the business they lead, as well as individual performance goals, each analyzed independently of each other.

Annual Long-Term Equity Grants. The 2014 long-term equity incentive program consisted of the two types of equity awards described below. These awards provide incentive for executives to focus on long-term fundamentals and thereby create long-term stockholder value. While they are primarily intended to maintain stockholder-management alignment, these awards also serve to reward promoted employees, attract and retain highly qualified executives, and maintain the Company's competitive position compared to the compensation programs of other technology companies. The 2014 long-term equity incentive program consisted of the following types of grants:

Restricted Stock Units. Restricted Stock Units ("***RSUs***") provide upside incentive when the value of the Company's stock appreciates, but also provide some down market protection. Because RSUs vest into shares of Company stock, they serve to create stockholder-management alignment. They also have high retention value because they vest over a period of time, typically three years, and unvested RSUs are generally forfeited when an executive's employment ends.

Stock Options. Stock options provide incentive for the achievement of stock price growth. They provide a high level of alignment with stockholders because there is no substantial value unless stock price significantly improves. They also typically vest over three years, and unvested options are generally forfeited when an executive's employment ends.

Section III. Compensation Decisions Made in 2014

In determining the compensation for the NEOs, the Committee generally focuses on total target compensation, which consists of base salary, target annual cash incentive bonus, and long-term equity incentive awards. In line with the Company's compensation philosophy, the Committee determines the amounts of each element with the goal of balancing the need to attract and retain quality executives with the desire to align the financial interests of those executives with the interests of the Company and its stockholders.

Annual Base Salary

The base salaries of NEOs are reviewed on an annual basis, as well as at the time of a promotion or other significant change in responsibilities. The following table sets forth the annual base salaries approved for the NEOs for 2014 and 2013:

Name	2014	2013	% Change
William Ruckelshaus	$475,000	$450,000	5.6%
Eric Emans	$325,000	$300,000	8.3%
Mark Finkelstein (1)	$325,000	—	N/A
Michael Glover (2)	$297,000	$285,000	4.2%
Ajay Kumar (2)	$357,690	$357,690	0%
Bernard Luthi (1)	$320,000	—	N/A
Peter Mansour (1)	$350,000	—	N/A

(1) Messrs. Finkelstein, Luthi, and Mansour were hired during 2014.
(2) As noted earlier in this CD&A, Mr. Glover and Mr. Kumar were replaced by Mr. Mansour and Mr. Luthi during 2014.

The salary adjustments made by the Committee for 2014 were intended to ensure that executives continue to be appropriately compensated, taking into account position responsibilities, individual performance, experience, comparable salaries at peer companies (see discussion of the peer group below in Section V), and internal pay equity. Messrs. Ruckelshaus, Emans, and Glover received modest increases for 2014 that reflect both the Committee's determinations regarding how their salaries compared to the market for similar positions at peer companies and the Committee's consideration of the other elements listed above. Mr. Kumar joined the Company in late 2013 with the Monoprice acquisition and thus did not receive an annual increase, as his salary had been recently set in the negotiation of his employment agreement. The base salaries for Messrs. Finkelstein, Luthi, and Mansour were all set in their employment agreements, which were all signed in 2014. These base salaries were negotiated elements of these employment agreements that were mutually agreed to by the Company, the Committee, and the executive.

Annual Cash Incentive Bonus Plan

The 2014 annual cash incentive bonus plan is based on the financial metrics that the Committee considers to be best representative of the performance of each individual executive. The metrics used for Mr. Ruckelshaus and Mr. Emans were the Company's 2014 financial targets for consolidated Blucora Revenue and consolidated Blucora Adjusted EBITDA. Mr. Glover and Mr. Kumar's bonus plans were based on Segment Revenue and Segment Income for businesses that they lead, as well as consolidated Blucora Adjusted EBITDA. The plan also includes a discretionary subjective element based on individual objectives and the CEO's (or, with respect to the CEO, the Compensation Committee's) subjective evaluation of that individual's performance. Messrs. Finkelstein, Luthi, and Mansour, who were hired during 2014, did not participate in the 2014 annual cash incentive bonus program.

The target bonus for each NEO is calculated based on a percentage of base salary, which is generally set in an executive's employment agreement. The actual amount of the bonus paid varies depending on the percentage of achievement of each element of the bonus plan for the year. Each element is calculated separately, based upon the performance for the applicable metric, the weighting of that element, and the target bonus amount. For each participating NEO, the target bonus percentage, the performance elements used, and the weighting of each element are set forth in the table below:

		Bonus performance elements (% of total bonus calculation)				
Name	**Target bonus percentage (% of base salary)**	**BCOR Revenue**	**BCOR Adj. EBITDA**	**Segment Revenue**	**Segment Income**	**Discretionary**
William Ruckelshaus	100%	20%	60%	—	—	20%
Eric Emans	60%	20%	60%	—	—	20%
Michael Glover	60%	—	15%	20%	30%	35%
Ajay Kumar	50%	—	10%	30%	40%	20%

The operational and financial metrics selected by the Committee for the 2014 cash bonus program reflect the responsibilities of each executive. For Mr. Ruckelshaus and Mr. Emans, the bonus plan is based on metrics tied to overall Company performance, and for Mr. Glover and Mr. Kumar, the bonus plan was primarily based on financial metrics tied to the businesses that they led. The Committee uses Revenue as a metric because it is a critical measure of the Company's operations and growth. The Committee uses Adjusted EBITDA because it believes it is an important measure of the Company's operating performance. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization, excluding non-cash stock-based compensation expense and non-recurring and non-operating items. Specifically, Adjusted EBITDA focuses on the Company's essential operating results by removing the impact of the Company's capital structure (interest income from investments and interest expense from debt), asset base (depreciation and amortization), tax consequences, specified non-operating items, and specified non-cash items. A reconciliation of Adjusted EBITDA to the relevant GAAP financial figures can be found on page 43 of the 2014 Annual Report on Form 10-K. For Mr. Glover and Mr. Kumar, the Committee used Segment Revenue and Segment Income as the best measurements of the growth and profitability of the businesses that they are responsible for. The Committee also provided Mr. Glover with a one-time bonus opportunity with a potential payout of $165,000 upon the renewal of a multi-year agreement with a critical partner of the InfoSpace business.

As noted above, each NEO who participated in the 2014 cash incentive bonus plan had a subjective discretionary element based on an assessment of individual performance. For all executives other than Mr. Ruckelshaus, that assessment is made by the Committee but is based in part on the judgment of Mr. Ruckelshaus regarding each executive's performance. For Mr. Ruckelshaus, the Committee makes the assessment of performance based on the Committee's judgment and on a performance evaluation conducted by the Board of Directors.

The specific Company financial targets for 2014 upon which the 2014 cash incentive bonus was calculated are set forth below under Section IV of this CD&A. The bonus percentages paid to NEOs for performance against the 2014 Company operational and financial targets are calculated using the scales discussed below.

The 2014 cash incentive bonus plan featured targets for each of the applicable financial metrics and a scale of payments that varies depending on the percentage achievement of that target. These scales vary by business unit to account for variations in the businesses, including the volatility of the business unit financial performance, but each features (1) a financial performance threshold, below which no payout for that metric will be made, (2) an escalating payout above the threshold (up to, and then above the target), and (3) a maximum payout at a particular percentage of achievement. The precise bonus scales for all of the business units can be seen in the 2014 Executive Bonus Plan, a copy of which was attached as Exhibit 10.1 to the Current Report on Form 8-K filed on February 12, 2014. A summary of the ranges of these scales is set forth below:

2014 Bonus Performance and Payout Scales

Business Unit	Range of Financial Performance in Bonus Payout Scale (% of financial target)	Range of Bonus Payout (% of target bonus)
Consolidated Blucora	Threshold of 80% to Maximum of 140%	50% at Threshold to Cap of 165%
E-Commerce Segment	Threshold of 84% to Maximum of 130%	50% at Threshold to Cap of165%
Search Segment	Threshold of 74% to Maximum of 150%	50% at Threshold to Cap of165%

Annual Long-Term Equity Grants

For 2014, the Committee used a long-term equity compensation program consisting of RSUs and stock options. The factors considered by the Committee in determining the size of the grants made to the NEOs include past equity practices, the amount of equity held by each executive at the time, comparative market data, and the Committee's subjective evaluation of value provided by the executive. In general, the Committee attempts to grant more equity in the form of stock options than RSUs because the Committee believes that this weighting of stock options to RSUs better aligns executive interests with stockholders because stock options only have value if the price of the Company's common stock increases above its price on the date of issuance and thus encourage the executives to increase stockholder value. The volatility and the related potential for incentivizing excessive risk-taking inherent in stock options is partially offset by the relative stability of the RSUs grants, which vest into shares of common stock and thus increase or decrease in value in direct proportion to any increase or decrease in the price of the common stock. The equity grants to Messrs. Ruckelshaus, Emans, Finkelstein, Glover, and Luthi reflect this philosophy, as the value of the stock option grants are significantly higher than the value of the RSU grants. The weighting of the equity grants to Mr. Mansour were the result of negotiations with Mr. Mansour during the process of recruiting him to lead the InfoSpace business unit, and partially reflect amounts necessary to make him whole for equity grants surrendered upon leaving his previous employer. However, it is anticipated that future annual grants to Mr. Mansour will follow the Company's standard weighting practices. Messrs. Finkelstein, Luthi, and Mansour received larger than average grants in 2014 because these were initial hire grants, and the Committee generally makes larger grants to new executives to quickly align these executives with shareholders by providing substantial equity awards. Because of the size and timing of these awards, Mr. Finkelstein and Mr. Mansour did not receive annual grants in 2015.

The 2014 NEO equity grants are set forth in the following table (figures reflect grant date fair value):

	Stock Awards (RSUs)	Options	Total Equity Awards
William Ruckelshaus	$ 584,972	$1,342,732	$1,927,704
Eric Emans	$ 266,988	$ 612,830	$ 879,818
Mark Finkelstein	$ 299,999	$ 705,349	$1,005,348
Michael Glover (1)	$ 179,993	$ 413,146	$ 593,139
Ajay Kumar (2)	—	—	—
Bernard Luthi	$ 239,992	$ 567,184	$ 807,176
Peter Mansour	$1,499,991	$ 662,145	$2,162,136

(1) Because Mr. Glover's employment terminated before any part of these awards vested, all of these awards were forfeited.
(2) Mr. Kumar received large initial grants at the time of the Monoprice acquisition in late 2013, and thus he did not receive annual grants in 2014.

See "Grants of Plan-Based Awards in 2014" under "Compensation of Named Executive Officers" below for further specific information on equity grants to NEOs in 2014.

Section IV. 2014 Performance and Targets

As discussed above, a key element of the Company's 2014 compensation program was the cash bonus that varies based on the Company and the individual executive meeting certain performance objectives and targets in 2014. The purpose of this element is to tie the compensation of the Company's executive officers to Company performance. Another important element of the Company's performance-based compensation is the equity grants, which are heavily weighted towards stock options that only provide value to the executive if the value of the Company's common stock increases. The Company's 2014 performance is discussed below, as are the payouts for the 2014 cash incentive bonus plan and the value of the realizable pay at the end of 2014 for each of the elements of the 2014 compensation plan.

2014 Financial Targets and Bonus Payouts

The Company's financial targets approved by the Board of Directors for 2014 were used as the basis for measuring the financial performance elements for the cash incentive bonus and the Committee determined the executive bonus payout using those targets. The 2014 targets for each metric used in calculating the NEO bonus payouts are set forth in the table below along with the Company's actual performance for each of those metrics.

2014 Performance Targets vs. Actual Results (dollars in thousands)

Performance goal	Target	Actual	Achievement %
BCOR Revenue	$760,890	$575,919	75.7%
BCOR Adjusted EBITDA	$135,969	$103,059	75.8%
E-Commerce Segment Revenue	$182,764	$150,731	82.5%
E-Commerce Segment Income	$ 21,663	$ 13,354	61.6%
Search Segment Revenue	$476,177	$321,468	67.5%
Search Segment Income	$ 84,605	$ 55,467	65.9%

2014 Target Bonus and Performance Achievement

The following table sets forth, for each of the participating NEOs, the target annual incentive bonus for 2014, the achievement percentage for each element of the 2014 cash incentive bonus plan, and the earned annual bonus for 2014.

	Target Annual Bonus		Performance Target Achievement (%)					
Name	% of Base Salary	($)	BCOR Revenue	BCOR Adj. EBITDA	Segment Revenue	Segment Income	Discretionary	2014 Earned Annual Bonus
William Ruckelshaus	100%	$475,000	0%	0%	—	—	50%	$47,500
Eric Emans	60%	$195,000	0%	0%	—	—	100%	$39,000
Michael Glover	60%	$178,200	—	—	0%	0%	21%	$13,365
Ajay Kumar	50%	$178,845	—	—	0%	0%	0%	$ 0

Mr. Ruckelshaus. Although Company Revenue and EBITDA goals were achieved at 75.7% and 75.8% of target, respectively, Mr. Ruckelshaus did not receive a payout for the Company performance component of the 2014 annual incentive bonus because achievement for both measures was below the minimum threshold of 80%. However, the Compensation Committee awarded Mr. Ruckelshaus 50% of the full discretionary element of his award based on its subjective evaluation of his overall performance, partially informed by the annual performance evaluation for Mr. Ruckelshaus conducted by the Board.

Mr. Emans. As with Mr. Ruckelshaus, Mr. Emans did not receive a payout for the Company performance component of the 2014 annual incentive bonus because achievement for both measures was below the minimum threshold of 80%. However, the Compensation Committee awarded Mr. Emans 100% of the full discretionary element of his award based on its subjective evaluation of his overall performance, partially informed by the annual performance evaluation for Mr. Emans conducted by Mr. Ruckelshaus.

Mr. Glover. Mr. Glover's employment terminated in September 2014. Based on Search segment performance at the time of the termination of his employment, he did not earn any payout on the financial performance component of the 2014 annual incentive bonus program. However, Mr. Glover did receive a partial pro-rated portion of the discretionary element of his award, based on the subjective assessment of Mr. Ruckelshaus regarding Mr. Glover's performance in the first half of 2014. In addition, pursuant to his employment agreement, Mr. Glover earned a one-time bonus related to the renewal of a multi-year agreement with a critical partner.

Mr. Kumar. Mr. Kumar's employment terminated in June 2014. Based on E-Commerce segment performance at the time of the termination of his employment, he did not earn any payout on the financial performance component of the 2014 annual incentive bonus program.

In addition to the annual incentive bonus payments described above, additional bonus amounts were paid in 2014 to Messrs. Finkelstein, Luthi, and Mansour, who were hired during 2014. In place of participation in the 2014 annual incentive bonus program, the Committee awarded each a pro-rated bonus amount, based on the target bonus amount set forth in their employment agreements and the percentage of the 2014 calendar year that each was employed by the Company. The amounts awarded under this calculation were $49,685 for Mr. Finkelstein, $89,952 for Mr. Luthi, and $50,055 for Mr. Mansour. Mr. Luthi and Mr. Mansour also negotiated signing bonuses in connection with their employment agreements – $20,000 for Mr. Luthi and $100,000 for Mr. Mansour.

Realizable 2014 Pay

The Compensation Committee believes that an NEO's actual compensation should reflect the Company's performance. Accordingly, the substantial majority of NEO compensation is composed of variable cash bonus awards and equity awards that derive their value based on Company financial performance and the performance of the price of our common stock. As a result, much of the NEO's target total compensation opportunity is "at risk", and there can be no assurance that the target amount of the bonuses will be awarded, that the grant date fair values reported for the equity awards will reflect their actual economic value, or that comparable amounts will ever be realized by the NEOs.

This risk is illustrated in the table below, which compares the 2014 target total compensation for William Ruckelshaus, President and CEO, to the actual realizable pay at the end of 2014. As described above, while the base salary amounts are fixed, the cash bonus amounts depend on Company and individual performance, the value of the RSU grants vary with the price of the Company's common stock, and the value of the option grants are dependent on the price of the common stock rising above the price on the date of grant. The Target equity amounts listed below are the targets set by the Committee, and approximately reflect the grant date fair values reported in the Summary Compensation Table below. The Realizable Pay equity amounts listed assume 100% acceleration of the 2014 equity grants as of December 31, 2014 and the closing price of the common stock on that date, $13.85. As these awards had not actually vested at that time, the amount actually realized by Mr. Ruckelshaus, if any, upon vesting and exercise may vary from this figure. The amounts for the bonus payouts and the salaries are the actual amounts paid for 2014.

Target Versus Realizable Pay: William Ruckelshaus, CEO and President

	Salary	Bonus	RSUs	Options	Total
Target Total Compensation	$475,000	$475,000	$585,000	$1,365,000	$2,900,000
Realizable Pay at Dec. 31, 2014	$475,000	$ 47,500	$282,000	$ —	$ 804,500

Section V. Compensation Process and Policies

Compensation Process

The Committee seeks to design a compensation program that applies the Company's compensation philosophy and creates incentives to meet the Company's objectives. To achieve this goal, the Committee receives input from a number of sources, including management, employees, and its independent compensation consultant, Compensia. More detail on some of the sources of information considered by the Committee is provided in this section below.

Although the Committee considers these sources of information, it uses its own discretion, based on the experience, knowledge, and diligence of its own members, to determine the compensation elements used in the compensation program and the value of each element for each of the executives. This discretion is, by its nature, subjective. There is no set formula for how the Committee determines exactly how much value it places in any one element, or how any one element will compare to another element. The Board has selected the Committee members for their experience and abilities in determining compensation, and the Committee feels that a subjective determination by its members, after consideration of objective sources, is the most appropriate way for it to exercise its duties to the Board, to the Company, and to stockholders.

Advisors Used in Compensation Determinations

Independent Consultant. The Committee has engaged Compensia, Inc. as its independent compensation consultant to advise on non-employee director and executive officer compensation matters. The Committee solely approved all engagement fees and other retention terms of Compensia and determined Compensia's responsibilities. Compensia did not provide any services to the Company during 2014 other than advice on executive and director compensation. The Committee's engagement of Compensia for 2014 included a market study of relevant compensation elements for the executive officers, which the Committee used to assess market conditions and the competitiveness of the existing program. Compensia also provided advice and information on material compensation trends to provide a general understanding of current compensation practices. The Committee has assessed the independence of Compensia pursuant to applicable SEC and NASDAQ rules and concluded that Compensia's work for the Committee does not raise any conflict of interest.

Management and Other Employees. Compensia and the Committee consulted regularly with our CEO, CFO, and General Counsel regarding the design and implementation of the 2014 executive compensation program. Matters consulted on include the Committee's compensation philosophy and objectives; the review of the experience, current performance, and other subjective factors for each executive officer; the preferred performance metrics and performance targets for the annual bonus program; the recommended adjustments for performance metrics; and other financial and operational issues related to compensation. The Committee has historically consulted with the CEO and CFO because they have significant involvement in and knowledge of the Company's business goals, strategies, and performance; the overall effectiveness of executive officers; and each person's individual contribution to the Company's performance. The Company's General Counsel was also consulted regarding legal issues related to compensation.

The Committee takes management's recommendations into consideration, but retains the discretion to modify such recommendations, and reviews such recommendations for their reasonableness based on its compensation philosophy and related considerations. The CEO, CFO, and General Counsel are regularly invited to attend Committee meetings. The Committee generally meets in executive session outside the presence of management to discuss compensation issues and to review the performance of, and determine the compensation of, the CEO, CFO, and General Counsel. The Company's legal advisors, human resources department, and corporate accounting department also support the Committee in developing and administering the Company's compensation plans and programs.

2014 Peer Group

The Committee's independent compensation consultant, Compensia, provided peer group comparison data for the Company's executive officers with respect to salary, incentive bonus, and equity grants. The Committee used this data for background and context when setting the amounts of the various compensation elements for 2014, but did not tie any compensation decisions directly to this data. The peer group created by Compensia and approved by the Committee for comparison of 2014 compensation consisted of 19 technology companies, primarily in the Internet software and services industry, with financial characteristics similar to Blucora. This group of 19 companies is as follows:

- Bankrate
- Blue Nile
- comScore
- Constant Contact
- Costar Group*
- DealerTrack Holdings
- Demand Media
- Digital River
- j2 Global*
- Liquidity Services
- Monster Worldwide*
- NIC
- Orbitz Worldwide*
- Pandora Media*
- Shutterfly
- United Online*
- ValueClick
- Web.com Group
- WebMD Health

Compensia also provided the 2013 peer group, which included 21 companies. Compensia and the Committee periodically adjust the group to ensure continued appropriateness, but there was significant overlap between the 2013 and 2014 groups and there were no major changes in peer group philosophy. The companies added to the 2014 peer group are marked by an asterisk. The companies removed from the peer group were Ancestry.com, Dice Holdings, eHealth, KAYAK Software, Move, QuinStreet, The Active Network, and Travelzoo.

Compensation Policies

In addition to the compensation elements and decisions discussed above in this CD&A, the Company has a number of compensation policies that are designed to retain and incent executives and to protect Company and stockholder interests. Those policies are discussed below:

Executive Employment Agreements; Severance Payments. The Company uses employment agreements to retain and attract highly qualified executives in a competitive market and has employment agreements with all of its executive officers. The Company believes that employment agreements ensure continued dedication of executives in case of personal uncertainties or risk of job loss and ensure that compensation and benefits expectations are understood and satisfied. The employment agreements generally include a specific base salary and a target incentive bonus percentage that serves as the basis for the annual cash incentive bonus plan. The employment agreements also include specific terms regarding severance payments and other benefits, if any, due to the executive under various employment termination circumstances.

These employment agreements reflect the philosophy that executives should not be provided with severance benefits if they voluntarily terminate their employment. Further, that severance benefits should be more limited, and should not include acceleration of unvested equity, in termination situations that are not in anticipation of or within a specified period following a change of control or other significant corporate transaction. In general, cash severance is only paid upon: (a) a termination of employment by the Company without cause; (b) a termination of employment by the executive with good reason; (c) death or disability of the executive; or (d) termination of employment in connection with a change of control or other significant corporate transaction.

A fundamental feature of the change of control provisions in the employment agreements is that the benefits generally have a “double-trigger,” which means that two events must occur for payments to be made (a change of control and the actual or constructive termination of employment, in this case within a specified period before or after such trigger event). The change of control provisions also contain a cut-back on severance compensation to ensure no Section 280G tax is triggered. The Committee believes that the foregoing change of control compensation is in the best interest of the Company and its stockholders to ensure the continued dedication of such employees, notwithstanding the possibility, threat or occurrence of a change of control. Further, it is imperative to diminish the inevitable distraction of such employees by virtue of the personal uncertainties and risks created by a pending or threatened change of control, and to provide such employees with compensation and benefits arrangements upon a change of control that are competitive with those of other companies. The only exception to the double-trigger feature described above is the single-trigger equity acceleration provided to Mr. Mansour in the event of the sale of the InfoSpace LLC business unit that he leads, but this exception is limited to that specific circumstance and would not apply in the instance of a change of control of Blucora, Inc. For specific information on termination payments, see “Potential Payments upon Termination of Employment” below.

Timing and Pricing of Share-Based Grants. The Committee does not grant equity awards in anticipation of the release of material nonpublic information. Similarly, the Company does not time the release of material nonpublic information based on equity award grant dates. In accordance with the 1996 Plan, the exercise price of an option is the closing price of the Company’s common stock (as reported by NASDAQ) on the date approved by the Committee to be the date of grant (which date is not earlier than the date the Committee approved such grant).

Prohibition Against Short Selling, Hedging, or Pledging of Company Securities. The Company’s Insider Trading Policy prohibits any director, officer, or other employee from engaging in short sales of, or otherwise hedging, the Company’s securities. This prohibition includes any transaction, direct or indirect, involving financial instruments (including prepaid variable forward contracts, equity swaps, collars, and exchange funds) that are designed to hedge or offset any decrease in the market value of Company securities. This prohibition applies to all securities issued by the Company, including equity and debt. The Company's Insider Trading Policy also prohibits directors, officers, and employees from pledging the Company's securities as collateral for loans.

Perquisites. The Company has historically maintained a conservative approach to providing perquisites to executive officers. The limited perquisites offered have been carefully selected to ensure that there is an indirect benefit to the Company and that the value provided to employees is not excessive. In addition, most perquisites offered to executives are generally offered to all employees. Although offered to all employees, the one perquisite that is not offered at the same level to every employee is the $150,000 life insurance plan, for which the Company pays the premium. The life insurance plan provides a benefit of two times the annual salary of each employee, capped at $150,000. All employees with a salary of at least $75,000 enjoy the same benefit offered to the executive officers.

Limits on Deductibility of Compensation. Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for annual compensation over $1 million paid to their chief executive officer and the next three most highly compensated executive officers (other than the principal financial officer). The Internal Revenue Code generally excludes from the calculation of the $1 million cap compensation that is based on the attainment of pre-established, objective performance goals established under a shareholder-approved plan. The Committee considers, among other things, the impact of this exclusion for performance-based compensation when developing and implementing our executive compensation programs. While the Committee seeks to preserve tax deductibility in developing and implementing our compensation program, the Committee also believes that it is important to preserve flexibility in administering compensation programs in a manner designed to promote varying corporate goals. Accordingly, we have not adopted a policy that all compensation must qualify as deductible for tax purposes. Therefore, amounts paid under any of our executive compensation programs may not qualify as performance-based compensation that is excluded from the Section 162(m) limitation on deductibility.

COMPENSATION OF NAMED EXECUTIVE OFFICERS

The following table sets forth information concerning the compensation earned in 2014, and prior years to the extent applicable, by the Named Executive Officers:

Summary Compensation Table

The following table sets forth information concerning 2014 compensation for each of the Named Executive Officers, and prior year compensation to the extent applicable:

Name and principal position	Year	Salary	Bonus (1)	Stock awards (2)	Option awards (2)	Non-equity incentive plan compensation (3)	All other compensation (4)	Total
William J. Ruckelshaus	2014	$475,000	—	$ 584,972	$1,342,732	$ 47,500	$ 11,595	$2,461,799
President and Chief	2013	$450,000	—	$ 823,140	$1,094,270	$450,450	$ 10,515	$2,828,375
Executive Officer	2012	$415,192	—	$ 506,800	$ 634,379	$613,311	$ 4,873	$2,174,555
Eric M. Emans	2014	$325,000	—	$ 266,988	$ 612,830	$ 39,000	$ 10,149	$1,253,967
Chief Financial Officer	2013	$300,000	—	$ 129,120	$ 527,238	$191,700	$ 9,330	$1,157,388
and Treasurer	2012	$261,000	—	—	—	$229,574	$ 8,418	$ 498,992
Mark A. Finkelstein (5)	2014	$ 83,750	$ 49,685	$ 299,999	$ 705,349	—	$ 2,168	$1,140,951
Chief Legal and Administrative Officer								
Michael J. Glover (6)	2014	$222,750	—	179,993	413,146	$178,365	$ 318,962	$1,313,216
Former President of	2013	$285,000	—	$ 475,500	$ 360,123	$171,195	$ 2,436	$1,294,254
InfoSpace LLC	2012	$242,429	—	$ 118,150	$ 110,846	$246,940	$ 1,236	$ 719,601
Ajay Kumar (7)	2014	$200,007	—	—	—	—	$2,454,422	$2,654,429
Former President of	2013	$110,059	—	$4,056,000	—	$146,129	$ 521	$4,312,709
Monoprice, Inc.								
Bernard W. Luthi (5)	2014	$151,388	$109,951	$ 239,992	$ 567,184	—	$ 3,939	$1,072,454
President of Monoprice, Inc.								
Peter M. Mansour (5)	2014	$ 84,808	$150,055	$1,499,991	$ 662,145	—	$ 421	$2,397,420
President of InfoSpace LLC								

(1) Bonus consists of signing bonuses provided to Mr. Luthi and Mr. Mansour and pro-rated amounts provided to Messrs. Finkelstein, Luthi, and Mansour in lieu of their participation in the 2014 Executive Bonus Plan.

(2) Stock awards consist of RSUs granted under the 1996 Plan. Each RSU represents the right to receive one share of our common stock upon vesting. Option awards consist of options granted under the 1996 Plan to purchase shares of our common stock. The dollar amount for stock and option awards is the aggregate grant date fair value computed in accordance with ASC 718, excluding the effect of any estimated forfeitures. These amounts reflect the Company's accounting expense and do not correspond to the actual value that will be realized by the Named Executive Officer. Assumptions used in the valuation of stock and option awards granted in 2014 are discussed in "Note 10: Stock-based Compensation" of the Notes to Consolidated Financial Statements (Part II Item 8) in our Annual Report on Form 10-K for the year ended December 31, 2014.

(3) Non-equity incentive compensation consists of amounts earned under the Executive Bonus Plan for the applicable year and paid out upon final determination of the amounts by the Compensation Committee, with the exception of a $165,000 lump sum payment that was made in 2014 to Mr. Glover pursuant to a one-time bonus opportunity related to the renewal of a multi-year agreement with a critical partner of the InfoSpace business.

(4) All other compensation in 2014 consists of perquisites that are primarily non-discriminatory fringe benefits generally available to employees, such as the 401(k) employer's match, mobile communications reimbursement, and life insurance premiums, with the exceptions of a $316,000 lump sum severance payment that was made in 2014 to Mr. Glover and $2,454,422 in payments that were made in 2014 to Mr. Kumar (consisting of a $2,068,822 lump sum payment related to a Restricted Cash Agreement, which represented the deferred amount that Mr. Kumar otherwise would have been entitled to receive at the time of the 2013 sale of Monoprice to Blucora, a $371,370 lump sum severance payment, and $14,230 in 401(k) match). The amount for Mr. Ruckelshaus consists of $7,800 in 401(k) match, $1,800 in mobile communications reimbursement, $360 in health club subsidy, $435 in life insurance premiums, and $1,200 in parking benefit. The amount for Mr. Emans consists of $7,800 in 401(k) match, $1,800 in mobile communications reimbursement, $360 in health club subsidy, and $189 in life insurance premiums.

Proxy

(5) Messrs. Finkelstein, Luthi, and Mansour became executive officers of the Company upon their hire dates of September 30, 2014, July 14, 2014, and October 6, 2014, respectively.
(6) Mr. Glover was an executive officer of the Company until his resignation on September 30, 2014.
(7) Mr. Kumar was an executive officer of the Company upon the closing of the Company's acquisition of the Monoprice business on August 22, 2013 until his resignation on June 24, 2014.

Employment Agreements. The Company has entered into an employment agreement with each of its NEOs (see "Compensation Discussion and Analysis" above for further details) that establishes their initial base salary and target incentive bonus. The Compensation Committee reviews these amounts on an annual basis, and adjusts them as appropriate. Mr. Ruckelshaus's salary, as set forth in his December 2012 agreement, was adjusted by the Compensation Committee to $475,000 for 2014, with a target incentive bonus at 100% of his base salary. Mr. Emans' base salary, as set forth in his January 2012 employment agreement, was adjusted by the Compensation Committee to $325,000 for 2014, with a target incentive bonus of 60% of his base salary. Mr. Finkelstein's September 2014 agreement set his base salary at $325,000, with a 60% target incentive bonus. Mr. Glover entered into an employment agreement in March 2013, and the Committee adjusted his 2014 base salary to $297,000, with a target incentive bonus of 60%. Mr. Kumar's employment agreement, effective upon the August 22, 2013 acquisition of Monoprice, set his base salary at $357,690 and his target incentive bonus at 50% of his base salary. Mr. Luthi's July 2014 agreement set his base salary at $320,000, with a 60% target incentive bonus. Mr. Mansour's October 2014 agreement set his base salary at $350,000, with a 60% target incentive bonus.

Grants of Plan-Based Awards in 2014

The following table sets forth certain information regarding non-equity and equity plan-based awards granted by the Company to the NEOs in 2014:

Name	Grant date	Estimated possible payouts under non-equity incentive plan awards			All other stock awards: number of shares of stock or units	All other option awards: number of securities underlying options	Exercise or base price per share of option awards	Grant date fair value of stock and option awards
		Threshold	Target	Maximum				
William Ruckelshaus	1/2/2014	—	—	—	20,361	—	—	$ 584,972
	1/2/2014	—	—	—	—	161,538	$28.73	$1,342,732
		$47,500	$475,000	$722,000	—	—	—	—
Eric Emans	1/2/2014	—	—	—	9,293	—	—	$ 266,988
	1/2/2014	—	—	—	—	73,727	$28.73	$ 612,830
		$19,500	$195,000	$296,400	—	—	—	—
Mark Finkelstein	9/30/2014	—	—	—	19,685	—	—	$ 299,999
	9/30/2014	—	—	—	—	165,354	$15.24	$ 705,349
Michael Glover	1/2/2014	—	—	—	6,265	—	—	$ 179,993
	1/2/2014	—	—	—	—	49,704	$28.73	$ 413,146
		$13,365	$178,200	$253,490	—	—	—	—
Ajay Kumar		$ 8,942	$178,845	$271,844	—	—	—	—
Bernard Luthi	7/14/2014	—	—	—	13,761	—	—	$ 239,992
	7/14/2014	—	—	—	—	112,385	$17.44	$ 567,184
Peter Mansour	10/6/2014	—	—	—	97,783	—	—	$1,499,991
	10/6/2014	—	—	—	—	150,000	$15.34	$ 662,145

Non-equity Incentive Plan Awards. The estimated possible payouts show the potential value of the payout for each NEO under the 2014 Blucora Executive Bonus Plan if the threshold, target, or maximum performance measure goals are satisfied, as described in the CD&A above. The possible payouts were performance-driven and therefore were completely at risk. As described in the CD&A, the targets are set to be challenging and to require significant effort for their achievement. The threshold amount described above is based on meeting only the smallest of the financial performance goals at the threshold range, and assumes that the percentage that can be awarded for individual discretionary objectives is not achieved. Actual payments under these awards are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

Stock Awards and Option Awards. All other stock awards and all other option awards consist of RSUs and stock options granted under our 1996 Plan. Each RSU represents the right to receive one share of our common stock upon vesting, and the options represent the right to purchase shares of our common stock. The exercise or base price per share of option awards column consists of the strike price for options granted. Options were granted at an exercise price equal to the closing price of our common stock on the date of the grant. Unvested stock and option awards generally vest 33 ⅓% on the first anniversary of the grant date, and the remainder vest ratably thereafter on a semi-annual basis until the third anniversary of the grant date.

Outstanding Equity Awards at December 31, 2014

The following table sets forth information concerning unexercised options and unvested RSUs outstanding as of December 31, 2014 for each of the NEOs:

		Options Awards (1)				Stock Awards (1)	
		Number of securities underlying unexercised options					
Name	Grant date	Exercisable	Not exercisable	Option exercise price/share	Option expiration date	Number of shares or units of stock that have not vested	Market value of shares or units of stock that have not vested (2)
William Ruckelshaus	5/12/2008	7,500	—	$ 9.64	5/12/2015	—	—
	6/4/2009	7,500	—	$ 7.19	6/4/2016	—	—
	5/11/2010	11,100	—	$ 8.74	5/11/2017	—	—
	6/15/2011	800,000	—	$ 8.74	6/15/2018	—	—
	1/3/2012	200,000	—	$11.39	1/3/2019	—	—
	6/15/2012	—	—	—	—	6,664	$ 92,296
	1/2/2013	110,000	110,000	$16.14	1/2/2020	—	—
	1/2/2013	—	—	—	—	25,499	$ 353,161
	1/2/2014	—	161,538	$28.73	1/2/2021	—	—
	1/2/2014	—	—	—	—	20,361	$ 282,000
Eric Emans	2/29/2008	47,000	—	$10.19	2/28/2015	—	—
	5/11/2009	52,500	—	$ 7.10	5/11/2016	—	—
	3/29/2010	25,000	—	$10.78	3/29/2017	—	—
	11/17/2011	125,000	—	$ 8.51	11/17/2018	—	—
	1/2/2013	53,001	52,999	$16.14	1/2/2020	—	—
	1/2/2013	—	—	—	—	3,999	$ 55,386
	1/2/2014	—	73,727	$28.73	1/2/2021	—	—
	1/2/2014	—	—	—	—	9,293	$ 128,708
Mark Finkelstein	9/30/2014	—	165,354	$15.24	9/30/2021	—	—
	9/30/2014	—	—	—	—	19,685	$ 272,637
Bernard Luthi	7/14/2014	—	112,385	$17.44	7/14/2021	—	—
	7/14/2014	—	—	—	—	13,761	$ 190,590
Peter Mansour	10/6/2014	—	150,000 (3)	$15.34	10/6/2021	—	—
	10/6/2014	—	—	—	—	97,783 (3)	$1,354,295

(1) Unvested stock and option awards generally vest 33 ⅓% on the first anniversary of the grant date, and the remainder vest ratably thereafter on a semi-annual basis until the third anniversary of the grant date, except as noted below.

(2) The market value of unvested RSUs is based on the closing price of our common stock on December 31, 2014, which was $13.85 per share.

(3) The options and RSUs granted to Mr. Mansour on October 6, 2014 will vest 33 ⅓% on the first anniversary of the grant date and the remainder will vest ratably thereafter on an annual basis until October 6, 2017.

Proxy

Option Exercises and Stock Vested in 2014

The following table sets forth for each of the NEOs the number of shares acquired upon exercise of stock options and vesting of RSUs during 2014, and the value realized upon such exercise and vesting. The value realized upon exercise of stock options and vesting of RSUs is before the withholding of any taxes.

	Option awards		Stock awards	
Name	Number of shares acquired on exercise	Value realized on exercise (1)	Number of shares acquired on vesting	Value realized on vesting (2)
William Ruckelshaus	—	—	58,837	$1,240,988
Eric Emans	28,000	$ 129,608	21,416	$ 400,969
Michael Glover	375,002	$1,725,402	32,709	$ 611,385
Ajay Kumar	—	—	8,558	$ 198,943

(1) The value realized on exercise was calculated by multiplying the number of shares acquired upon exercise of stock options by the difference between the market price of the Company's common stock per share upon exercise and the exercise price per share.
(2) The value realized on vesting was calculated by multiplying the number of shares acquired upon the vesting of RSUs by the closing price of the Company's common stock per share on the vesting date.

Potential Payments upon Termination of Employment

Termination or Change in Control as of December 31, 2014

The following table sets forth the expected incremental payments of severance and/or benefits that would be provided to each of the NEOs or his or her estate in the event of such executive officer's termination of employment in connection with a change of control or significant corporate transaction, termination by the Company without cause, or by the employee for good reason, death, or disability, as of December 31, 2014:

Name	Salary-based payment (1)	Other cash (2)	Health benefits	Stock options (3)	Stock awards (3)	Total
William Ruckelshaus						
Without cause/constructive termination	$ 475,000	$475,000	$20,819	—	—	$ 970,819
Without cause/constructive termination in connection with change of control or significant corporate transaction	$ 712,500	$712,500	$31,229	—	$ 727,457	$2,183,686
Death	$ 112,500	$250,000	—	—	—	$ 362,500
Disability	$ 225,000	—	—	—	—	$ 225,000
Eric Emans						
Without cause/constructive termination	$ 325,000	—	$20,819	—	—	$ 345,819
Without cause/constructive termination in connection with change of control or significant corporate transaction	$ 325,000	$195,000	$20,819	—	$ 184,094	$ 724,913
Death	$ 81,250	$250,000	—	—	—	$ 331,250
Disability	$162,5000	—	—	—	—	$ 162,500
Mark Finkelstein						
Without cause/constructive termination	$ 325,000	—	$20,819	—	—	$ 345,819
Without cause/constructive termination in connection with change of control or significant corporate transaction	$ 325,000	$195,000	$20,819	—	$ 272,637	$ 813,456
Death	$ 81,250	$250,000	—	—	—	$ 331,250
Disability	$ 162,500	—	—	—	—	$ 162,500
Bernard Luthi						
Without cause/constructive termination	$ 320,000	—	$17,614	—	—	$ 337,614
Without cause/constructive termination in connection with change of control or significant corporate transaction	$ 320,000	$192,000	$17,614	—	$ 190,590	$ 720,204
Death	$ 80,000	$200,000	—	—	—	$ 280,000
Disability	$ 160,000	—	—	—	—	$ 160,000
Peter Mansour						
Without cause/constructive termination	$ 350,000	$ —	$19,038	—	—	$ 369,038
Without cause/constructive termination in connection with change of control or significant corporate transaction	$ 350,000	$210,000	$19,038	—	$1,354,295	$1,933,333
Death	$ 87,500	$250,000	—	—	—	$ 337,500
Disability	$ 175,000	$ —	—	—	—	$ 175,000

(1) Consists of the NEO's annual salary multiplied by the applicable multiplier, if any.
(2) Generally consists of the NEO's target bonus multiplied by the applicable multiplier, if any. The amount for Death includes a $250,000 life insurance policy payable upon death of employee for all NEOs except Mr. Luthi, whose amount for Death includes a $200,000 life insurance policy payable upon death of employee.
(3) The value of the option awards and RSUs that vest is based on the closing price of our common stock on December 31, 2014, which was $13.85 per share.

The following sections describe and explain the specific circumstances that would trigger the amounts set forth in the table above.

Termination without Cause and Constructive Termination or Resignation for Good Reason. Under the agreements in place at the end of 2014, all of the NEOs receive similar benefits if they are terminated by Blucora without cause or there is a constructive termination. Under these circumstances, the NEO is entitled to severance benefits of a one-time lump sum payment equal to 100% of his or her then-current annual salary, and a lump sum payment equal to 12 months of COBRA insurance benefits. Mr. Ruckelshaus would also receive a lump sum payment equal to his annual target bonus. In general, "cause" is defined as misconduct that is criminal, dishonest, fraudulent, or in violation of the Company's Code of Ethics and Conduct or other written policy, failure to perform job duties, breach of confidentiality, or an obstruction of any internal or governmental investigation. "Constructive termination" includes a material reduction in base salary, duties, responsibilities, or title (reporting structure alone is insufficient), or a requirement that the NEO relocate more than 25 miles.

Change in Control or a Significant Company Transaction. Under the agreements in place at the end of 2014, the consequences for a change in control are similar for all NEOs. With regard to Mr. Ruckelshaus, if the Company terminates him without cause or if he terminates for good reason during the 2-month period prior to or the 12-month period following a change in control or a "Significant Company Transaction", Mr. Ruckelshaus would receive a severance payment equal to 150% of his base salary plus 150% of his target bonus amount. In these circumstances, Mr. Emans, Mr. Finkelstein, Mr. Luthi, and Mr. Mansour would each receive a severance payment equal to 100% of base salary plus 100% of his target bonus amount. Mr. Ruckelshaus would also receive a lump sum payment equal to 18 months of COBRA insurance, and Mr. Emans, Mr. Finkelstein, Mr. Luthi, and Mr. Mansour would each receive a lump sum payment equal to 12 months of COBRA insurance. The outstanding equity awards would fully vest and remain exercisable until the earlier of expiration or 24 months in the case of Mr. Ruckelshaus and Mr. Emans or 12 months in the case of Mr. Finkelstein, Mr. Luthi, and Mr. Mansour.

A change in control for all NEOs is defined as any of the following: (i) acquisition of 50% of the voting power of the Company's outstanding securities by any person or through a merger or acquisition of the Company, (ii) approval by the stockholders of liquidation of the Company, (iii) a sale of the Company or substantially all of its assets, or (iv) a change in composition of the Board of Directors such that the majority is no longer comprised of incumbent directors (an incumbent being a continuing director, a director nominated by a majority, or a director appointed by directors so nominated).

Death. Under the agreements in place at the end of 2014 for all NEOs, death entitles the NEO's beneficiary to receive a lump sum payment equal to three months' base salary.

Disability. Under the agreements in place at the end of 2014 for all NEOs, termination due to disability (defined as an inability to perform his or her duties for 180 days in any one year period) entitles the NEO to receive a lump sum payment equal to six months base salary.

Required Release. Prior to receiving severance for any termination, an NEO is required to sign the Company's standard release, which includes, among other terms, a confidentiality provision with an unlimited duration, a non-competition provision with one-year duration, and a non-solicitation provision with a one-year duration.

Severance Payments to Terminated Executives in 2014. Pursuant to their separation agreements, Michael Glover received a $316,000 lump sum severance payment in 2014, and Ajay Kumar received $2,454,422 in payments in 2014 (consisting of a $2,068,822 lump sum payment related to a Restricted Cash Agreement, which represented the deferred amount that Mr. Kumar otherwise would have been entitled to receive at the time of the 2013 sale of Monoprice to Blucora, a $371,370 lump sum severance payment, and $14,230 in 401(k) match).

BENEFICIAL OWNERSHIP

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers, directors, and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership on Form 3 and changes in ownership on Form 4 and Form 5 with the SEC. Executive officers, directors, and greater-than-ten-percent stockholders are required by SEC regulations to furnish Blucora with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms received by the Company or filed with the SEC, and written representations from certain reporting persons, Blucora believes that all Section 16(a) filing requirements applicable to its executive officers, directors, and persons who own more than ten percent of a registered class of our equity securities have been complied with on a timely basis during 2014.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of common stock of Blucora as of March 30, 2015, as to: (i) each person who is known by the Company to own beneficially more than five percent of the outstanding shares of common stock; (ii) each director and each nominee for director of Blucora; (iii) each of the Named Executive Officers named in the Summary Compensation Table; and (iv) all current directors and executive officers as a group. Information for beneficial owners who are not officers or directors of Blucora is based on their most recent filings with the SEC (as described in the footnotes to this table) and is not independently verified by Blucora. Unless otherwise indicated below, and subject to applicable community property laws, each beneficial owner has sole voting and investment powers with respect to the shares listed below:

Principal Stockholders, Directors, Nominees for Director and Named Executive Officers	Number of Shares Owned Directly or Indirectly	Number of Shares That Can Be Acquired Within 60 Days of March 30, 2015		Shares Beneficially Owned [1]	
		Options	RSUs	Number	Percent of Class
5% Stockholders					
FMR LLC 245 Summer Street Boston, MA 02210	4,633,363	—	—	4,633,363 [2]	11.3%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	4,556,394	—	—	4,556,394 [3]	11.2%
Dimensional Fund Advisors LP Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	3,382,887	—	—	3,382,887 [4]	8.3%
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	2,648,329	—	—	2,648,329 [5]	6.5%

Principal Stockholders, Directors, Nominees for Director and Named Executive Officers	Number of Shares Owned Directly or Indirectly	Number of Shares That Can Be Acquired Within 60 Days of March 30, 2015		Shares Beneficially Owned (1)	
		Options	RSUs	Number	Percent of Class
Directors					
John E. Cunningham, IV	33,687(6)	83,368	7,178	124,233 (6)	*
David H.S. Chung	9,750	26,076	9,134	44,960	*
Lance G. Dunn	9,257	37,176	5,384	51,817	*
Steven W. Hooper	23,750	54,776	5,384	83,910	*
Elizabeth J. Huebner	18,000	62,476	5,384	85,860	*
William J. Ruckelshaus	123,985	1,219,115	—	1,343,100	3.2%
Andrew M. Snyder and Cambridge Information Group, Inc. 888 7th Ave., 17th Floor New York, NY 10019	1,784,442	57,276	5,384	1,847,102	4.5%
Christopher W. Walters	153	11,105	7,250	18,508	*
Mary S. Zappone	—	2,308	1,539	3,847	*
Named Executive Officers					
Eric M. Emans	49,882	297,745		347,627	*
Mark A. Finkelstein	—	—	—	—	—
Bernard W. Luthi	200	—	—	200	*
Peter M. Mansour	—	—	—	—	—
All current directors and executive officers as a Group (17 persons)	2,088,349	2,375,936	47,536	4,511,821	10.4%

* Less than 1%.

(1) Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or will become exercisable within 60 days of March 30, 2015, if any, or RSUs held by that person that vest within 60 days of March 30, 2015, if any, are deemed outstanding, while such shares are not deemed outstanding for purposes of computing the percentage ownership of any other person.

(2) Based on information contained in a Schedule 13G/A filed with the SEC on February 13, 2015, by FMR LLC ("***FMR***"). FMR is an investment advisor/manager to certain funds and as investment advisor/manager, FMR possesses investment and/or voting power of the securities of the funds and may be deemed to be the beneficial owner of the shares held by the funds. FMR disclaims beneficial ownership of the shares held by the funds. FMR reported it had sole voting power with respect to 20,076 shares and sole dispositive power with respect to 4,633,363 shares.

(3) Based on information contained in a Schedule 13G/A filed with the SEC on January 9, 2015, by BlackRock, Inc. BlackRock, Inc. reported it had sole voting power with respect to 4,435,231 shares and sole dispositive power with respect to 4,556,394 shares.

(4) Based on information contained in a Schedule 13G/A filed with the SEC on February 5, 2015, by Dimensional Fund Advisors LP ("***Dimensional***"). Dimensional is an investment advisor/manager to certain funds and as investment advisor/manager, Dimensional possesses investment and/or voting power of the securities of the funds and may be deemed to be the beneficial owner of the shares held by the funds. Dimensional disclaims beneficial ownership of the shares held by the funds. Dimensional reported it had sole voting power with respect to 3,235,198 shares and sole dispositive power with respect to 3,382,887 shares.

(5) Based on information contained in a Schedule 13G/A filed with the SEC on February 11, 2015, by The Vanguard Group. ("***Vanguard***"). Vanguard reported it had sole voting power with respect to 57,442 shares and sole dispositive power with respect to 2,648,329 shares.

(6) Includes 9,280 shares of common stock held by Clear Fir Partners, L.P. Mr. Cunningham is a general partner of Clear Fir Partners, L.P.

Proxy

Ownership Limitations

Certain transfers of our stock between stockholders could result in our undergoing an "ownership change" as defined in Section 382 of the Internal Revenue Code of 1986, as amended, and the related Treasury Regulations ("***Section 382***"). Our certificate of incorporation (the "***Charter***") was amended in 2009 to reclassify our common stock and impose restrictions on its transfer under certain circumstances related to Section 382.

In particular, the Charter generally restricts any person or entity from attempting to transfer (which includes any direct or indirect acquisition, sale, transfer, assignment, conveyance, pledge, or other disposition) any of our stock (or options, warrants, or other rights to acquire our stock, or securities convertible or exchangeable into our stock), to the extent that transfer would (i) create or result in an individual or entity becoming a five-percent stockholder of our stock for purposes of Section 382 (a "***Five Percent Stockholder***") or (ii) increase the stock ownership percentage of any existing Five Percent Stockholder. Any person or entity attempting to acquire shares in such a transaction is referred to as a "***Restricted Holder***." The Charter does not prevent transfers that are sales by a Five Percent Stockholder, although it does restrict any purchasers that seek to acquire shares from a Five Percent Stockholder to the extent that the purchaser is or would become a Five Percent Stockholder.

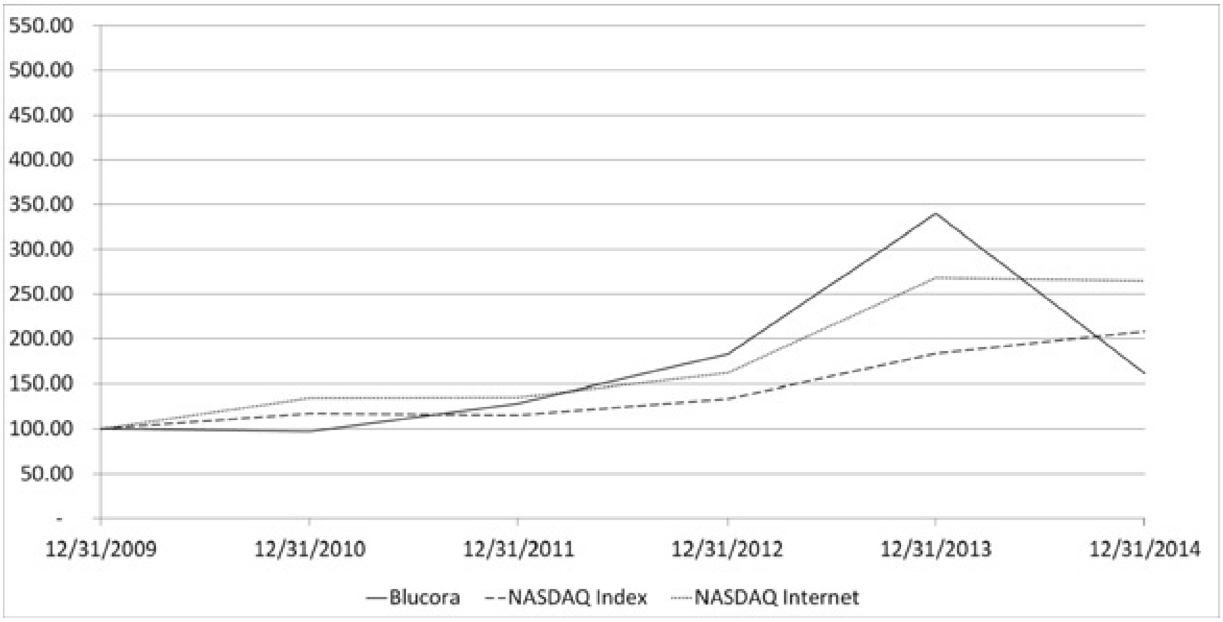
Any transfer that violates the Charter is null and void *ab initio* and is not effective to transfer any record, legal, beneficial, or any other ownership of the number of shares that result in the violation (which are referred to as "***Excess Securities***"). The purported transferee shall not be entitled to any rights as our stockholder with respect to the Excess Securities. Instead, the purported transferee would be required, upon demand by the Company, to transfer the Excess Securities to an agent designated by the Company for the limited purpose of consummating an orderly arm's-length sale of such shares. The net proceeds of the sale will be distributed first to reimburse the agent for any costs associated with the sale, second to the purported transferee to the extent of the price it paid, and finally any additional amount will go to the purported transferor, or, if the purported transferor cannot be readily identified, to a charity designated by the Board of Directors. The Charter also provides the Company with various remedies to prevent or respond to a purported transfer that violates its provisions. In particular, any person who knowingly violates such provisions, together with any persons in the same control group with such person, are jointly and severally liable to the Company for such amounts as will put the Company in the same financial position as it would have been in had such violation not occurred.

Our Board of Directors may authorize an acquisition by a Restricted Holder of stock that would otherwise violate the Charter if the Board of Directors determines, in its sole discretion, that after taking into account the preservation of our NOLs and income tax credits, such acquisition would be in the best interests of the Company and its stockholders. Any Restricted Holder that would like to acquire shares of our stock must make a written request to our Board of Directors prior to any such acquisition. The Company intends to enforce the restrictions to preserve future use of our NOLs and income tax credits for so long as the Board of Directors determines in good faith that it is in the best interests of the Company to prevent the possibility of an ownership change under Section 382.

STOCK PERFORMANCE

The information contained in the performance graph shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, and such information shall not be incorporated by reference into any future filing under the Securities Act or Exchange Act, except to the extent that the Company specifically incorporates it by reference into such filing.

Set forth below is a line graph comparing the cumulative total stockholder return of our common stock to the cumulative total return of (i) the NASDAQ Index and (ii) the NASDAQ Internet Index for the five-year period ending on December 31, 2014, in all cases assuming the full reinvestment of dividends.



TRANSACTION OF OTHER BUSINESS

The Board of Directors of Blucora is unaware of any other matters to be submitted at the meeting. If any other matters come before the meeting, the persons named as proxies in the accompanying form of proxy will vote the shares represented in their discretion.

DEADLINE FOR RECEIPT OF STOCKHOLDER PROPOSALS AND DIRECTOR NOMINATIONS

Any stockholder proposal intended to be included in the Company's Proxy Statement and form of proxy for the 2016 annual meeting of stockholders (pursuant to Rule 14a-8 of the Exchange Act) must be received by the Company at 10900 NE 8th Street, Suite 800, Bellevue, Washington 98004 no later than December 30, 2015 and must otherwise be in compliance with applicable SEC rules.

Any stockholder nomination of a candidate for election to our Board of Directors, and any stockholder proposal of other business intended to be presented for consideration at the 2016 annual meeting of stockholders (but that will not be included in the Company's Proxy Statement for such meeting pursuant to Rule 14a-8 of the Exchange Act), must be received in a timely manner and otherwise in accordance with the Company's Bylaws and related policies and procedures. In particular, our Bylaws establish that nominations for the election of directors or proposals of other business may be made by any stockholder entitled to vote who has delivered written notice to the Corporate Secretary of Blucora not fewer than 90 days nor more than 120 days before the anniversary of the previous year's annual meeting, which notice must contain the information specified in the Bylaws concerning the nominees or other business proposed by the stockholder and concerning the stockholder proposing such nominations or other business. Further information regarding nomination of directors is disclosed above in the descriptions of the Nominating and Governance Committee and of the Director Nomination Process under the heading "Board of Directors and Committee Information."

The Company reserves the right to reject, rule out of order, or take other appropriate action with respect to any nomination or proposal that does not comply with the requirements of our Bylaws or any applicable laws or regulations. A copy of the full text of our Bylaws is available on our company website at www.blucora.com or may be obtained by writing to the Corporate Secretary of Blucora. All notices of proposals by stockholders, whether or not included in our proxy materials, should be sent to Blucora's principal executive offices at 10900 NE 8th Street, Suite 800, Bellevue, Washington 98004, Attention: Corporate Secretary.

ANNUAL REPORT TO STOCKHOLDERS

The Company's Annual Report to Stockholders, including the Annual Report on Form 10-K for the year ended December 31, 2014, is being furnished together with this Proxy Statement. The Annual Report to Stockholders is also available on the corporate website at www.blucora.com. Upon written request by any stockholder to Nathan Garnett, the Corporate Secretary of Blucora, at 10900 NE 8th Street, Suite 800, Bellevue, Washington 98004, a copy of the Annual Report to Stockholders will be furnished without charge, and a copy of any or all exhibits to the Annual Report on Form 10-K will be furnished for a fee that will not exceed the reasonable expenses in furnishing those exhibits. The Company's SEC filings also are available to the public at the SEC's website at http://www.sec.gov.

WHERE YOU CAN FIND MORE INFORMATION

The Company files annual, quarterly, and current reports, proxy statements, and other information with the SEC. You may read and copy this information at the following location:

Public Reference Room
100 F Street, NE
Washington, D.C. 20549

Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The Company's public filings are also available to the public from document retrieval services and the internet website maintained by the SEC at www.sec.gov. These filings are also available on the Company's corporate website at www.blucora.com under "Investor Center – Financial Information – SEC Filings."

By Order of the Board of Directors,

Nathan Garnett
General Counsel and Secretary

Bellevue, Washington
April 28, 2015

BLUCORA, INC.

2015 INCENTIVE PLAN

SECTION 1. PURPOSE

The purpose of the Blucora, Inc. 2015 Incentive Plan is to attract, retain and motivate employees, officers, directors, consultants, agents, advisors and independent contractors of the Company and its Related Companies by providing them with the opportunity to acquire a proprietary interest in the Company and to align their interests and efforts with the long-term interests of the Company's stockholders.

SECTION 2. DEFINITIONS

Certain capitalized terms used in the Plan have the meanings set forth in Appendix A.

SECTION 3. ADMINISTRATION

3.1 Administration of the Plan

(a) The Plan shall be administered by the Board or the Compensation Committee. The Board will cause the Compensation Committee to be composed of two or more directors and to satisfy the applicable requirements of any stock exchange on which the Common Stock may then be listed. For purposes of Awards granted pursuant to Section 16 of the Plan, to the extent required by Code Section 162(m), Compensation Committee means all of the members of the Compensation Committee who are "outside directors" within the meaning of Section 162(m) of the Code, or any successor provision thereto. For purposes of Awards to Grantees who are subject to Section 16 of the Exchange Act, Compensation Committee means all of the members of the Compensation Committee who are "non-employee directors" within the meaning of Rule 16b-3(b)(3) promulgated under the Exchange Act, or any successor definition adopted by the Securities and Exchange Commission. Awards to Nonemployee Directors shall be made by the Board upon recommendation of the Compensation Committee.

(b) Notwithstanding the foregoing, the Board may delegate concurrent responsibility for administering the Plan, including with respect to designated classes of Eligible Persons, to different committees consisting of one or more members of the Board, subject to such limitations as the Board deems appropriate, except with respect to Awards granted to Participants who are subject to Section 16 of the Exchange Act or Awards granted pursuant to Section 16 of the Plan. Members of any committee shall serve for such term as the Board may determine, subject to removal by the Board at any time. To the extent consistent with applicable law, the Board or the Compensation Committee may authorize one or more officers of the Company to grant Awards to designated classes of Eligible Persons, within limits specifically prescribed by the Board or the Compensation Committee; provided, however, that no such officer shall have or obtain authority to grant Awards to himself or herself or to any Participants who are subject to Section 16 of the Exchange Act or to grant Awards pursuant to Section 16 of the Plan.

(c) All references in the Plan to the "***Committee***" shall be, as applicable, to the Board, the Compensation Committee or any other committee or any officer to whom authority has been delegated to administer the Plan.

3.2 Administration and Interpretation by Committee

(a) Except for the terms and conditions explicitly set forth in the Plan and to the extent permitted by applicable law, the Committee shall have full power and exclusive authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board or a

Committee composed of members of the Board, to (i) select the Eligible Persons to whom Awards may from time to time be granted under the Plan; (ii) determine the type or types of Awards to be granted to each Participant under the Plan; (iii) determine the number of shares of Common Stock to be covered by each Award granted under the Plan; (iv) determine the terms and conditions of any Award granted under the Plan; (v) approve the forms of notice or agreement for use under the Plan; (vi) amend, modify, suspend, discontinue or terminate the Plan, waive any restrictions or conditions applicable to any Award or amend or modify the terms and conditions of any outstanding Award; (vii) determine whether, to what extent and under what circumstances Awards may be settled in cash, shares of Common Stock or other property or canceled or suspended; (viii) interpret and administer the Plan and any instrument evidencing an Award, notice or agreement executed or entered into under the Plan; (ix) establish such rules and regulations as it shall deem appropriate for the proper administration and operation of the Plan; (x) delegate ministerial duties to such of the Company's employees as it so determines; and (xi) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

(b) In no event, however, shall the Committee have the right, without stockholder approval, to (i) lower the exercise or grant price of an Option or SAR after it is granted, except in connection with adjustments provided in Section 15.1; (ii) take any other action that is treated as a repricing under generally accepted accounting principles; (iii) cancel an Option or SAR at a time when its exercise or grant price exceeds the Fair Market Value of the underlying stock, in exchange for cash, another option, stock appreciation right, restricted stock, or other equity, unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction.

(c) The effect on the vesting of an Award of a Company-approved leave of absence or a Participant's reduction in hours of employment or service shall be determined by the Company's General Counsel or, with respect to directors or executive officers, by the Compensation Committee, whose determination shall be final.

(d) Decisions of the Committee shall be final, conclusive and binding on all persons, including the Company, any Participant, any stockholder and any Eligible Person. A majority of the members of the Committee may determine its actions.

SECTION 4. SHARES SUBJECT TO THE PLAN

4.1 Authorized Number of Shares

Subject to adjustment from time to time as provided in Section 15.1, the number of shares of Common Stock available for issuance under the Plan shall be:

(a) 5,000,000 shares; plus

(b) (i) up to 1,800,000 authorized shares available for issuance and not issued or subject to outstanding awards under the Company's Restated 1996 Flexible Stock Incentive Plan (the "***Prior Plan***") as of the Effective Date, which shares shall cease to be set aside or reserved for issuance pursuant to the Prior Plan effective on the Effective Date and shall instead be set aside and reserved for issuance pursuant to the Plan and (ii) up to 5,600,000 shares subject to outstanding awards under the Prior Plan as of the Effective Date that cease to be subject to such awards following the Effective Date (other than by reason of exercise or settlement of the awards to the extent they are exercised for or settled in vested or nonforfeitable shares), which shares shall cease to be set aside or reserved for issuance pursuant to the Prior Plan effective on the date upon which they cease to be so subject to such awards and shall instead be set aside and reserved for issuance pursuant to the Plan.

Shares issued under the Plan shall be drawn from authorized and unissued shares or shares now held or subsequently acquired by the Company as treasury shares.

4.2 Share Usage

(a) If any Award lapses, expires, terminates or is canceled prior to the issuance of shares thereunder or if shares of Common Stock are issued under the Plan to a Participant and thereafter are forfeited to the Company, the shares subject to such Awards and the forfeited shares shall again be available for issuance under the Plan. The following shares shall not again become available for issuance under the Plan: (i) shares of Common Stock tendered by a Participant or retained by the Company as full or partial payment to the Company upon exercise of an Option, (ii) shares of Common Stock reserved for issuance upon grant of SARs, to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise of the SARs, and (iii) shares of Common Stock withheld by, or otherwise tendered to, the Company to satisfy a Participant's tax withholding obligations in connection with an Award. The number of shares of Common Stock available for issuance under the Plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional shares of Common Stock or credited as additional shares of Common Stock subject or paid with respect to an Award.

(b) The Committee shall also, without limitation, have the authority to grant Awards as an alternative to or as the form of payment for grants or rights earned or due under other compensation plans or arrangements of the Company.

(c) Notwithstanding any other provision of the Plan to the contrary, the Committee may grant Substitute Awards under the Plan. Substitute Awards shall not reduce the number of shares authorized for issuance under the Plan. In the event that an Acquired Entity has shares available for awards or grants under one or more preexisting plans not adopted in contemplation of such acquisition or combination, then, to the extent determined by the Board or the Compensation Committee, the shares available for grant pursuant to the terms of such preexisting plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to holders of common stock of the entities that are parties to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the number of shares of Common Stock authorized for issuance under the Plan; provided, however, that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of such preexisting plans, absent the acquisition or combination, and shall only be made to individuals who were not employees or directors of the Company or a Related Company prior to such acquisition or combination. In the event that a written agreement between the Company and an Acquired Entity pursuant to which a merger or consolidation is completed is approved by the Board and that agreement sets forth the terms and conditions of the substitution for or assumption of outstanding awards of the Acquired Entity, those terms and conditions shall be deemed to be the action of the Committee without any further action by the Committee, except as may be required for compliance with Rule 16b-3 under the Exchange Act, and the persons holding such awards shall be deemed to be Participants.

(d) Notwithstanding the other provisions in this Section 4.2 to the contrary, the maximum number of shares that may be issued upon the exercise of Incentive Stock Options shall be 5,000,000 shares, subject to adjustment as provided in Section 15.1.

4.3 Fungible Share Provision

The aggregate number of shares of Common Stock available for issuance under the Plan shall be reduced by 2.0 shares for each share delivered in settlement of Awards other than Options or SARs and one share for each share delivered in settlement of Options or SARs. Any shares of Common Stock that again become available for issuance under the Plan pursuant to Section 4.2(a) shall be added back to the Plan as 2.0 shares if such shares were subject to Awards other than Options or SARs and one share if such shares were subject to Options or SARs.

Proxy

4.4 Limitation on Nonemployee Director Awards

No Nonemployee Director may be granted any Award or Awards denominated in Shares that exceed in the aggregate $700,000 in value (such value computed as of the date of grant in accordance with applicable financial accounting rules) in any calendar year period, plus an additional $700,000 in value for one-time awards to a newly appointed or elected Non-Employee Director. The foregoing limit shall not apply to any Award made pursuant to deferred compensation arrangements in lieu of all or a portion of cash retainers.

SECTION 5. ELIGIBILITY

An Award may be granted to any employee, officer or director of the Company or a Related Company whom the Committee from time to time selects. An Award may also be granted to any consultant, agent, advisor or independent contractor for bona fide services rendered to the Company or any Related Company that (a) are not in connection with the offer and sale of the Company's securities in a capital-raising transaction and (b) do not directly or indirectly promote or maintain a market for the Company's securities.

SECTION 6. AWARDS

6.1 Form, Grant and Settlement of Awards

The Committee shall have the authority, in its sole discretion, to determine the type or types of Awards to be granted under the Plan. Such Awards may be granted either alone or in addition to or in tandem with any other type of Award. Any Award settlement may be subject to such conditions, restrictions and contingencies as the Committee shall determine.

6.2 Evidence of Awards

Awards granted under the Plan shall be evidenced by a written, including an electronic, instrument that shall contain such terms, conditions, limitations and restrictions as the Committee shall deem advisable and that are not inconsistent with the Plan.

6.3 Dividends and Distributions

Participants may, if the Committee so determines other than with respect to Options or Stock Appreciation Rights, be credited with dividends or dividend equivalents for dividends paid with respect to shares of Common Stock underlying an Award in a manner determined by the Committee in its sole discretion; provided, however, that with respect to Awards that are subject to achievement of performance goals, any such credited dividends or dividend equivalents may only be paid with respect to the portion of such Awards that is actually earned. The Committee may apply any restrictions to the dividends or dividend equivalents that the Committee deems appropriate. The Committee, in its sole discretion, may determine the form of payment of dividends or dividend equivalents, including cash, shares of Common Stock, Restricted Stock or Stock Units. Also notwithstanding the foregoing, the right to any dividends or dividend equivalents declared and paid on Restricted Stock must comply with or qualify for an exemption under Section 409A.

SECTION 7. OPTIONS

7.1 Grant of Options

The Committee may grant Options designated as Incentive Stock Options or Nonqualified Stock Options.

7.2 Option Exercise Price

Options shall be granted with an exercise price per share not less than 100% of the Fair Market Value of the Common Stock on the Grant Date (and such exercise price shall not be less than the minimum exercise price required by Section 422 of the Code with respect to Incentive Stock Options), except in the case of Substitute Awards.

7.3 Term of Options

Subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the Option, the maximum term of an Option shall be seven years from the Grant Date.

7.4 Exercise of Options

The Committee shall establish and set forth in each instrument that evidences an Option the time at which, or the installments in which, the Option shall vest and become exercisable.

To the extent an Option has vested and become exercisable, the Option may be exercised in whole or from time to time in part by delivery, as directed by the Company, to the Company or a brokerage firm designated or approved by the Company of a properly executed stock option exercise agreement or notice, in a form and in accordance with procedures established by the Committee, setting forth the number of shares with respect to which the Option is being exercised, the restrictions imposed on the shares purchased under such exercise agreement or notice, if any, and such representations and agreements as may be required by the Committee, accompanied by payment in full as described in Sections 7.5. An Option may be exercised only for whole shares and may not be exercised for less than a reasonable number of shares at any one time, as determined by the Committee.

7.5 Payment of Exercise Price

The exercise price for shares purchased under an Option shall be paid in full to the Company by delivery of consideration equal to the product of the Option exercise price and the number of shares purchased. Such consideration must be paid before the Company will issue the shares being purchased and must be in a form or a combination of forms acceptable to the Committee for that purchase, which forms may include:

(a) cash;

(b) check or wire transfer;

(c) having the Company withhold shares of Common Stock that would otherwise be issued on exercise of the Option that have an aggregate Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option;

(d) tendering (either actually or, so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, by attestation) shares of Common Stock owned by the Participant that have an aggregate Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option;

(e) so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, and to the extent permitted by law, delivery of a properly executed exercise agreement or notice, together with irrevocable instructions to a brokerage firm designated or approved by the Company to deliver promptly to the Company the aggregate amount of proceeds to pay the Option exercise price and any withholding tax obligations that may arise in connection with the exercise, all in accordance with the regulations of the Federal Reserve Board; or

(f) such other consideration as the Committee may permit.

Proxy

7.6 Effect of Termination of Service

(a) The Committee shall establish and set forth in each instrument that evidences an Option whether the Option shall continue to be exercisable, and the terms and conditions of such exercise, after a Termination of Service, any of which provisions may be waived or modified by the Committee at any time.

(b) If the exercise of the Option following a Participant's Termination of Service, but while the Option is otherwise exercisable, would be prohibited solely because the issuance of Common Stock would violate the registration requirements under the Securities Act or similar requirements under the laws of any state or foreign jurisdiction, then the Option shall remain exercisable until the earlier of (i) the Option Expiration Date and (ii) the expiration of a period of three months (or such longer period of time as determined by the Committee in its sole discretion) after the Participant's Termination of Service during which the exercise of the Option would not be in violation of such Securities Act or other requirements.

SECTION 8. INCENTIVE STOCK OPTION LIMITATIONS

Notwithstanding any other provision of the Plan to the contrary, the terms and conditions of any Incentive Stock Options shall in addition comply in all respects with Section 422 of the Code, or any successor provision, and any applicable regulations thereunder. If the shareholders of the Company do not approve the Plan within 12 months after the Board's adoption of the Plan (or the Board's adoption of any amendment to the Plan that constitutes the adoption of a new plan for purposes of Section 422 of the Code) Incentive Stock Options granted under the Plan after the date of the Board's adoption (or approval) will be treated as Nonqualified Stock Options. No Incentive Stock Options may be granted more than ten years after the earlier of the approval by the Board or the shareholders of the Plan (or any amendment to the Plan that constitutes the adoption of a new plan for purposes of Section 422 of the Code). In interpreting and applying the provisions of the Plan, any Option granted as an Incentive Stock Option pursuant to the Plan shall, to the extent permitted by law, be construed as an "incentive stock option" within the meaning of Section 422 of the Code.

SECTION 9. STOCK APPRECIATION RIGHTS

9.1 Grant of Stock Appreciation Rights

The Committee may grant Stock Appreciation Rights to Participants at any time on such terms and conditions as the Committee shall determine in its sole discretion. An SAR may be granted in tandem with an Option or alone ("freestanding"). The grant price of a tandem SAR shall be equal to the exercise price of the related Option. The grant price of a freestanding SAR shall be established in accordance with procedures for Options set forth in Section 7.2. An SAR may be exercised upon such terms and conditions and for the term as the Committee determines in its sole discretion; provided, however, that, subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the SAR, the maximum term of a freestanding SAR shall be seven years, and in the case of a tandem SAR, (a) the term shall not exceed the term of the related Option and (b) the tandem SAR may be exercised for all or part of the shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option, except that the tandem SAR may be exercised only with respect to the shares for which its related Option is then exercisable.

9.2 Payment of SAR Amount

Upon the exercise of an SAR, a Participant shall be entitled to receive payment in an amount determined by multiplying: (a) the difference between the Fair Market Value of the Common Stock on the date of exercise over the grant price of the SAR by (b) the number of shares with respect to which the SAR is exercised. At the discretion of the Committee as set forth in the instrument evidencing the Award, the payment upon exercise of an SAR may be in cash, in shares, in some combination thereof or in any other manner approved by the Committee in its sole discretion.

SECTION 10. STOCK AWARDS, RESTRICTED STOCK AND STOCK UNITS

10.1 Grant of Stock Awards, Restricted Stock and Stock Units

The Committee may grant Stock Awards, Restricted Stock and Stock Units on such terms and conditions and subject to such repurchase or forfeiture restrictions, if any, which may be based on continuous employment or service with the Company or a Related Company or the achievement of any performance goals, as the Committee shall determine in its sole discretion, which terms, conditions and restrictions shall be set forth in the instrument evidencing the Award.

10.2 Vesting of Restricted Stock and Stock Units

Upon the satisfaction of any terms, conditions and restrictions prescribed with respect to Restricted Stock or Stock Units, or upon a Participant's release from any terms, conditions and restrictions on Restricted Stock or Stock Units, as determined by the Committee (a) the shares of Restricted Stock covered by each Award of Restricted Stock shall become freely transferable by the Participant, and (b) Stock Units shall be paid in shares of Common Stock or, if set forth in the instrument evidencing the Awards, in cash or a combination of cash and shares of Common Stock. Any fractional shares subject to such Awards shall be paid to the Participant in cash.

SECTION 11. PERFORMANCE AWARDS

11.1 Performance Shares

The Committee may grant Awards of Performance Shares, designate the Participants to whom Performance Shares are to be awarded and determine the number of Performance Shares and the terms and conditions of each such Award. Performance Shares shall consist of a unit valued by reference to a designated number of shares of Common Stock, the value of which may be paid to the Participant by delivery of shares of Common Stock or, if set forth in the instrument evidencing the Award, of such property as the Committee shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Committee. The amount to be paid under an Award of Performance Shares may be adjusted on the basis of such further consideration as the Committee shall determine in its sole discretion.

11.2 Performance Units

The Committee may grant Awards of Performance Units, designate the Participants to whom Performance Units are to be awarded and determine the number of Performance Units and the terms and conditions of each such Award. Performance Units shall consist of a unit valued by reference to a designated amount of property other than shares of Common Stock, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Committee. The amount to be paid under an Award of Performance Units may be adjusted on the basis of such further consideration as the Committee shall determine in its sole discretion.

SECTION 12. OTHER STOCK OR CASH-BASED AWARDS

Subject to the terms of the Plan and such other terms and conditions as the Committee deems appropriate, the Committee may grant other incentives denominated in cash, shares of Common Stock or other property under the Plan, which incentives may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, subject to the terms and conditions specified by the Committee.

SECTION 13. WITHHOLDING

(a) The Company or any Related Company may require the Participant to pay to the Company or any Related Company, as applicable, the amount of (i) any taxes that the Company or any Related Company is required by applicable federal, state, local or foreign law to withhold with respect to the grant, vesting or exercise of an Award ("tax withholding obligations") and (ii) any amounts due from the Participant to the Company or to any Related Company ("other obligations"). Notwithstanding any other provision of the Plan to the contrary, the Company shall not be required to issue any shares of Common Stock or otherwise settle an Award under the Plan until such tax withholding obligations and other obligations are satisfied.

(b) The Committee may permit or require a Participant to satisfy all or part of the Participant's tax withholding obligations and other obligations by (i) paying cash to the Company or a Related Company, as applicable (ii) having the Company or a Related Company, as applicable, withhold an amount from any cash amounts otherwise due or to become due from the Company or a Related Company, as applicable, to the Participant, (iii) having the Company withhold a number of shares of Common Stock that would otherwise be issued to the Participant (or become vested, in the case of Restricted Stock) having a Fair Market Value equal to the tax withholding obligations and other obligations, or (iv) surrendering a number of shares of Common Stock the Participant already owns having a value equal to the tax withholding obligations and other obligations. The value of the shares so withheld or tendered may not exceed the employer's minimum required tax withholding rate.

SECTION 14. ASSIGNABILITY

No Award or interest in an Award may be sold, assigned, pledged (as collateral for a loan or as security for the performance of an obligation or for any other purpose) or transferred by a Participant or made subject to attachment or similar proceedings otherwise than by will or by the applicable laws of descent and distribution, except to the extent the Participant designates one or more beneficiaries on a Company-approved form who may exercise the Award or receive payment under the Award after the Participant's death. During a Participant's lifetime, an Award may be exercised only by the Participant. Notwithstanding the foregoing and to the extent permitted by Section 422 of the Code, the Committee, in its sole discretion, may permit a Participant to assign or transfer an Award subject to such terms and conditions as the Committee shall specify.

SECTION 15. ADJUSTMENTS

15.1 Adjustment of Shares

In the event that, at any time or from time to time, a stock dividend, stock split, spin-off, combination or exchange of shares, recapitalization, merger, consolidation, distribution to stockholders other than a normal cash dividend, or other change in the Company's corporate or capital structure results in (i) the outstanding shares of Common Stock, or any securities exchanged therefor or received in their place, being exchanged for a different number or kind of securities of the Company or (ii) new, different or additional securities of the Company or any other company being received by the holders of shares of Common Stock, or in the event of an extraordinary cash dividend, then the Committee shall make proportional adjustments in (1) the maximum number and kind of securities available for issuance under the Plan; (2) the maximum number and kind of securities issuable as Incentive Stock Options as set forth in Section 4.2; (3) the maximum numbers and kind of securities set forth in Section 4.3 and Section 16.3; and (4) the number and kind of securities that are subject to any outstanding Award and/or the per share price of such securities. The determination by the Committee, as to the terms of any of the foregoing adjustments shall be conclusive and binding.

Notwithstanding the foregoing provisions of this Section 15.1, the issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services rendered, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, outstanding Awards. Also notwithstanding the foregoing, a dissolution or liquidation of the Company or a Change in Control or Significant Operating Unit Transaction shall not be governed by this Section 15.1 but shall be governed by Sections 15.2, 15.3 and 15.4, respectively.

15.2 Dissolution or Liquidation

To the extent not previously exercised or settled, and unless otherwise determined by the Committee in its sole discretion, Awards shall terminate immediately prior to the dissolution or liquidation of the Company. To the extent a vesting condition, forfeiture provision or repurchase right applicable to an Award has not been waived by the Committee, the Award shall be forfeited immediately prior to the consummation of the dissolution or liquidation.

15.3 Change in Control

Notwithstanding any other provision of the Plan to the contrary, unless the Committee shall determine otherwise in the instrument evidencing the Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, in the event of a Change in Control:

(a) If the Change of Control is a Company Transaction in which Awards, other than Performance Shares, Performance Units or other performance-based Awards, could be converted, assumed, substituted for or replaced by the Successor Company, then, if and to the extent that the Successor Company converts, assumes, substitutes or replaces an Award, the vesting restrictions and/or forfeiture provisions applicable to such Award shall not be accelerated or lapse, and all such vesting restrictions and/or forfeiture provisions shall continue with respect to any shares of the Successor Company or other consideration that may be received with respect to such Award. If and to the extent that such Awards are not converted, assumed, substituted for or replaced by the Successor Company, such Awards shall become fully vested and exercisable or payable, and all applicable restrictions or forfeiture provisions shall lapse, immediately prior to the Change of Control and such Awards shall terminate at the effective time of the Change of Control.

If the Change of Control is not a Company Transaction in which Awards, other than Performance Shares, Performance Units or other performance-based Awards, could be converted, assumed, substituted for or replaced by the Successor Company, all outstanding Awards, other than Performance Shares, Performance Units or other performance-based Awards, shall become fully vested and exercisable or payable, and all applicable restrictions or forfeiture provisions shall lapse, immediately prior to the Change of Control and shall terminate at the effective time of the Change of Control.

For the purposes of this Section 15.3(a), an Award shall be considered converted, assumed, substituted for or replaced by the Successor Company if following the Company Transaction the option or right confers the right to purchase or receive, for each share of Common Stock subject to the Award immediately prior to the Company Transaction, the consideration (whether stock, cash or other securities or property) received in the Company Transaction by holders of Common Stock for each share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the Company Transaction is not solely common stock of the Successor Company, the Committee may, with the consent of the Successor Company, provide for the consideration to be received pursuant to the Award, for each share of Common Stock subject thereto, to be solely common stock of the Successor Company substantially equal in fair market value to the per share consideration received by holders of Common Stock in the Company Transaction. The determination of such substantial equality of value of consideration shall be made by the Committee, and its determination shall be conclusive and binding.

(b) All Performance Shares, Performance Units or other performance-based Awards earned and outstanding as of the date the Change in Control is determined to have occurred and for which the payout level has been determined shall be payable in full in accordance with the payout schedule pursuant to the instrument evidencing the Award. Any remaining outstanding Performance Shares, Performance Units or other performance-based Awards (including any applicable performance period) for which the payout level has not been determined shall be prorated at the target payout level up to and including the date of such Change in Control and shall be payable accordance with the payout schedule pursuant to the instrument evidencing the Award. Any existing deferrals or other restrictions not waived by the Committee in its sole discretion shall remain in effect.

(c) Notwithstanding the foregoing, the Committee, in its sole discretion, may instead provide in the event of a Change in Control that is a Company Transaction that a Participant's outstanding Awards shall terminate upon or immediately prior to such Company Transaction and that such Participant shall receive, in exchange therefor, a cash payment equal to the amount (if any) by which (x) the value of the per share consideration received by holders of Common Stock in the Company Transaction, or, in the event the Company Transaction is one of the transactions listed under subsection (c) in the definition of Company Transaction or otherwise does not result in direct receipt of consideration by holders of Common Stock, the value of the deemed per share consideration received, in each case as determined by the Committee in its sole discretion, multiplied by the number of shares of Common Stock subject to such outstanding Awards (to the extent then vested and exercisable or whether or not then vested and exercisable, as determined by the Committee in its sole discretion) exceeds (y) if applicable, the respective aggregate exercise price or grant price for such Awards.

(d) For the avoidance of doubt, nothing in this Section 15.3 requires all outstanding Awards to be treated similarly.

15.4 Significant Operating Unit Transaction.

Notwithstanding any other provision of the Plan to the contrary, unless the Committee shall determine otherwise in the instrument evidencing the Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, in the event of a Significant Operating Unit Transaction, the Committee shall have the discretion to determine the effect upon an Award held by a Participant who is employed by, or providing services to, the Significant Operating Unit that is the subject of the Significant Operating Unit Transaction, including but not limited to:

(a) arranging for the conversion, assumption, substitution for or replacement of an Award by the Successor Company;

(b) providing for the acceleration or extension of any time periods, or the waiver of any other conditions, relating to the vesting, exercise, payment or distribution of an Award so that an Award of a Participant who has a Termination of Service as a result of the Significant Operating Unit Transaction may continue to vest, become vested and exercisable, paid or distributed in part or in full, and in connection therewith the Committee may (i) provide for an extended period to exercise an Option or Stock Appreciation Right (not to exceed the original term of the Option or Stock Appreciation Right) and (ii) determine the level of attainment of any applicable performance goals; and

(c) provide that an Award shall terminate upon or immediately prior to the Significant Operating Unit Transaction and that such Participant shall receive, in exchange therefor, a cash payment of substantial equivalent value as shall be determined by the Committee in its sole discretion, whose determination shall be conclusive and binding.

(d) For the avoidance of doubt, nothing in this Section 15.4 requires all outstanding Awards to be treated similarly.

15.5 Further Adjustment of Awards

Subject to Sections 15.2, 15.3 and 15.4, the Committee shall have the discretion, exercisable at any time before a sale, merger, consolidation, reorganization, liquidation, dissolution or change of control of the Company, as defined by the Committee, to take such further action as it determines to be necessary or advisable with respect to Awards. Such authorized action may include (but shall not be limited to) establishing, amending or waiving the type, terms, conditions or duration of, or restrictions on, Awards so as to provide for earlier, later, extended or additional time for exercise, lifting restrictions and other modifications, and the Committee may take such actions with respect to all Participants, to certain categories of Participants or only to individual Participants. The Committee may take such action before or after granting Awards to which the action relates and before or after any public announcement with respect to such sale, merger, consolidation, reorganization, liquidation, dissolution or change of control that is the reason for such action.

15.6 No Limitations

The grant of Awards shall in no way affect the Company's right to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

15.7 No Fractional Shares

In the event of any adjustment in the number of shares covered by any Award, each such Award shall cover only the number of full shares resulting from such adjustment, and any fractional shares resulting from such adjustment shall be disregarded.

15.8 Section 409A

Notwithstanding any other provision of the Plan to the contrary, (a) any adjustments made pursuant to this Section 15 to Awards that are considered "deferred compensation" within the meaning of Section 409A shall be made in compliance with the requirements of Section 409A and (b) any adjustments made pursuant to this Section 15 to Awards that are not considered "deferred compensation" subject to Section 409A shall be made in such a manner as to ensure that after such adjustment the Awards either (i) continue not to be subject to Section 409A or (ii) comply with the requirements of Section 409A.

SECTION 16. CODE SECTION 162(m) PROVISIONS

Notwithstanding any other provision of the Plan to the contrary, if the Committee determines, at the time Awards are granted to a Participant who is, or is likely to be as of the end of the tax year in which the Company would claim a tax deduction in connection with such Award, a Covered Employee, then the Committee may provide that this Section 16 is applicable to such Award.

16.1 Performance Criteria

If an Award is subject to this Section 16, then the lapsing of restrictions thereon and the distribution of cash, shares of Common Stock or other property pursuant thereto, as applicable, shall be subject to the achievement of one or more objective performance goals established by the Committee, which shall be based on the attainment of specified levels of one of or any combination of the following "performance criteria" for the Company as a whole or any business unit of the Company, as reported or calculated by the Company: cash flows (including, but not limited to, operating cash flow, free cash flow or cash flow return on capital); working capital; earnings per share; book value per share; operating income (including or excluding depreciation, amortization, extraordinary items, restructuring charges or other expenses); revenues; operating margins; return on assets; return on equity;

debt; debt plus equity; market or economic value added; stock price appreciation; total stockholder return; cost control; strategic initiatives; market share; net income; return on invested capital; improvements in capital structure; or customer satisfaction, employee satisfaction, services performance, subscriber, cash management or asset management metrics (together, the "***Performance Criteria***").

Such performance goals also may be based on the achievement of specified levels of Company performance (or performance of an applicable affiliate or business unit of the Company) under one or more of the Performance Criteria described above relative to the performance of other corporations. Such performance goals shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of, Section 162(m) of the Code, or any successor provision thereto, and the regulations thereunder.

The Committee may provide in any such Award that any evaluation of performance may include or exclude any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results, (iv) any reorganization and restructuring programs, (v) extraordinary, unusual and/or non-recurring items of gain or loss, that in all of the foregoing the Company identifies in its audited financial statements, including notes to the financial statements, or the Management's Discussion and Analysis section of the Company's periodic reports, (vi) acquisitions or divestitures, (vii) foreign exchange gains and losses, (viii) gains and losses on asset sales, and (ix) impairments. To the extent such inclusions or exclusions affect Awards to Covered Employees, they shall be prescribed in a form that satisfies the requirements for "performance-based compensation" within the meaning of Section 162(m)(4)(C) of the Code, or any successor provision thereto.

16.2 Adjustment of Awards

Notwithstanding any provision of the Plan other than Section 15, with respect to any Award that is subject to this Section 16, the Committee may adjust downwards, but not upwards, the amount payable pursuant to such Award, and the Committee may not waive the achievement of the applicable performance goals except in the case of the death or disability of the Covered Employee.

16.3 Limitations

Subject to adjustment from time to time as provided in Section 15.1, no Covered Employee may be granted Awards, other than Performance Units or other Awards denominated in cash or other property subject to this Section 16 in any calendar year period with respect to more than 1,500,000 shares of Common Stock for such Awards, except that the Company may make additional one-time grants of such Awards for up to 1,500,000 shares to newly hired or newly promoted individuals, and the maximum dollar value payable with respect to Performance Units or other Awards denominated in cash or other property, subject to this Section 16 granted to any Covered Employee in any one calendar year is $3,000,000.

The Committee shall have the power to impose such other restrictions on Awards subject to this Section 16 as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for "performance-based compensation" within the meaning of Section 162(m)(4)(C) of the Code, or any successor provision thereto.

SECTION 17. AMENDMENT AND TERMINATION

17.1 Amendment, Suspension or Termination

The Board or the Compensation Committee may amend, suspend or terminate the Plan or any portion of the Plan at any time and in such respects as it shall deem advisable; provided, however, that, to the extent required by applicable law, regulation or stock exchange rule, stockholder approval shall be required for any amendment to the Plan; and provided, further, that any amendment that requires stockholder approval may be made only by the Board. Subject to Section 17.3, the Committee may amend the terms of any outstanding Award, prospectively or retroactively.

17.2 Term of the Plan

Unless sooner terminated as provided herein, the Plan shall terminate ten years from the Effective Date. After the Plan is terminated, no future Awards may be granted, but Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions and the Plan's terms and conditions.

17.3 Consent of Participant

The amendment, suspension or termination of the Plan or a portion thereof or the amendment of an outstanding Award shall not, without the Participant's consent, materially adversely affect any rights under any Award theretofore granted to the Participant under the Plan. Any change or adjustment to an outstanding Incentive Stock Option shall not, without the consent of the Participant, be made in a manner so as to constitute a "modification" that would cause such Incentive Stock Option to fail to continue to qualify as an Incentive Stock Option. Notwithstanding the foregoing, any adjustments made pursuant to Section 15 shall not be subject to these restrictions.

SECTION 18. GENERAL

18.1 No Individual Rights

No individual or Participant shall have any claim to be granted any Award under the Plan, and the Company has no obligation for uniformity of treatment of Participants under the Plan.

Furthermore, nothing in the Plan or any Award granted under the Plan shall be deemed to constitute an employment contract or confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Related Company or limit in any way the right of the Company or any Related Company to terminate a Participant's employment or other relationship at any time, with or without cause.

18.2 Issuance of Shares

(a) Notwithstanding any other provision of the Plan, the Company shall have no obligation to issue or deliver any shares of Common Stock under the Plan or make any other distribution of benefits under the Plan unless, in the opinion of the Company's counsel, such issuance, delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act or the laws of any state or foreign jurisdiction) and the applicable requirements of any securities exchange or similar entity.

(b) The Company shall be under no obligation to any Participant to register for offering or resale or to qualify for exemption under the Securities Act, or to register or qualify under the laws of any state or foreign jurisdiction, any shares of Common Stock, security or interest in a security paid or issued under, or created by, the Plan, or to continue in effect any such registrations or qualifications if made.

(c) As a condition to the exercise of an Option or any other receipt of Common Stock pursuant to an Award under the Plan, the Company may require (i) the Participant to represent and warrant at the time of any such exercise or receipt that such shares are being purchased or received only for the Participant's own account and without any present intention to sell or distribute such shares and (ii) such other action or agreement by the Participant as may from time to time be necessary to comply with the federal, state and foreign securities laws. At the option of the Company, a stop-transfer order against any such shares may be placed on the official stock books and records of the Company, and a legend indicating that such shares may not be pledged, sold or otherwise transferred, unless an opinion of counsel is provided (concurred in by counsel for the Company) stating that such transfer is not in violation of any applicable law or regulation, may be stamped on stock certificates to ensure exemption from registration. The Committee may also require the Participant to execute and deliver to the Company a purchase agreement or such other agreement as may be in use by the Company at such time that describes certain terms and conditions applicable to the shares.

(d) To the extent the Plan or any instrument evidencing an Award provides for issuance of stock certificates to reflect the issuance of shares of Common Stock, the issuance may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

18.3 Indemnification

Each person who is or shall have been a member of the Board, or a committee appointed by the Board, or an officer of the Company to whom authority was delegated in accordance with Section 3, shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof, with the Company's approval, or paid by such person in satisfaction of any judgment in any such claim, action, suit or proceeding against such person; provided, however, that such person shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's own behalf, unless such loss, cost, liability or expense is a result of such person's own willful misconduct or except as expressly provided by statute.

The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such person may be entitled under the Company's certificate of incorporation or bylaws, as a matter of law, or otherwise, or of any power that the Company may have to indemnify or hold harmless.

18.4 No Rights as a Stockholder

Unless otherwise provided by the Committee or in the instrument evidencing the Award or in a written employment, services or other agreement, no Award, other than a Stock Award or Restricted Stock Award, shall entitle the Participant to any cash dividend, voting or other right of a stockholder unless and until the date of issuance under the Plan of the shares that are the subject of such Award.

18.5 Section 409A

(a) *General.* This Plan and Awards granted under this Plan are intended to be exempt from the requirements of Section 409A to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation section 1.409A-1(b)(4), the exclusion applicable to stock options and certain other equity-based compensation under Treasury Regulation section 1.409A-1(b)(5), or otherwise. To the extent Section 409A is applicable to this Plan or any Award granted under this Plan, it is intended that this Plan and any Awards granted under this Plan comply with the deferral, payout and other limitations and restrictions imposed under Section 409A. Notwithstanding any other provision of this Plan or any Award granted under this Plan to the contrary, this Plan and any Award granted under this Plan shall be interpreted, operated and administered in a manner consistent with such intentions.

(b) *Separation from Service; Six Month Delay.* Without limiting the generality of the foregoing, and notwithstanding any other provision of this Plan or any Award granted under this Plan to the contrary, with respect to any payments and benefits under this Plan or any Award granted under this Plan to which Section 409A applies, all references in this Plan or any Award granted under this Plan to the termination of the

Participant's employment or service are intended to mean the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i). In addition, if the Participant is a "specified employee," within the meaning of Section 409A, then to the extent necessary to avoid subjecting the Participant to the imposition of any additional tax under Section 409A, amounts that would otherwise be payable under this Plan or any Award granted under this Plan during the six-month period immediately following the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i), shall not be paid to the Participant during such period, but shall instead be accumulated and paid to the Participant (or, in the event of the Participant's death, the Participant's estate) in a lump sum on the first business day after the earlier of the date that is six months following the Participant's separation from service or the Participant's death.

(c) *Unilateral Amendment.* Notwithstanding any other provision of this Plan to the contrary, the Committee, to the extent it deems necessary or advisable in its sole discretion, reserves the right, but shall not be required, to unilaterally amend or modify this Plan and any Award granted under this Plan so that the Award qualifies for exemption from or complies with Section 409A; provided that the Committee makes no undertaking to preclude Section 409A from applying to Awards granted under this Plan.

(d) *No Guarantee of Tax Treatment.* Notwithstanding any provision of this Plan to the contrary, the Company does not guarantee to any Participant or any other person(s) with an interest in an Award that (i) any Award intended to be exempt from Section 409A shall be so exempt, (ii) any Award intended to comply with Section 409A shall so comply, or (iii) any Award shall otherwise receive a specific tax treatment under any other applicable tax law, nor in any such case will the Company or any affiliate be required to indemnify, defend or hold harmless any individual with respect to the tax consequences of any Award.

18.6 Participants in Other Countries or Jurisdictions

Without amending the Plan, the Committee may grant Awards to Eligible Persons who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan and shall have the authority to adopt such modifications, procedures, subplans and the like as may be necessary or desirable to comply with provisions of the laws or regulations of other countries or jurisdictions in which the Company or any Related Company may operate or have employees to ensure the viability of the benefits from Awards granted to Participants employed in such countries or jurisdictions, meet the requirements that permit the Plan to operate in a qualified or tax-efficient manner, comply with applicable foreign laws or regulations and meet the objectives of the Plan.

18.7 No Trust or Fund

The Plan is intended to constitute an "unfunded" plan. Nothing contained herein shall require the Company to segregate any monies or other property, or shares of Common Stock, or to create any trusts, or to make any special deposits for any immediate or deferred amounts payable to any Participant, and no Participant shall have any rights that are greater than those of a general unsecured creditor of the Company.

18.8 Successors

All obligations of the Company under the Plan with respect to Awards shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all the business and/or assets of the Company.

18.9 Severability

If any provision of the Plan or any Award is determined to be invalid, illegal or unenforceable in any jurisdiction, or as to any person, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or, if it cannot be so construed or deemed amended without, in the Committee's determination, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

18.10 Choice of Law and Venue

The Plan, all Awards granted thereunder and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by the laws of the United States, shall be governed by the laws of the State of Delaware without giving effect to principles of conflicts of law. Participants irrevocably consent to the nonexclusive jurisdiction and venue of the state and federal courts located in the State of Delaware.

18.11 Legal Requirements

The granting of Awards and the issuance of shares of Common Stock under the Plan are subject to all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required.

18.12 Recoupment

Awards shall be subject to the requirements of (i) Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (ii) similar rules under the laws of any other jurisdiction, (iii) any compensation recovery or clawback policies adopted by the Company to implement any such requirements or (iv) any other compensation recovery or clawback policies as may be adopted from time to time by the Company, all to the extent determined by the Committee in its discretion to be applicable to a Grantee.

SECTION 19. EFFECTIVE DATE

The effective date (the "***Effective Date***") is the date on which the Plan is approved by the stockholders of the Company. If the stockholders of the Company do not approve the Plan within 12 months after the Board's adoption of the Plan, any Incentive Stock Options granted under the Plan will be treated as Nonqualified Stock Options.

APPENDIX A TO BLUCORA, INC. 2015 INCENTIVE PLAN

DEFINITIONS

As used in the Plan,

"***Acquired Entity***" means any entity acquired by the Company or a Related Company or with which the Company or a Related Company merges or combines.

"***Award***" means any Option, Stock Appreciation Right, Stock Award, Restricted Stock, Stock Unit, Performance Share, Performance Unit, cash-based award or other incentive payable in cash or in shares of Common Stock as may be designated by the Committee from time to time.

"***Board***" means the Board of Directors of the Company.

"***Cause***," unless otherwise defined in the instrument evidencing an Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means dishonesty, fraud, serious or willful misconduct, unauthorized use or disclosure of confidential information or trade secrets, or conduct prohibited by law (except minor violations), in each case as determined by the Company's General Counsel or, in the case of directors and executive officers, the Compensation Committee, whose determination shall be conclusive and binding.

"***Change in Control***," unless the Committee determines otherwise with respect to an Award at the time the Award is granted or unless otherwise defined for purposes of an Award in a written employment, services or other agreement between the Participant and the Company or a Related Company, means the occurrence of any of the following events:

(a) an acquisition by any Entity of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 40% or more of either (1) the number of then outstanding shares of common stock of the Company (the "***Outstanding Company Common Stock***") or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "***Outstanding Company Voting Securities***"), provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege where the security being so converted was not acquired directly from the Company by the party exercising the conversion privilege, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Related Company, or (iv) an acquisition by any Entity pursuant to a transaction that meets the conditions of clauses (i), (ii) and (iii) set forth in the definition of Company Transaction;

(b) a change in the composition of the Board during any two-year period such that the individuals who, as of the beginning of such two-year period, constitute the Board (the "***Incumbent Board***") cease for any reason to constitute at least a majority of the Board; provided, however, that for purposes of this definition, any individual who becomes a member of the Board subsequent to the beginning of the two-year period, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; and provided further, however, that any such individual whose initial assumption of office occurs as a result of or in connection with an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an Entity other than the Board shall not be considered a member of the Incumbent Board; or

(c) consummation of a Company Transaction.

"***Code***" means the Internal Revenue Code of 1986, as amended from time to time.

"***Committee***" has the meaning set forth in Section 3.1.

"***Common Stock***" means the common stock par value $0.0001 per share, of the Company.

"***Company***" means Blucora, Inc., a Delaware corporation.

"***Company Transaction***," unless the Committee determines otherwise with respect to an Award at the time the Award is granted or unless otherwise defined for purposes of an Award in a written employment, services or other agreement between the Participant and the Company or a Related Company, means consummation of:

(a) a merger or consolidation of the Company with or into any other company;

(b) a sale in one transaction or a series of transactions undertaken with a common purpose of all of the Company's outstanding voting securities; or

(c) a sale, lease, exchange or other transfer in one transaction or a series of related transactions undertaken with a common purpose of all or substantially all of the Company's assets,

excluding, however, in each case, a transaction pursuant to which

(i) the Entities who are the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Company Transaction will beneficially own, directly or indirectly, at least 50% of the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the Successor Company in substantially the same proportions as their ownership, immediately prior to such Company Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities;

(ii) no Entity (other than the Company, any employee benefit plan (or related trust) of the Company, a Related Company or a Successor Company) will beneficially own, directly or indirectly, 40% or more of, respectively, the outstanding shares of common stock of the Successor Company or the combined voting power of the outstanding voting securities of the Successor Company entitled to vote generally in the election of directors unless such ownership resulted solely from ownership of securities of the Company prior to the Company Transaction; and

(iii) individuals who were members of the Incumbent Board will immediately after the consummation of the Company Transaction constitute at least a majority of the members of the board of directors of the Successor Company.

Where a series of transactions undertaken with a common purpose is deemed to be a Company Transaction, the date of such Company Transaction shall be the date on which the last of such transactions is consummated.

"***Compensation Committee***" means the Compensation Committee of the Board.

"***Covered Employee***" means a "covered employee" as that term is defined for purposes of Section 162(m)(3) of the Code or any successor provision.

"***Disability***," unless otherwise defined by the Committee for purposes of the Plan in the instrument evidencing an Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means a mental or physical impairment of the Participant that is expected to result in death or that has lasted or is expected to last for a continuous period of 12 months or more and that causes the Participant to be unable to perform his or her material duties for the Company or a Related Company and to be engaged in any substantial gainful activity, in each case as determined by the Company's Chief Counsel or, in the case of directors and executive officers, the Compensation Committee, whose determination shall be conclusive and binding.

"***Effective Date***" has the meaning set forth in Section 20.

"***Eligible Person***" means any person eligible to receive an Award as set forth in Section 5.

"***Entity***" means any individual, entity or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act).

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended from time to time.

"***Fair Market Value***" means the closing price for the Common Stock on any given date during regular trading, or if not trading on that date, such price on the last preceding date on which the Common Stock was traded, unless determined otherwise by the Committee using such methods or procedures as it may establish.

"***Grant Date***" means the later of (a) the date on which the Committee completes the corporate action authorizing the grant of an Award or such later date specified by the Committee and (b) the date on which all conditions precedent to an Award have been satisfied, provided that conditions to the exercisability or vesting of Awards shall not defer the Grant Date.

"***Incentive Stock Option***" means an Option granted with the intention that it qualify as an "incentive stock option" as that term is defined for purposes of Section 422 of the Code or any successor provision.

"***Incumbent Board***" has the meaning set forth in the definition of "Change of Control."

"***Nonemployee Director***" means any member of the Board who is not an employee of the Company.

"***Nonqualified Stock Option***" means an Option other than an Incentive Stock Option.

"***Option***" means a right to purchase Common Stock granted under Section 7.

"***Option Expiration Date***" means the last day of the maximum term of an Option.

"***Outstanding Company Common Stock***" has the meaning set forth in the definition of "Change in Control."

"***Outstanding Company Voting Securities***" has the meaning set forth in the definition of "Change in Control."

"***Parent Company***" means a company or other entity which as a result of a Company Transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries.

"***Participant***" means any Eligible Person to whom an Award is granted.

"***Performance Award***" means an Award of Performance Shares or Performance Units granted under Section 11.

"***Performance Criteria***" has the meaning set forth in Section 16.1.

"***Performance Share***" means an Award of units denominated in shares of Common Stock granted under Section 11.1.

Proxy

"***Performance Unit***" means an Award of units denominated in cash or property other than shares of Common Stock granted under Section 11.2.

"***Plan***" means the Blucora, Inc. 2015 Incentive Plan.

"***Prior Plan***" has the meaning set forth in Section 4.1(b).

"***Related Company***" means any entity that is directly or indirectly controlled by, in control of or under common control with the Company.

"***Restricted Stock***" means an Award of shares of Common Stock granted under Section 10, the rights of ownership of which are subject to restrictions prescribed by the Committee.

"***Restricted Stock Unit***" means a Stock Unit subject to restrictions prescribed by the Committee.

"***Retirement***," unless otherwise defined in the instrument evidencing the Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means "Retirement" as defined for purposes of the Plan by the Committee or the Company's General Counsel or, if not so defined, means Termination of Service on or after the date the Participant reaches "normal retirement age," as that term is defined in Section 411(a)(8) of the Code.

"***Securities Act***" means the Securities Act of 1933, as amended from time to time.

"***Section 409A***" means Section 409A of the Code.

"***Significant Operating Unit***" means a Related Company that is designated by the Committee or the Successor Company from time to time as a Significant Operating Unit for purposes of the Plan.

"***Significant Operating Unit Transaction***" means a merger or consolidation of a Significant Operating Unit with or into any other company, entity or person or a sale or disposition by the Company, in one transaction or a series of related transactions, of all or substantially all the Operating Unit's assets (a "***Transaction***"), other than a Transaction with a subsidiary or another corporation or other entity that is controlled by the Company.

"***Stock Appreciation Right***" or "***SAR***" means a right granted under Section 9.1 to receive the excess of the Fair Market Value of a specified number of shares of Common Stock over the grant price.

"***Stock Award***" means an Award of shares of Common Stock granted under Section 10, the rights of ownership of which are not subject to restrictions prescribed by the Committee.

"***Stock Unit***" means an Award denominated in units of Common Stock granted under Section 10.

"***Substitute Awards***" means Awards granted or shares of Common Stock issued by the Company in substitution or exchange for awards previously granted by an Acquired Entity.

"***Successor Company***" means the surviving company, the successor company or Parent Company, as applicable, in connection with a Company Transaction or the company or other entity which as a result of a Significant Operating Unit Transaction owns the Significant Operating Unit or all or substantially all of the Significant Operating Unit's shares or assets either directly or through one or more subsidiaries.

"***Termination of Service***," unless the Committee shall determine otherwise in the instrument evidencing the Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means a termination of employment or service relationship with the Company or a Related

Company for any reason, whether voluntary or involuntary, including by reason of death, Disability or Retirement. Any question as to whether and when there has been a Termination of Service for the purposes of an Award and the cause of such Termination of Service shall be determined by the Company's General Counsel or, with respect to directors and executive officers, by the Compensation Committee, whose determination shall be conclusive and binding. Transfer of a Participant's employment or service relationship between the Company and any Related Company shall not be considered a Termination of Service for purposes of an Award. Unless the Committee determines otherwise, a Termination of Service shall be deemed to occur if the Participant's employment or service relationship is with an entity that has ceased to be a Related Company. A Participant's change in status from an employee of the Company or a Related Company to a nonemployee director, consultant, advisor, or independent contractor of the Company or a Related Company or a change in status from a nonemployee director, consultant, advisor or independent contractor of the Company or a Related Company to an employee of the Company or a Related Company, shall not be considered a Termination of Service.

"***Vesting Commencement Date***" means the Grant Date or such other date selected by the Committee as the date from which an Award begins to vest.

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number 000-25131

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

Delaware	**91-1718107**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

10900 NE 8th Street, Suite 800, Bellevue, Washington 98004
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code:
(425) 201-6100

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: None
(Title of Class)

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant outstanding as of June 30, 2014, based upon the closing price of Common Stock on June 30, 2014 as reported on the NASDAQ Global Select Market, was $735.3 million. Common Stock held by each officer and director (or his or her affiliate) has been excluded because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 20, 2015, 41,044,048 shares of the registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the definitive proxy statement to be filed by the registrant in connection with the 2015 Annual Meeting of Stockholders (the ***"Proxy Statement"***).

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This report contains forward-looking statements that involve risks and uncertainties. The statements in this report that are not purely historical are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Words such as "anticipate," "believe," "plan," "expect," "future," "intend," "may," "will," "should," "estimate," "predict," "potential," "continue," and similar expressions identify forward-looking statements, but the absence of these words does not mean that the statement is not forward-looking. These forward-looking statements include, but are not limited to, statements regarding projections of our future financial performance; trends in our businesses; our future business plans and growth strategy, including our plans to expand, develop, or acquire particular operations or businesses; 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 Item 1A, "Risk Factors," and elsewhere in this report. You should not rely on forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We do not undertake any obligation to update any forward-looking statement to reflect new information, events, or circumstances after the date of this Annual Report on Form 10-K or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. Business

Overview

Blucora, Inc. (the "***Company***," "***Blucora***," or "***we***") was founded in 1996 and incorporated in the state of Delaware. Our principal corporate office is located in Bellevue, Washington. Our common stock is listed on the NASDAQ Global Select Market under the symbol "BCOR."

Blucora, Inc. operates a portfolio of Internet businesses. Our Search and Content business (formerly known as our Search business) operates through our InfoSpace LLC subsidiary (***"InfoSpace"***) and provides search services to users of our owned and operated and distribution partners' web properties, as well as online content. Our Tax Preparation business consists of the operations of TaxACT, Inc. (***"TaxACT"***), which we acquired on January 31, 2012, and provides online tax preparation service for individuals, tax preparation software for individuals and professional tax preparers, and ancillary services. Our E-Commerce business consists of the operations of Monoprice, Inc. ("***Monoprice***"), which we acquired on August 22, 2013, and sells self-branded electronics and accessories to both consumers and businesses.

Following the acquisitions of TaxACT and Monoprice, we determined that we have three reportable segments: Search and Content (formerly known as Search), Tax Preparation, and E-Commerce. Our Search and Content segment is the InfoSpace business, our Tax Preparation segment is the TaxACT business, and our E-Commerce segment is the Monoprice business. Unless the context indicates otherwise, we use the term "Search and Content" to represent the InfoSpace business, we use the term "Tax Preparation" to represent the TaxACT business, and we use the term "E-Commerce" to represent the Monoprice business.

See "Note 2: Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report for additional information on our Search and Content, Tax Preparation, and E-Commerce businesses and revenues. See "Note 11: Segment Information" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report for information regarding revenues, operating income, and assets for each of our segments.

Search and Content Business

Our InfoSpace business primarily offers search services to users of our owned and operated and distribution partners' web properties, as well as online content. These search services generally involve the generation and display of a set of hyperlinks to websites deemed relevant to search queries entered by users, predominantly from desktop and laptop computers. In addition to these algorithmic search results, paid listings are also generally displayed in response to search queries. Search and content services provided through our owned and operated properties include services through websites such as Dogpile.com, WebCrawler.com, HowStuffWorks.com (acquired May 30, 2014, see below), and third party web pages that we operate. Search services provided to our distribution partners include services to a network of approximately 100 distribution partners through the respective web properties of those distribution partners, which are generally private-labeled and customized to address the unique requirements of each distribution partner.

Our Search and Content revenue primarily consists of advertising revenue generated through end-users clicking on paid listings included in the search results display, as well as from advertisements appearing on our HowStuffWorks.com website. The paid listings, as well as algorithmic search results, are primarily supplied by Google and Yahoo!, whom we refer to as our "Search Customers." When a user submits a search query through one of our owned and operated or distribution partner sites and clicks on a paid listing displayed in response to the query, the Search Customer bills the advertiser that purchased the paid listing directly and shares a portion of its related paid listing fee with us. If the paid listing click occurred on one of our distribution partners' properties, we pay a significant share of our revenue to the distribution partner. Revenue is recognized in the period in which such clicks on paid listings occur and is based on the amounts earned by and ultimately remitted to us by our Search Customers.

Our main Search Customer agreements are with Google and Yahoo!. We derive a significant portion of our search revenue from Google, and we expect this concentration to continue in the foreseeable future and at levels that are substantially similar to 2014. Google accounted for approximately 80% of our total Search and Content revenues in 2014. If either of these Search Customers reduce or eliminate the services provided to us or our distribution partners, or if either is unwilling to pay amounts owed to us, it could materially harm our business and financial results. Our agreement with Yahoo! runs through December 31, 2015, and our agreement with Google runs through March 31, 2017 and may be extended for an additional year upon the mutual agreement of both parties. Both Google and Yahoo! have requirements and guidelines regarding, and reserve certain rights of approval over, the use and distribution of their respective search products and services. Both Google and Yahoo! may modify certain requirements and guidelines of their agreements with us at their discretion, and even when unmodified, we occasionally disagree with our Search Customers on interpretations of these requirements and guidelines. If Google or Yahoo! believe that we or our search distribution partners have failed to meet the requirements and guidelines of the Search Customer agreements, they may suspend or terminate our or our distribution partners' use and distribution of their search products and services, with or without notice, and in the event of certain violations, may terminate their agreements with us. We and our distribution partners have limited rights to cure breaches of the requirements and guidelines.

Our partners for distribution of our online search services include software application providers, web portals, and internet service providers. Traffic from our largest distribution partners generates a significant percentage of our Search and Content revenue. In 2014, 36% of our Search and Content revenue was generated by traffic from the web properties operated by our top five distribution partners, and this percentage was 33% in 2013 and 47% in 2012. Our agreements with our distribution partners typically renew annually. In addition, our agreements with some of our distribution partners are not exclusive, meaning that they have the right to shift some or all of the search traffic that they send to us to our competitors.

Our primary focus for the Search and Content business is on maximizing cash flow from our search services while redeploying resources in pursuit of new initiatives that capitalize on the assets and competencies of the organization. As discussed in more detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II Item 7, the Search and Content business experienced significant volatility in 2014 due to a number of factors, with the result that its year-over-year financial performance declined materially. Although we expect that search services will continue to provide meaningful revenue and profit in the near term, we anticipate continued volatility. In response, we are making investments that we believe will better align with our Search Customers' preferences in the short-term and will allow us to diversify our product and service offering in the long-term. These new investments are centered on growing the audience for our owned and operated sites, including HowStuffWorks.com, as well as third party web pages that we operate, by leveraging owned and licensed content to create unique and engaging user experiences.

Tax Preparation Business

Our TaxACT business consists of an online tax preparation service for individuals, tax preparation software for individuals and professional tax preparers, and ancillary services. TaxACT generates revenue primarily through its online service at www.taxact.com. The TaxACT business's basic federal tax preparation online software service is "free for everyone," meaning that any taxpayer can use the services to e-file his or her federal income tax return without paying for upgraded services and may do so for every form that the IRS allows to be e-filed. This free offer differentiates TaxACT's offerings from many of its competitors who limit their free software and/or services offerings to certain categories of customers or certain forms. The TaxACT business generates revenue from a percentage of these "free" users who purchase a state form or choose to upgrade for a fee to the Deluxe or Ultimate offering, which includes additional support, tools, or state forms in the case of the Ultimate offering. In addition, revenue is generated from the sale of ancillary services, which include, among other things, tax preparation support services, data archive services, bank services (including reloadable pre-paid debit card services), and additional e-filing services. TaxACT is the recognized value player in the digital do-it-yourself space, offering comparable software and/or services at a lower cost to the end user compared to larger competitors. This, coupled with its "free for everyone" offer, provides TaxACT a valuable marketing position. TaxACT's professional tax preparer software allows professional tax preparers to file individual returns for their clients. Revenue from professional tax preparers historically has constituted a relatively small percentage of the TaxACT business's overall revenue and requires relatively modest incremental development costs as the professional tax preparer software is substantially similar to the consumer-facing software and online service.

Our primary focus for the TaxACT business is on enhancing tax preparation services and software offerings to our end users, maintaining and adding tax preparation customers, and expanding and diversifying our tax preparation offerings and ancillary services.

E-Commerce Business

Our E-Commerce business, Monoprice, is an online retailer of self-branded electronics and accessories to both consumers and businesses. Monoprice offers its products for sale through the www.monoprice.com website, where the majority of our E-Commerce revenue is derived, and fulfills those orders from our warehouse in Rancho Cucamonga, California. We also sell our products through reseller and marketplace agreements. Monoprice has built a well-respected brand by delivering products with quality on par with well-known national brands, selling these products at prices far below the prices for those well-known brands, and providing top-tier service and rapid product delivery. The Monoprice website showcases 14 product categories and over 6,900 individual products. Monoprice has developed an efficient product cost structure that is enabled by a direct import supply chain solution that eliminates traditional layers of mark-ups imposed by intermediaries. Consumers are able to access and purchase products 24 hours a day from the convenience of a computer or a mobile device. Monoprice's team of customer service representatives assists customers primarily by online chat or email. Nearly all sales are to customers located in the United States.

Our primary focus for the E-Commerce business is on expanding and diversifying our e-commerce offerings, maintaining and adding Monoprice.com customers, extending our sales channels through geographic expansion and other means, and building our brand recognition.

Business Strategy

In addition to the strategies for growth outlined above for each of our business segments, an important component of Blucora's strategy for future growth is to acquire new technology businesses. In the ordinary course of business, we are continuously engaged in various stages of diligence, discussion, and negotiation with acquisition targets, including companies and assets that complement our existing businesses, as well as companies and assets that are unrelated to our existing businesses. Potential acquisitions may be material to our business, financial condition, and results of operations.

Research and Development

We believe that our technology is essential to expand and enhance our products and services and maintain their attractiveness and competitiveness. Research and development expenses were $8.9 million in 2014, $7.3 million in 2013, and $6.1 million in 2012. These amounts exclude any amounts spent by the TaxACT and Monoprice businesses on research and development prior to our acquisition of those businesses.

Intellectual Property

Our success depends significantly upon our technology and intellectual property rights. To protect our rights and the value of our corporate brands and reputation, we rely on a combination of domain name registrations, confidentiality and intellectual property assignment agreements with employees and third parties, protective contractual provisions, and laws regarding copyrights, patents, trademarks, and trade secrets. We hold multiple issued patents and registered trademarks in the United States and in various foreign countries, and we apply for additional patents and trademarks as business needs require. We may not be successful in obtaining issuance or registration for such applications or in maintaining existing patents and trademarks. In addition, issued patents and registered marks may not provide us with any competitive advantages. We may be unable to adequately or cost-effectively protect or enforce our intellectual property rights, and failure to do so could weaken our competitive position and negatively impact our business and financial results. If others claim that our products infringe their intellectual property rights, we may be forced to seek expensive licenses, re-engineer our products, engage in expensive and time-consuming litigation, or stop marketing and licensing our products. See the section entitled "Risk Factors" in Part I Item 1A of this report for additional information regarding protecting and enforcing intellectual property rights by us and third parties against us.

Competition

We face intense competition in all markets in which our businesses operate. Many of our competitors or potential competitors have substantially greater financial, technical, and marketing resources, larger customer bases, longer operating histories, more developed infrastructures, greater brand recognition, better access to vendors, or more established relationships in the industry than we have. Our competitors may be able to adopt more aggressive pricing policies, develop and expand their product and service offerings more rapidly, adapt to new or emerging technologies more quickly, take advantage of acquisitions and other opportunities more readily, achieve greater economies of scale, and devote greater resources to the marketing and sale of their products and services than we can. In addition, we may face increasing competition for market share from new startups, mobile providers, and social media sites and applications. For our businesses to be successful, we must be competitive in some or all of the specific competitive factors in the Search and Content, Tax Preparation, and E-Commerce markets that are described below.

Search and Content Competition

In the online search market, we face competition for various elements of our search business from multiple sources, including our Search Customers. In particular, Google, Yahoo!, and Bing (Microsoft) collectively control a significant majority of the consumer-facing online search market serviced by our owned and operated sites and those of our distribution partners. Each of these three companies provides search results to our search services in addition to competing for internet users. Our distribution partners also compete with us for Internet users. We also compete with our Search Customers and other content providers for contracts with new and existing distribution partners. We believe that the primary competitive factors in the market for online search services are:

- the ability to continue to meet the evolving information, content, and service demands of Internet users and our distribution partners;
- the ability to offer our distribution partners competitive rates and comprehensive search and advertising content;
- the cost-effectiveness, reliability, and security of the search applications and services;
- the ability to attract Internet users to search services in a cost effective way;
- the ability to provide and support products or services, such as embedded search browsers, default search provider settings within the search browsers, or downloadable applications, that may displace competing search services; and
- the ability to develop innovative products and services that enhance the appearance and utility of search services, both to Internet users and to current and potential distribution partners.

Tax Preparation Competition

Our Tax Preparation business operates in a very competitive marketplace. There are many competing software products and online services, including two competitors who have a significant percentage of the software and online service market: Intuit's TurboTax and H&R Block's products and services. Our Tax Preparation business must also compete with alternate methods of tax preparation, including "pencil and paper" do-it-yourself return preparation by individual filers and storefront tax preparation services, including both local tax preparers and large chains such as H&R Block, Liberty, and Jackson Hewitt. Finally, our Tax Preparation business faces the risk that state or federal taxing agencies will offer software or systems to provide direct access for individual filers that will reduce the need for TaxACT's software and services. We believe that the primary competitive factors in the market for tax preparation software and services are:

- the ability to continue to offer software and services that have quality and ease-of-use that are compelling to consumers;
- the ability to market the software and services in a cost effective way;
- the ability to offer ancillary services that are attractive to users; and
- the ability to develop the software and services at a low enough cost to be able to offer them at a competitive price point.

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E-Commerce Competition

Our E-Commerce business operates in a very competitive marketplace with low barriers to entry. Our competitors that offer similar products include existing well-known brands, including online e-commerce sites and offline retail stores, as well as new entrants to the e-commerce market. We believe that the primary competitive factors in the market for our E-Commerce business are:

- product quality and selection;
- brand loyalty;
- price;
- customer service;
- shopping convenience;
- website organization and load speed; and
- order processing, fulfillment and delivery time.

Governmental Regulation

We face increasing governmental regulation in all of our businesses. U.S. and foreign governments have adopted, or may in the future adopt, applicable laws and regulations addressing issues such as consumer protection, user privacy, security, pricing, age verification, content, taxation, intellectual property, advertising, and product and services quality. These or other laws or regulations that may be enacted in the future could have adverse effects on our business, including higher regulatory compliance costs, limitations on our ability to provide some services in some states or countries, and liabilities that might be incurred through lawsuits or regulatory penalties. See the section entitled "Risk Factors" in Part I Item 1A of this report for additional information regarding the potential impact of governmental regulation on our operations and results.

Seasonality

Our Tax Preparation segment is highly seasonal, with the significant majority of its annual revenue earned in the first four months of our fiscal year. Revenue from our E-Commerce segment also is seasonal, with revenues historically being the lowest in the second quarter, a period that does not include consumer back-to-school or holiday-related spending. We anticipate that these seasonal effects will continue in the foreseeable future.

Employees

As of December 31, 2014, we had 496 full-time employees. None of our employees are represented by a labor union, and we consider employee relations to be positive. There is significant competition for qualified personnel in the industries in which we operate, particularly for software development and other technical staff. We believe that our future success will depend in part on our continued ability to hire and retain qualified personnel.

Acquisitions

On May 30, 2014, InfoSpace acquired the HowStuffWorks business (***"HSW"***). On August 22, 2013, we acquired Monoprice. On January 31, 2012, we acquired TaxACT, and TaxACT acquired Balance Financial, Inc. ("***Balance Financial***") on October 4, 2013. For further detail on our acquisitions of these businesses, see "Note 3: Business Combinations" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

Company Internet Site and Availability of SEC Filings

Our corporate website is located at www.blucora.com. We make available on that site, as soon as reasonably practicable, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, proxy statements, Current Reports on Form 8-K, other reports filed with or furnished to the U.S. Securities and Exchange Commission (the ***"SEC"***), as well as any amendments to those filings. Our SEC filings, as well as our Code of Ethics and Conduct and other corporate governance documents, can be found in the Investor Relations section of our site and are available free of charge. Information on our website is not part of this Annual Report on Form 10-K. In addition, the SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding us and other issuers that file electronically with the SEC.

ITEM 1A. Risk Factors

RISKS COMMON TO ALL OF OUR BUSINESSES

Future revenue growth depends upon our ability to adapt to technological change and successfully introduce new and enhanced products and services.

The online service, software, and e-commerce industries are characterized by rapidly changing technology, evolving industry standards, and frequent new product introductions. Our competitors in the Search and Content, Tax Preparation, and E-Commerce segments offer new and enhanced products and services every year. Consequently, customer expectations are constantly changing. We must successfully innovate and develop new products and features to meet evolving customer needs and demands, while continually updating our technology infrastructure. We must devote significant resources to continue to develop our skills, tools, and capabilities in order to capitalize on existing and emerging technologies. Our inability to quickly and effectively innovate our products, services, and infrastructure could harm our business and financial results.

Our products and services have historically been provided through desktop computers, but the number of people who access similar offerings through mobile devices has increased dramatically in the past few years. We have limited experience to date in mobile platform development, and our existing user experience may not be compelling on this new generation of technology. Given the speed at which new devices and platforms are being released, it is difficult to predict the problems we may encounter in developing versions of our products and services for use on newly developed devices, and we may need to devote significant resources to the creation, support, and maintenance of new user experience. If we are slow to develop products and services that are compatible with these new devices, particularly if we cannot do so as quickly as our competitors, our market share will decline. In addition, such new products and services may not succeed in the marketplace, resulting in lost market share, wasted development costs, and damage to our brands.

Our business depends on our strong reputation and the value of our brands.

Developing and maintaining awareness of our brands is critical to achieving widespread acceptance of our existing and future products and services and is an important element in attracting new customers. Adverse publicity (whether or not justified) relating to events or activities attributed to our businesses, our employees, our vendors, or our partners may tarnish our reputation and reduce the value of our brands. Damage to our reputation and loss of brand equity may reduce demand for our products and services and have an adverse effect on our future financial results. Such damage also would require additional resources to rebuild our reputation and restore the value of the brands.

Our website and transaction management software, data center systems, or the systems of third-party co-location facilities and cloud service providers could fail or become unavailable, which could harm our reputation and result in a loss of revenues and current or potential customers.

Any system interruptions that result in the unavailability or unreliability of our websites, transaction processing systems, or network infrastructure could reduce our revenue and impair our ability to properly process transactions. We use both internally developed and third-party systems, including cloud computing and storage systems, for our online services and certain aspects of transaction processing. Some of our systems are relatively new and untested and thus may be subject to failure or unreliability. Any system unavailability or unreliability may cause unanticipated system disruptions, slower response times, degradation in customer satisfaction, additional expense, or delays in reporting accurate financial information.

Our data centers and cloud service could be susceptible to damage or disruption, which could have a material adverse effect on our business. Our Search and Content and E-Commerce businesses rely on third-party co-location facilities and cloud service providers. Although these third party services provide some redundancy, not all of our systems and operations have backup redundancy. Our TaxACT business has a disaster recovery center, but if that primary data center fails and the disaster recovery center does not fully restore the failed environments, our TaxACT business will suffer, particularly if such interruption occurs during the "tax season."

Our systems and operations, and those of our third-party service providers, could be damaged or interrupted by fire, flood, earthquakes, other natural disasters, power loss, telecommunications failure, internet breakdown, break-in, human error, software bugs, hardware failures, malicious attacks, computer viruses, computer denial of service attacks, terrorist attacks, or other events beyond our control. Such damage or interruption may affect internal and external systems that we rely upon to provide our services, take and fulfill customer orders, handle customer service requests, and host other products and services. During the period in which services are unavailable, we will be unable or severely limited in our ability to generate revenues, and we may also be exposed to liability from those third parties to whom we provide services. We could face significant losses as a result of these events, and our business interruption insurance may not be adequate to compensate us for all potential losses. For these reasons, our business and financial results could be materially harmed if our systems and operations are damaged or interrupted.

If the volume of traffic to our infrastructure increases substantially, we must respond in a timely fashion by expanding our systems, which may entail upgrading our technology, transaction processing systems, and network infrastructure. Our ability to support our expansion and upgrade requirements may be constrained due to our business demands or limits of our third-party co-location facility providers and cloud service providers. Due to the number of our customers and the services that we offer, we could experience periodic capacity constraints that may cause temporary unanticipated system disruptions, slower response times and lower levels of customer service, and limit our ability to develop, offer, or release new or enhanced products and services. Our business could be harmed if we are unable to accurately project the rate or timing of increases, if any, in the use of our services or we fail to adequately expand and upgrade our systems and infrastructure to accommodate these increases.

The security measures we have implemented to secure confidential and personal information may be breached, and such a breach may pose risks to the uninterrupted operation of our systems, expose us to mitigation costs, litigation, investigation and penalties by authorities, claims by persons whose information was disclosed, and damage to our reputation.

Our networks and those from our third-party service providers may be vulnerable to unauthorized access by hackers, rogue employees or contractors, computer viruses, and other disruptive problems. A person who is able to circumvent security measures could misappropriate proprietary or personal information or cause interruptions in our operations. Unauthorized access to, or abuse of, this information could result in significant harm to our business.

We collect and retain certain sensitive personal data. Our TaxACT business collects, uses, and retains large amounts of customer personal and financial information, including information regarding income, family members, credit cards, tax returns, bank accounts, social security numbers, and healthcare. Our Search and Content services receive, retain, and transmit certain personal information about our website visitors. Subscribers to some of our Search and Content services are required to provide information that may be considered to be personally identifiable or private information. Our E-Commerce business and its partners collect and retain certain information regarding its customers, including certain payment information, purchase information, e-mail addresses, and shipping addresses.

We are subject to laws, regulations, and industry rules relating to the collection, use, and security of user data. We expect regulation in this area to increase. As a result of such new regulation, our current data protection policies and practices may not be sufficient and thus may require modification. New regulations may also impose burdens that may require notification to customers or employees of a security breach, restrict our use of personal information, and hinder our ability to acquire new customers or market to existing customers. As our business continues to expand to new industry segments that may be more highly regulated for privacy and data security, our compliance requirements and costs may increase. We have incurred, and may continue to incur, significant expenses to comply with privacy and security standards and protocols imposed by law, regulation, industry standards, and contractual obligations.

A major breach of our systems or those of our third-party service providers may have serious negative consequences for our businesses, including possible fines, penalties and damages, reduced customer demand for our services, harm to our reputation and brands, further regulation and oversight by federal or state agencies, and loss of our ability to provide financial transaction services or accept and process customer credit card orders or tax returns. We may detect, or we may receive notices from customers or public or private agencies that they have detected, vulnerabilities in our servers, our software or third-party software components that are distributed with our products. The existence of vulnerabilities, even if they do not result in a security breach, may harm customer confidence and require substantial resources to address, and we may not be able to discover or remediate such security vulnerabilities before they are exploited. In addition, hackers may develop and deploy viruses, worms and other malicious software programs that can be used to attack our offerings. Although we utilize network and application security measures, internal control measures, and physical security procedures to safeguard our systems, there can be no assurance that a security breach, intrusion, or loss or theft of personal information will not occur. Such a security breach may harm our business, customer reputation and future financial results and may require us to expend significant resources to address these problems, including notification under data privacy regulations.

We rely on the infrastructure of the Internet, over which we have no control and the failure of which could substantially undermine our operations.

The success of our Search and Content, Tax Preparation, and E-Commerce businesses depends on the maintenance and expansion of the infrastructure of the Internet. In particular, we rely on other companies to maintain reliable network systems that provide adequate speed, data capacity, and security. As the Internet continues to experience growth in the number of users, frequency of use, and amount of data transmitted, the segments of the internet infrastructure that we rely on may be unable to support the demands placed upon it. The failure of any parts of the internet infrastructure that we rely on, even for a short period of time, would substantially undermine our operations and would have a material adverse effect on our business and financial results.

We regularly consider acquisition opportunities, and our financial and operating results may suffer if we are unsuccessful in completing any such acquisitions on favorable terms.

An important component of our strategy for future growth is to acquire new technologies and businesses. We may seek to acquire companies or assets that complement our existing businesses. We may also consider acquisitions of companies and assets that are not related to search, content, tax preparation, or e-commerce. We regularly explore such opportunities in the ordinary course of our business, and potential acquisition targets range in size from relatively small to a size comparable to our own, and, therefore, may be material to our business, financial condition, and results of operations. There can be no guarantee that any of the opportunities that we evaluate will result in the purchase by us of any business or asset being evaluated, or that, if acquired, we will be able to successfully integrate such acquisition.

If we are successful in our pursuit of any acquisition opportunities, we intend to use available cash, debt and/or equity financings, and/or other capital or ownership structures designed to diversify our capital sources and attract a competitive cost of capital, all of which may change our leverage profile. There are a number of factors that impact our ability to succeed in acquiring the companies and assets we identify, including competition for these companies and assets, sometimes from larger or better-funded competitors. As a result, our success in completing acquisitions is not guaranteed. Our expectation is that, to the extent we are successful, any acquisitions will be additive to our business, taking into account potential benefits of diversification or operational synergies. However, these new business additions and acquisitions involve a number of risks and may not achieve our expectations, and, therefore, we could be adversely affected by any such new business additions or acquisitions. There can be no assurance that the short or long-term value of any business or technology that we develop or acquire will be equal to the value of the cash and other consideration that we pay or expenses we incur.

Our financial and operating results may suffer if we are unsuccessful in integrating acquisitions we may complete, and any new businesses or technologies may not be complementary to our current operations or leverage our current infrastructure and operational experience.

Even if we are successful in identifying and completing acquisitions of new businesses or technologies, the process of integrating such new businesses and technologies involves numerous risks that could materially and adversely affect our results of operations or stock price, including:

- expenses related to the acquisition process, both for consummated and unconsummated transactions, and impairment charges to goodwill and other intangible assets related to certain acquisitions;
- diversion of management's or other key personnel's attention from current operations and other business concerns and potential strain on financial and managerial controls and reporting systems and procedures;
- disruption of our ongoing business or the ongoing acquired business, including impairment of existing relationships with the employees, distributors, suppliers, or customers of our existing businesses or those of the acquired companies;
- difficulties in assimilating the operations, products, technology, information systems, and management and other personnel of acquired companies that result in unanticipated allocation of resources, costs, or delays;
- the dilutive effect on earnings per share as a result of issuances of stock, incurring operating losses, and the amortization of intangible assets for the acquired business;
- stock volatility due to the perceived value of the acquired business by investors;
- any debt incurred to finance acquisitions would increase costs, may increase volatility in our stock price, and could accelerate a decline in stockholder equity in the event of poor financial performance;
- diversion of capital from other uses;
- failure to achieve the anticipated benefits of the acquisitions in a timely manner, or at all;

- difficulties in acquiring foreign companies, including risks related to integrating operations across different cultures and languages, currency risks, and the particular economic, political, and regulatory risks associated with specific countries; and
- adverse outcome of litigation matters or other contingent liabilities assumed in or arising out of the acquisitions.

Developing or acquiring a business or technology, and then integrating it with our other operations, will be complex, time consuming, and expensive. The successful integration of an acquisition requires, among other things, that we: retain key personnel; maintain and support preexisting supplier, distribution, and customer relationships; and integrate accounting and support functions. The complexity of the technologies and operations being integrated and the disparate corporate cultures and/or industries being combined, may increase the difficulties of integrating an acquired technology or business. If our integration of acquired or internally developed technologies or businesses, including our recent acquisition of the Monoprice business, is not successful, we may experience adverse financial or competitive effects.

Our stock price has been highly volatile and such volatility may continue.

The trading price of our common stock has been highly volatile. Between January 1, 2013 and December 31, 2014, our closing stock price ranged from $13.12 to $29.82. On February 20, 2015, the closing price of our common stock was $13.33. Our stock price could decline or fluctuate significantly in response to many factors, including the other risks discussed in this report and the following:

- actual or anticipated variations in quarterly and annual results of operations;
- announcements of significant acquisitions, dispositions, charges, changes in or loss of material contracts and relationships, or other business developments by us, our partners, or our competitors;
- conditions or trends in the search and content services, tax preparation, or e-commerce markets;
- changes in general conditions in the U.S. and global economies or financial markets;
- announcements of technological innovations or new services by us or our competitors;
- changes in financial estimates or recommendations by securities analysts;
- disclosures of any accounting issues, such as restatements or material weaknesses in internal control over financial reporting;
- equity issuances resulting in the dilution of stockholders;
- the adoption of new regulations or accounting standards; and
- announcements or publicity relating to litigation or governmental enforcement actions.

In addition, the market for technology company securities has experienced extreme price and volume fluctuations, and our stock has been particularly susceptible to such fluctuations. Often, class action litigation has been instituted against companies after periods of volatility in the price of such companies' stock. We have been defendants in such class action litigation in prior periods and could be subject to future litigation, potentially resulting in substantial cost and diversion of management's attention and resources.

Our financial results may fluctuate, which could cause our stock price to be volatile or decline.

Our financial results have varied on a quarterly basis and are likely to continue to fluctuate in the future. These fluctuations could cause our stock price to be volatile or decline. Many factors could cause our quarterly results to fluctuate materially, including but not limited to:

- changes in our relationships with Google, Yahoo!, or future significant Search Customers, such as alterations to their policies, policy enforcement, revenue share agreements, or qualitative scoring of traffic we direct to their advertiser networks, any of which may result in a potential or total loss of content we may use or provide to our distribution partners;
- the loss, termination, or reduction in scope of key search distribution relationships as a result of, for example, distribution partners licensing content directly from our Search Customers or other content providers, or any

suspension by our Search Customers (particularly Google) of the right to use or distribute content on the web properties of our distribution partners;

- the inability of any of our businesses to meet our expectations;
- the extreme seasonality of our TaxACT business and the resulting large quarterly fluctuations in our revenues;
- the success or failure of our strategic initiatives and our ability to implement those initiatives in a cost effective manner;
- the mix of search services revenue generated by our owned and operated web properties versus our distribution partners' web properties;
- the mix of revenues generated by existing businesses, or other businesses we develop or acquire;
- our, and our distribution partners', ability to attract and retain quality traffic for our search services;
- gains or losses driven by mark to market fair value accounting;
- litigation expenses and settlement costs;
- expenses incurred in finding, negotiating, consummating, and integrating acquisitions;
- variable demand for our services, rapidly evolving technologies and markets, and consumer preferences;
- any restructuring charges we may incur;
- any economic downturn, which may lead to lower online advertising revenue from advertisers on our Search and Content business, lower acceptance rates on premium products and services offered by our Tax Preparation business, and reduced sales for our E-Commerce business;
- new court rulings, or the adoption of new laws, rules, or regulations, that adversely affect our ability to acquire content and distribute our search services, that adversely affect our tax preparation products and services, or that otherwise increase our potential liability or compliance costs;
- impairment in the value of long-lived assets or the value of acquired assets, including goodwill, core technology, and acquired contracts and relationships; and
- the effect of changes in accounting principles or standards or in our accounting treatment of revenues or expenses.

For these reasons, among others, you should not rely on period-to-period comparisons of our financial results to forecast our future performance. Furthermore, our fluctuating operating results may fall below the expectations of securities analysts or investors and financial results volatility could make us less attractive to investors, either of which could cause the trading price of our stock to decline.

We sold $201.25 million of Convertible Senior Notes in 2013, which may impact our financial results, result in the dilution of existing stockholders, and restrict our ability to take advantage of future opportunities.

In March 2013, we sold $201.25 million aggregate principal amount of 4.25% Convertible Senior Notes (the "***Notes***") due 2019. The accounting for the Notes will result in our having to recognize interest expense significantly more than the stated interest rate of the Notes and may result in volatility to our financial results. Upon issuance of the Notes, we were required to establish a separate initial value for the conversion option and bifurcate this value from the value attributable to the balance of the Notes, or the debt component. As a result, for accounting purposes, we were required to treat the Notes as having been issued with a discount to their face principal amount, which is referred to as debt discount. We are accreting the debt discount to interest expense ratably over the term of the Notes, which results in an effective interest rate in our consolidated statement of comprehensive income that is in excess of the stated coupon rate of the Notes. This will reduce our earnings and could adversely affect the price at which our common stock trades, but will have no effect on the amount of cash interest paid to holders or on our cash flows.

Our intent is to settle conversions of the Notes with cash for the principal amount of the debt and shares of common stock for any related conversion premium. Shares associated with the conversion premium will be included in diluted earnings per share when the average stock price exceeds the conversion price of the Notes and could adversely affect our diluted earnings per share and the price at which our common stock trades.

The conditional conversion feature of the Notes, if triggered, and the requirement to repurchase the Notes upon a fundamental change may adversely affect our financial condition and financial results. In the event the conditional conversion feature of the Notes is triggered, holders of the Notes will be entitled to convert the Notes at any time during specified periods at their option. If we undergo a fundamental change (as described in the applicable Indenture), subject to certain conditions, holders of the Notes may require us to repurchase all or part of their Notes for cash at a price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest.

The payment of the interest and the repayment of principal at maturity, conversion, or under a fundamental change will require the use of a substantial amount of our cash. If such cash is not available, we may be required to sell other assets or enter into alternate financing arrangements at terms that may or may not be desirable. The existence of the Notes and the obligations we incurred by issuing them may hinder our ability to take advantage of certain future opportunities, such as engaging in future debt or equity financing activities, which may in turn reduce or impair our ability to acquire new businesses or invest in our existing businesses.

We incurred debt in connection with our acquisitions of the Monoprice and TaxACT businesses, and may incur future debt related to other acquisitions, which may adversely affect our financial condition and future financial results.

In connection with our acquisition of Monoprice, Monoprice incurred debt in November 2013, of which $42.0 million remained outstanding as of December 31, 2014. In addition, as part of our acquisition of TaxACT's business, TaxACT incurred debt, which was refinanced with a new credit agreement on August 30, 2013 and of which $51.9 million remained outstanding as of December 31, 2014. Both are non-recourse debts that are guaranteed by Monoprice Holdings, Inc. and TaxACT Holdings, Inc., respectively, both of which are Blucora's direct subsidiaries. These debts may adversely affect our financial condition and future financial results by, among other things:

- increasing Monoprice's or TaxACT's vulnerability to downturns in their businesses, to competitive pressures, and to adverse economic and industry conditions;
- requiring the dedication of a portion of our expected cash from Monoprice's and TaxACT's operations to service the indebtedness, thereby reducing the amount of expected cash flow available for other purposes, including capital expenditures and acquisitions;
- requiring cash infusions from Blucora to Monoprice or TaxACT if either or both are unable to meet their payment or other obligations under the applicable credit facilities;
- increasing our interest payment obligations in the event that interest rates rise dramatically; and
- limiting our flexibility in planning for, or reacting to, changes in our businesses and our industries.

These credit facilities impose restrictions on Monoprice and TaxACT, including restrictions on their ability to create liens on their assets and on our ability to incur indebtedness, and require Monoprice and TaxACT to maintain compliance with specified financial ratios. Their ability to comply with these ratios may be affected by events beyond their control. In addition, these credit facilities include covenants, the breach of which may cause the outstanding indebtedness to be declared immediately due and payable. These debts, and our ability to repay them, may also negatively impact our ability to obtain additional financing in the future and may affect the terms of any such financing.

We or our subsidiaries may incur additional debt in the future to finance additional acquisitions or for other purposes. Such debt may result in risks similar to those discussed above related to the Monoprice and TaxACT debts or in other risks specific to the credit agreements entered into for those debts.

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.

Although we believe that existing cash and cash equivalents, short-term investments, and cash generated from operations will be sufficient to meet our anticipated cash needs for servicing debt, working capital, and capital expenditures for at least the next 12 months, the underlying levels of revenues and expenses that we project may not prove to be accurate. In March 2013, we sold $201.25 million aggregate principal amount of 4.25% Convertible Senior Notes due 2019. In addition, as of December 31, 2014, Monoprice and TaxACT had $42.0 million and $51.9 million outstanding, respectively, under the credit agreements entered into in November 2013 and August 2013, respectively. Servicing these debts will require the dedication of a portion of our expected cash flow from operations, thereby reducing the amount of our cash flow available for other purposes. In addition, our ability to make scheduled payments of the principal of, to pay interest on, or to refinance our indebtedness depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control.

Our businesses may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt, or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

In addition, we evaluate acquisitions of businesses, products, or technologies from time to time. Any such transactions, if completed, may use a significant portion of our cash balances and marketable investments. If we are unable to liquidate our investments when we need liquidity for acquisitions or for other business purposes, we may need to change or postpone such acquisitions or find alternative financing for them. We may seek additional funding through public or private financings, through sales of equity, or through other arrangements. Our ability to raise funds may be adversely affected by a number of factors, including factors beyond our control, such as economic conditions in the markets in which we operate and increased uncertainty in the financial, capital, and credit markets. Adequate funds may not be available when needed or may not be available on favorable terms. If we raise additional funds by issuing equity securities, dilution to existing stockholders may result. If funding is insufficient at any time in the future, we may be unable, or delayed in our ability, to develop or enhance our products or services, take advantage of business opportunities, or respond to competitive pressures, any of which could harm our business.

If others claim that our services infringe their intellectual property rights, we may be forced to seek expensive licenses, reengineer our services, engage in expensive and time-consuming litigation, or stop marketing and licensing our services.

Companies and individuals with rights relating to the technology and consumer electronics industries have frequently resorted to litigation regarding intellectual property rights. In some cases, the ownership or scope of an entity's or person's rights is unclear. In addition, the ownership or scope of such rights may be altered by changes in the legal landscape, such as through developments in U.S. or international intellectual property laws or regulations or through court, agency, or regulatory board decisions. These parties have in the past, and may in the future, make claims against us alleging infringement of patents, copyrights, trademarks, trade secrets, or other intellectual property or proprietary rights, or alleging unfair competition or violations of privacy or publicity rights. Responding to any such claims could be time-consuming, result in costly litigation, divert management's attention, cause product or service release delays, or require removal or redesigning of our products or services, payment of damages for infringement, or entry into royalty or licensing agreements. Our technology, services, and products may not be able to withstand any third-party claims or rights against their use. Our business could suffer if a successful claim of infringement was made against us and we could not develop non-infringing technology or content, or license the infringed or similar technology or content on a timely and cost-effective basis.

We do not regularly conduct patent searches to determine whether the technology used in our products or services infringes patents held by third parties. Patent searches may not return every issued patent or patent application that may be deemed relevant to a particular product or service. It is therefore difficult to determine, with any level of certainty, whether a particular product or service may be construed as infringing a current or future U.S. or foreign patent.

We rely heavily on our technology and intellectual property, but we may be unable to adequately or cost-effectively protect or enforce our intellectual property rights, thereby weakening our competitive position and negatively impacting our business and financial results. We may have to litigate to enforce our intellectual property rights, which can be time consuming, expensive, and difficult to predict.

To protect our rights in our services and technology, we rely on a combination of copyright and trademark laws, patents, trade secrets, confidentiality agreements with employees and third parties, and protective contractual provisions. We also rely on laws pertaining to trademarks and domain names to protect the value of our corporate brands and reputation. Despite our efforts to protect our proprietary rights, unauthorized parties may copy aspects of our services or technology, obtain and use information, marks, or technology that we regard as proprietary, or otherwise violate or infringe our intellectual property rights. In addition, it is possible that others could independently develop substantially equivalent intellectual property. If we do not effectively protect our intellectual property, or if others independently develop substantially equivalent intellectual property, our competitive position could be weakened.

Effectively policing the unauthorized use of our services and technology is time-consuming and costly, and the steps taken by us may not prevent misappropriation of our technology or other proprietary assets. The efforts we have taken to protect our proprietary rights may not be sufficient or effective, and unauthorized parties may copy aspects of our services, use similar marks or domain names, or obtain and use information, marks, or technology that we regard as proprietary. In some cases, the ownership or scope of an entity's or person's rights is unclear and may also change over time, including through changes in U.S. or international intellectual property laws or regulations or through court, agency, regulatory board decisions. Our intellectual property may be subject to even greater risk in foreign jurisdictions, as protection is not sought or obtained in every country in which our services and technology are available and it is often more difficult and costly to obtain, register, and enforce our rights in foreign jurisdictions.

We may have to litigate to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of others' proprietary rights, which are sometimes not clear or may change. Litigation can be time consuming and expensive, and the outcome can be difficult to predict.

Legislation and regulation may impact our business operations, restrict our opportunities, increase our costs, and create potential liability.

All of our businesses are subject to laws and regulations relating to how they conduct their operations, and we anticipate that additional applicable laws and regulations will be enacted in the future. Many of these laws and regulations restrict the operations and opportunities of our businesses and result in compliance costs. In addition, interpretations of these laws and regulations are not always clear, and failure to comply with regulatory board or court interpretations could result in liability. For example, all of our businesses have privacy compliance obligations, and any failure by us to comply with our posted privacy policies, Federal Trade Commission ("***FTC***") requirements, or other privacy-related laws and regulations could result in proceedings by the FTC or others, including class action litigation, which could have an adverse effect on our business, results of operations, and financial condition. Additional applicable legal and regulatory requirements for each of our businesses are discussed below under the sections of these Risk Factors that are specific to those businesses. It is not possible to predict whether or when additional applicable legislation or regulation may be adopted and certain proposals, if adopted, could materially and adversely affect our business. Our failure or inability to comply with applicable laws and regulations could materially impact our operations and financial results.

Delaware law and our charter documents may impede or discourage a takeover, which could cause the market price of our shares to decline.

We are a Delaware corporation and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire us, even if a change of control would be beneficial to our existing stockholders. For example, Section 203 of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder. In addition, our certificate of incorporation and bylaws contain provisions that may discourage, delay, or prevent a third party from acquiring us without the consent of our board of directors, even if doing so would be beneficial to our stockholders. Provisions of our charter documents that could have an anti-takeover effect include:

- the classification of our board of directors into three groups so that directors serve staggered three-year terms, which may make it difficult for a potential acquirer to gain control of our board of directors;
- the requirement for super majority approval by stockholders for certain business combinations;
- the ability of our board of directors to authorize the issuance of shares of undesignated preferred stock without a vote by stockholders;
- the ability of our board of directors to amend or repeal our bylaws;
- limitations on the removal of directors;
- limitations on stockholders' ability to call special stockholder meetings;
- advance notice requirements for nominating candidates for election to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings; and
- certain restrictions in our charter on transfers of our common stock designed to preserve our federal net operating loss carryforwards ("***NOLs***").

At our 2009 annual meeting, our stockholders approved an amendment to our certificate of incorporation that restricts any person or entity from attempting to transfer our stock, without prior permission from the Board of Directors, to the extent that such transfer would (i) create or result in an individual or entity becoming a five-percent stockholder of our stock, or (ii) increase the stock ownership percentage of any existing five-percent stockholder. This amendment provides that any transfer that violates its provisions shall be null and void and would require the purported transferee to, upon our demand, transfer the shares that exceed the five percent limit to an agent designated by us for the purpose of conducting a sale of such excess shares. This provision in our certificate of incorporation may make the acquisition of Blucora more expensive to the acquirer and could significantly delay, discourage, or prevent third parties from acquiring Blucora without the approval of our board of directors.

If there is a change in our ownership within the meaning of Section 382 of the Internal Revenue Code, our ability to use our NOLs may be severely limited or potentially eliminated.

As of December 31, 2014, we had federal NOLs of $570.4 million that will expire primarily between 2020 and 2024. If we were to have a change of ownership within the meaning of Section 382 of the Internal Revenue Code (defined as a cumulative change of 50 percentage points or more in the ownership positions of certain stockholders owning five percent or more of a company's common stock over a three-year rolling period), then under certain conditions, the amount of NOLs we could use in any one year could be limited to an amount equal to our market capitalization, net of substantial non-business assets, at the time of the ownership change multiplied by the federal long-term tax exempt rate. Our certificate of incorporation imposes certain limited transfer restrictions on our common stock that we expect will assist us in preventing a change of ownership and preserving our NOLs, but there can be no assurance that these restrictions will be sufficient. In addition, other restrictions on our ability to use the NOLs may be triggered by a merger or acquisition, depending on the structure of such a transaction. It is our intention to limit the potential impact of these restrictions, but there can be no guarantee that such efforts will be successful. If we are unable to use our NOLs before they expire, or if the use of this tax benefit is severely limited or eliminated, there could be a material reduction in the amount of after-tax income and cash flow from operations, and it could have an effect on our ability to engage in certain transactions.

If we are unable to hire, retain, and motivate highly qualified employees, including our key employees, we may not be able to successfully manage our business.

Our future success depends on our ability to identify, attract, hire, retain, and motivate highly skilled management, technical, sales and marketing, and corporate development personnel. Qualified personnel with experience relevant to our businesses are scarce and competition to recruit them is intense. If we fail to successfully hire and retain a sufficient number of highly qualified employees, we may have difficulties in supporting or expanding our businesses. Realignments of resources, reductions in workforce, or other operational decisions have created and could continue to create an unstable work environment and may have a negative effect on our ability to hire, retain, and motivate employees.

Our business and operations are substantially dependent on the performance of our key employees. Changes of management or key employees may disrupt operations, which may materially and adversely affect our business and financial results or delay achievement of our business objectives. In addition, if we lose the services of one or more key employees and are unable to recruit and retain a suitable successor, we may not be able to successfully and timely manage our business or achieve our business objectives. For example, the success of our Search and Content business is partially dependent on key personnel who have long-term relationships with our Search Customers and distribution partners. There can be no assurance that any retention program we initiate will be successful at retaining employees, including key employees.

Like many technology companies, we use stock options, restricted stock units, and other equity-based awards to recruit and retain senior level employees. With respect to those employees to whom we issue such equity-based awards, we face a significant challenge in retaining them if the value of equity-based awards in aggregate or individually is either not deemed by the employee to be substantial enough or deemed so substantial that the employee leaves after their equity-based awards vest. If our stock price does not increase significantly above the exercise prices of our options, we may need to issue new equity-based awards in order to motivate and retain our executives. We may undertake or seek stockholder approval to undertake other equity-based programs to retain our employees, which may be viewed as dilutive to our stockholders or may increase our compensation costs. Additionally, there can be no assurance that any such programs, or any other incentive programs, we undertake will be successful in motivating and retaining our employees.

Restructuring and streamlining our business, including implementing reductions in workforce, discretionary spending, and other expense reductions, may harm our business.

We have in the past and may in the future find it advisable to take measures to streamline operations and reduce expenses, including, without limitation, reducing our workforce or discontinuing products or businesses. Such measures may place significant strains on our management and employees, and could impair our development, marketing, sales, and customer support efforts. We may also incur liabilities from these measures, including liabilities from early termination or assignment of contracts, potential failure to meet obligations due to loss of employees or resources, and resulting litigation. Such effects from restructuring and streamlining could have a negative impact on our business and financial results.

RISKS RELATED TO OUR SEARCH AND CONTENT BUSINESS

The current challenges in the search business may continue.

Our Search and Content business faced significant challenges in 2014, resulting in a significant decline in financial results for this business as compared to the prior year. These challenges included the impacts of a technology change, changes to our mobile advertising offering as a result of the renewal of the agreement with Google in 2014, and suspended or limited access to our services for certain distribution partners due to regular monitoring of policy and compliance requirements. Although we have addressed, to varying degrees, some of the challenges that initially caused this slowdown, we have been unable to stabilize all of these challenges, and additional issues have emerged, leading to continued and significant pressure on our Search and Content business. In addition, we were unable to accurately predict the long-term impact of some these challenges in 2014, and we may be unable to accurately predict the long-term impact going forward. If we are unable to successfully address our current challenges, or if new issues emerge, we are likely to see a continued material adverse effect on our Search and Content business and its financial results.

We may be unable to compete successfully in the search market.

We face intense competition in the search market. Many of our competitors have substantially greater financial, technical, and marketing resources, larger customer bases, longer operating histories, more developed infrastructures, greater brand recognition, better access to vendors, or more established relationships in the industry than we have. Our competitors may be able to adopt more aggressive pricing policies, develop and expand their product and service offerings more rapidly, adapt to new or emerging technologies and changes in content provider and distribution partner requirements more quickly, achieve greater economies of scale, and devote greater resources to the marketing and sale of their products and services than we can. Some of the companies that we compete with in the search market are currently Search Customers of ours, the loss of any of which could harm our business. In addition, we may face increasing competition for search market share from new search startups, mobile search providers, and social media sites and applications. If we are unable to match or exceed our competitors' marketing reach and customer service experience, our business may not be successful. Because of these competitive factors and due to our relatively small size and financial resources, we may be unable to compete successfully in the search market and, to the extent that these competitive factors apply to other markets that we pursue, in such other markets.

Most of our search services revenue is attributable to Google, and the loss of, or a payment dispute with, Google or any other significant Search Customer would harm our business and financial results.

If Google, Yahoo!, or any future significant Search Customer were to substantially reduce or eliminate the content it provides to us or to our distribution partners, our business results could materially suffer if we are unable to establish and maintain new Search Customer relationships, or expand our remaining Search Customer relationships, to replace the lost or disputed revenue. Google accounted for approximately 45% of our total Company revenues in 2014. Yahoo! remains an important partner and contributes to our value proposition as a metasearch provider, but Yahoo! is currently a much less significant source of revenue than Google. Although we believe that if our Google relationship ended or was impaired, we could replace a portion of the lost revenue with revenue from Yahoo! or other potential content providers, because of Google's position as the overwhelming market leader in the search industry, these two Search Customers are not interchangeable. In addition, Yahoo! has entered into an agreement with Microsoft's Bing search service, under which Bing provides all of Yahoo!'s algorithmic search results and some of its paid listings. If Yahoo! cannot maintain an agreement with Bing on favorable terms, or if Bing is unable to adequately perform its obligations to Yahoo!, then Yahoo!'s ability to provide us with algorithmic and paid listings may be impaired. In addition, if a Search Customer is unwilling to pay us amounts that it owes us, or if it disputes amounts it owes us or has previously paid to us for any reason (including for the reasons described in the risk factors below), our business and financial results could materially suffer.

The success of our search business depends on our ability to negotiate extensions of our Search Customer agreements on favorable terms. We recently renewed our agreement with Google, which now runs to March 31, 2017. Our agreement with Yahoo! also recently renewed and now runs to December 31, 2015. If we cannot negotiate extensions of our current agreements or new agreements on favorable terms (including revenue share rates, our continued ability to offer combined search results or advertisements from different partners as part of our metasearch service, and other operational aspects of our search services), the financial results of our search business will suffer.

We may be unable to successfully compete in the search market as the market shifts to mobile search.

Our search business, and that of most of our distribution partners, is primarily based on searches conducted from browsers and other applications on desktop and laptop computers. As mobile phones, tablets, and other mobile devices increase in popularity, functionality, and usage, mobile searches will constitute an increasing percentage of the search market. Because our search business has been primarily focused on the desktop and laptop markets, we may have less experience and capability in offering and monetizing mobile search services than our competitors. In addition, because we rely on our Search Customers to provide us with search results and advertisements, our ability to innovate for mobile search and to expand in that market is dependent on the cooperation of, and collaboration with, those Search Customers. Under the terms of our current agreement with Google, which took effect on April 1, 2014, Google was no longer obligated to provide us with AdSense for Search advertisements on our mobile search services, and this change required us to increase usage of our other current advertising solutions for mobile and/or find additional mobile advertising solutions and partners. Although we recently executed an amendment to our agreement with Google that allows a broader implementation of mobile search advertisements, that agreement provides a revenue share rate that is significantly lower than the revenue share rate for desktop advertisements and is thus likely to have a limited impact. If we cannot develop services and partners that allow us to sufficiently innovate for the mobile search market and if our mobile advertising solutions monetize at a significantly lower level than our desktop advertising solutions, our ability to participate in the market shift to mobile search will be impaired, which will likely have a material adverse effect on our search business and its financial results.

Failure by us or our search distribution partners to comply with the policies promulgated by Google and Yahoo! may cause that Search Customer to temporarily or permanently suspend the use of its content or terminate its agreement with us, or may require us to modify or terminate certain distribution relationships.

If we or our search distribution partners fail to meet the policies promulgated by Google or Yahoo! for the use of their content, we may not be able to continue to use their content or provide the content to such distribution partners. Our agreements with Google and Yahoo! give them the ability to suspend the use and the distribution of their content for non-compliance with their requirements and policies and, in the case of breaches of certain other provisions of their agreements, to terminate their agreements with us immediately, regardless of whether such breaches could be cured. The terms of the Search Customer agreements with Google and Yahoo! and the related requirements and policies are also subject to differing interpretations by the parties, and we have experienced situations, both in the past and in recent periods, in which our interpretation substantially differs from that of our Search Customers. In addition, Google and Yahoo! have broad discretion, at any time, to unilaterally revise their existing requirements and policies, to implement new requirements and policies, or to change their interpretation or enforcement of existing requirements and policies. Such revisions, implementations, or changes may prohibit or severely restrict certain business methods used by our search business or those of our distribution partners, and the resulting impact could have a material adverse effect on our business and financial results.

Google and Yahoo! have suspended, both in the past and in recent periods, their content provided to our websites and the websites of our distribution partners, often without notice, when they believe that we or our distribution partners are not in compliance with their policies or are in breach of the terms of their agreements. During such suspensions, which could occur again in the future, we will not receive any revenue from any property of ours or a distribution partner that is affected by the suspended content, and the loss of such revenue could harm our business and financial results.

Restrictions on our ability, and the ability of our search distribution partners, to distribute, market, or offer search-related applications, products, and services may impact our financial results.

A significant portion of our Search and Content revenue is dependent on business models that can be negatively impacted by changes in policies, requirements, or technology. For example, many of our search distribution partners distribute applications, extensions, or toolbars that are monetized through the search services that we provide. Our Search Customers require that such applications, extensions, or toolbars, and the distribution of those applications, extensions, or toolbars, comply with certain policies, and recent modifications of these policies have impacted the distribution of applications, extensions, or toolbars that drive traffic and revenue to our search services, and future changes may further restrict such traffic and revenue. In addition, changes to our Search Customers' policies, and their interpretations or application of those policies, have previously negatively affected our ability, and the ability of our search distribution partners, to drive traffic to our search services through the use of online marketing, and similar changes in the future could further restrict or eliminate certain online marketing practices used by our owned and operated sites and those of our distribution partners.

Further, certain third parties have introduced, and can be expected to continue to introduce, new or updated technologies, applications, and policies that may interfere with the ability of users to access our search services or those of our search distribution partners. For example third parties have introduced technologies and applications (including new and enhanced web browsers) that prevent users from downloading the extensions or toolbars provided by some of our search partners. Those applications may also have features and policies that interfere with the functionality of search boxes embedded within extensions and toolbars and with the maintenance of home page and other settings previously selected by users. In addition, our Search Customers can require us to make technology changes to our search services that may negatively impact our search business or the businesses of our distribution partners. For example, a required technology change in the first quarter of 2014 resulted in a significant negative impact on the return on our marketing expenditures. Similar changes may be required again in the future.

Any changes in technologies, applications, and policies that restrict the distribution, marketing, and offering of search-related applications, extensions, toolbars, products, and services could have a material adverse effect on our operating and financial results.

A substantial portion of our search services revenue is dependent on our relationships with a small number of distribution partners, the loss of which could have a material adverse effect on our business and financial results.

We rely on our relationships with search distribution partners, including Internet service providers, web portals, and software application providers, for distribution of our search services. Approximately 44% of our total revenues for 2014 came from searches conducted by end users on the web properties of our search distribution partners, of which approximately 20% came from searches conducted by end users on the web properties of our top five distribution partners. Our agreements with many of our distribution partners will come up for renewal in 2015, and some of our distributors have the right to immediately terminate their agreements in the event of certain breaches or events. There can be no assurance that these relationships will continue or will be renewed on terms that are as favorable as current terms. In addition, if these larger partners violate our policies or requirements, or those of our Search Customers, we, or our Search Customers, may suspend or limit their access to our search services. We lost some of our larger distribution partners in 2014 and early 2015, either due to competition from other content providers, including our Search Customers, or due to inability of those partners to successfully adapt to changes in the marketplace or in Search Customer policies. If we are unable to maintain relationships with our distribution partners on favorable terms, or if our distribution partners cannot continue to use our search services, our business and financial results could be materially adversely affected.

A significant percentage of our Search and Content business's revenue is generated by our distribution partner network. Given the nature of our relationships with our distribution partners, we have limited insight into the methods that our partners use to drive search traffic, which may result in unanticipated volatility in our financial results.

We operate a distribution partner network of approximately 100 distribution partners, which generates the majority of our Search and Content revenue. We have contractual relationships with each partner in the network, but many of these relationships are not exclusive and may not provide us with the ability to have full insight into the methods that our partners use to drive search traffic or their business models. As a result, partners can vary their traffic serviced by our search services, and we may not be able to foresee or control this variation. Additionally, our ability to grow our revenue depends on both our ability to attract new distribution partners and retain existing distribution partners and on our partners' ability to acquire and retain new users that use our search services. For example, a distribution partner may increase or decrease marketing initiatives in ways that we did not predict, and if that partner's traffic is significantly correlated to marketing, such increase or decrease in marketing may result in a significant increase or decrease in search traffic. Without full insight into a partner's business model and related revenue drivers, our ability to accurately predict the traffic driven and revenue generated by that partner is limited, in part, to historical patterns. The historical revenue patterns of partners may not be consistent with actual and forecasted results due to unknown factors that impact the partner's business model and/or any related changes to such model.

If advertisers or our Search Customers perceive that they are not receiving quality traffic through our search services, they may reduce or eliminate their advertising through our services, withhold payment for such traffic, or restrict the traffic provided through our services, each of which could have a negative material impact on our business and financial results.

Most of our revenue from our search business is based on the number of clicks on paid listings that are served on our web properties or those of our distribution partners. Each time a user clicks on a paid search result, the Search Customer that provided the paid search result receives a fee from the advertiser who paid for the click and the Search Customer pays us a portion of that fee. If the click originated from one of our distribution partners' web properties, we share a portion of the fee we receive with such partner. If an advertiser receives what it perceives to be poor quality traffic, meaning that the advertiser's objectives are not met for a sufficient percentage of clicks for which it pays, the advertiser may reduce or eliminate its advertisements through the Search Customer that provided the commercial search result to us. This leads to a loss of revenue for our Search Customers and consequently lower fees paid to us. Also, if a Search Customer perceives that the traffic originating from one of our web properties or the web property of a distribution partner is of poor quality, the Search Customer may discount the amount it charged all advertisers whose paid click advertisements appeared on such website or web property, and accordingly may reduce the amount it pays us. The Search Customer may also suspend or terminate our ability to provide its content through such websites or web properties if such activities are not modified to satisfy the Search Customer's concerns.

Poor quality traffic may be a result of invalid click activity. Such invalid click activity occurs, for example, when a person or automated click generation program clicks on a commercial search result to generate fees for the web property displaying the commercial search result rather than to view the webpage underlying the commercial search result. Some of this invalid click activity is referred to as "click fraud." When such invalid click activity is detected, the Search Customer may not charge the advertiser or may refund the fee paid by the advertiser for such invalid clicks. If the invalid click activity originated from one of our distribution partners' web properties or our owned and operated properties, such non-charge or refund of the fees paid by the advertisers in turn reduces the amount of fees the Search Customer pays us. Initiatives we undertake to improve the quality of the traffic that we send to our Search Customers may not be successful and, even if successful, may result in loss of revenue in a given reporting period.

We may be subject to liability for our use or distribution of information that we gather or receive from third parties and indemnity protections or insurance coverage may be inadequate to cover such liability.

Our search services obtain content and commerce information from third parties and link users, either directly through our own websites or indirectly through the web properties of our distribution partners, to third-party webpages and content in response to search queries and other requests. These services could expose us to legal liability from claims relating to such third-party content and sites, the manner in which these services are distributed and displayed by us or our distribution partners, or how the content provided by our Search Customers was obtained or provided by our Search Customers. This could subject us to legal liability for such things as defamation, negligence, intellectual property infringement, violation of privacy or publicity rights, and product or service liability, among others. Laws or regulations of certain jurisdictions may also deem some content illegal, which also may expose us to liability. Regardless of the legal merits of any such claims, they could result in costly litigation, be time consuming to defend, and divert management's attention and resources. If there was a determination that we had violated third-party rights or applicable law, we could incur substantial monetary liability, be required to enter into costly royalty or licensing arrangements (if available), or be required to change our business practices. We are also subject to laws and regulations, both in the United States and abroad, regarding the collection and use of end user information and search related data. If we do not comply with these laws and regulations, we may be exposed to legal liability.

Although the agreements by which we obtain content contain indemnity provisions, these provisions may not cover a particular claim or type of claim or the party giving the indemnity may not have the financial resources to cover the claim. Our insurance coverage may be inadequate to cover fully the amounts or types of claims that might be made against us. In addition, we may also have an obligation to indemnify and hold harmless certain of our Search Customers or distribution partners from damages they suffer for such violations under our contracts with them. Implementing measures to reduce our exposure to such claims could require us to expend substantial resources and limit the attractiveness of our services. As a result, these claims could result in material harm to our business. Any liability that we incur as a result of content we receive from third parties could harm our financial results.

Governmental regulation and the application of existing laws may slow business growth, increase our costs of doing business, and create potential liability.

The growth and development of the Internet has led to new laws and regulations, as well as the application of existing laws to the Internet, in both the U.S. and foreign jurisdictions. Application of these laws can be unclear. For example, it is unclear how many existing laws regulating or requiring licenses for certain businesses (such as gambling, online auctions, distribution of pharmaceuticals, alcohol, tobacco, firearms, insurance, securities brokerage, or legal services) apply to search services, online advertising, and our business. The costs of complying or failure to comply with these laws and regulations could limit our ability to operate in our market (including limiting our ability to distribute our services; conduct targeted advertising; collect, use, or transfer user information; or comply with new data security requirements), expose us to compliance costs and substantial liability, and result in costly and time-consuming litigation. It is impossible to predict whether or when any new legislation may be adopted or existing legislation or regulatory requirements will be deemed applicable to us, any of which could materially and adversely affect our business.

The FTC has recommended that search engine providers delineate paid-ranking search results from non-paid results. To the extent that we are required to modify presentation of search results as a result of specific regulations or requirements that may be issued in the future by the FTC or other state or federal agencies or legislative bodies with respect to the nature of such delineation or other aspects of advertising in connection with search services, revenue from the affected search engines could be negatively impacted. Addressing these regulations may require us to develop additional technology or otherwise expend significant time and expense.

Due to the nature of the Internet, it is possible that the governments of states and foreign countries might attempt to regulate Internet transmissions, through data protection laws amongst others, or institute proceedings for violations of their laws. We might unintentionally violate such laws, such laws may be modified, and new laws may be enacted in the future. Any such developments (or developments stemming from enactment or modification of other laws) could increase the costs of regulatory compliance for us or force us to change our business practices.

Some of our Search and Content properties, and those of our distribution partners, depend on search engine traffic to drive revenue, and changes in how search engines display links to those properties can negatively impact traffic to those properties and thus the revenues generated by those properties.

Some of our properties, particularly our HowStuffWorks content properties, generate a significant amount of their traffic from search engine result pages. Some of our distribution partners also have properties that generate traffic through search engine result pages. Search engines, including our Search Customers, regularly update the algorithms that power their search results. These algorithm changes can affect the placement of our web properties, or those of our partners, on search result pages, and those placement changes can have a significant impact on traffic driven through search engines, with a resulting negative impact on revenues. If we, or our partners, cannot maintain sufficiently high placement on search engine result pages, the business may be negatively impacted.

Risks Related to our Tax Preparation Business

The tax preparation market is very competitive, and failure to effectively compete will adversely affect our financial results.

Our TaxACT business operates in a very competitive marketplace. There are many competing software products and online services, including two competitors who have a significant percentage of the software and online service market: Intuit’s TurboTax and H&R Block’s products and services. Our TaxACT business must also compete with alternate methods of tax preparation, including "pencil and paper" do-it-yourself return preparation by individual filers and storefront tax preparation services, including both local tax preparers and large chains such as H&R Block, Liberty, and Jackson Hewitt. Finally, our TaxACT business faces the risk that state or federal taxing agencies will offer software or systems to provide direct access for individual filers that will reduce the need for TaxACT’s software and services. Our financial results will suffer if we cannot continue to offer software and services that have quality and ease-of-use that are compelling to consumers; market the software and services in a cost effective way; offer ancillary services that are attractive to users; and develop the software and services at a low enough cost to be able to offer them at a competitive price point.

The seasonality of our Tax Preparation business requires a precise development and release schedule and any delays or issues with accuracy or quality may damage our reputation and harm our future financial results.

Our tax preparation software and online service must be ready to launch in final form near the beginning of each calendar year to take advantage of the full tax season. We must update the code for our software and service each year to account for annual changes in tax laws and regulations. Delayed and unpredictable changes to federal and state tax laws and regulations can cause an already tight development cycle to become even more challenging. We must develop our code on a precise schedule that both incorporates all such changes and ensures that the software and service are accurate. If we are unable to meet this precise schedule and we launch our software and service late, we risk losing customers to our competitors. If we cannot develop our software with a high degree of accuracy and quality, we risk errors in the tax returns that are generated. Such errors could result in loss of reputation, lower customer retention, or legal fees and payouts related to the warranty on our software and service.

The hosting, collection, use, and retention of personal customer information and data by our TaxACT business create risk that may harm our business.

Our TaxACT business collects, uses, and retains large amounts of customer personal and financial information, including information regarding income, family members, credit cards, tax returns, bank accounts, social security numbers, and healthcare. Some of this personal customer information is held by third-party vendors that process certain transactions. In addition, as many of our products and services are web-based, the amount of data we store for our users on our servers (including personal information) has been increasing and will continue to increase as we further evolve our businesses. We and our vendors use security technologies to protect transactions and personal information and use security and business controls to limit access and use of personal information. However, individuals or third parties, including rogue employees, contractors, temporary workers, vendors, business partners, or hackers, may be able to circumvent these security and business measures. In addition, our clients may access our online tax preparation services from their computers and mobile devices, install and use our tax preparation software on their computers and mobile devices, and access online banking services from their computers and mobile devices. Because our business model relies on our clients' use of their own personal computers, mobile devices, and the Internet, computer viruses and other attacks on our clients' personal computer systems and mobile devices could create losses for our clients even without any breach in the security of our systems, and could thereby harm our business and our reputation.

If we are unable to develop, manage, and maintain critical third party business relationships for our TaxACT business, it may be adversely affected.

Our TaxACT business is dependent on the strength of our business relationships and our ability to continue to develop, maintain, and leverage new and existing relationships. We rely on various third party partners, including software and service providers, suppliers, vendors, distributors, contractors, financial institutions, and licensing partners, among others, in many areas of this business to deliver our services and products. In certain instances, the products or services provided through these third party relationships may be difficult to replace or substitute, depending on the level of integration of the third party's products or services into, or with, our offerings and/or the general availability of such third party's products and services. In addition, there may be few or no alternative third party providers or vendors in the market. The failure of third parties to provide acceptable and high quality products, services, and technologies or to update their products, services, and technologies may result in a disruption to our business operations, which may reduce our revenues and profits, cause us to lose customers, and damage our reputation. Alternative arrangements and services may not be available to us on commercially reasonable terms or we may experience business interruptions upon a transition to an alternative partner.

In particular, our TaxACT business has relationships with banks, credit unions or other financial institutions, both as customers and as suppliers of certain critical services we offer to our other customers. If any of these institutions fail, consolidate, stop providing certain services, or institute cost-cutting efforts, our results may suffer and we may be unable to offer those services to our customers.

We may be unable to effectively adapt to changing government regulations relating to tax preparation, which may harm our operating results.

The tax preparation industry is heavily regulated at the state and federal level, and is frequently subject to significant new and revised laws and regulations. The application of these laws and regulations to our businesses is often unclear and compliance with these regulations may involve significant costs or require changes to our business practices. Any changes to our business practices that result from a change to laws or regulations, or from any change in the interpretation of a law or regulation (for example due to a court ruling or an administrative ruling or interpretation), may result in a negative impact on our operating results. We are also required to comply with a variety of IRS and state revenue agency standards in order to successfully operate our tax preparation and electronic filing services. Changes in these requirements, 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.

In order to meet regulatory standards, we may be required to increase investment in compliance and auditing functions or new technologies. In addition, government authorities may enact other laws, rules or regulations that place new burdens or restrictions on our business or determine that our operations are directly subject to existing rules or regulations, such as requirements related to data collection, use, transmission, retention, processing and security, which 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 harm our future financial results.

Restrictions on our ability to offer certain financial products related to our tax preparation services may harm our financial results.

We offer certain financial products related to our tax preparation software and services, and we generate some of our Tax Preparation segment revenue from such products. These products include prepaid debit cards on which a tax filer may receive his or her tax refund and the ability of certain of our users to have the fees for our services deducted from their tax refund. Any regulation of these products by state or federal governments, or any competing products offered by state and federal tax collection agencies could impact our revenue from these financial products. In addition, litigation brought by consumers or state or federal agencies relating to these products may result in additional restrictions on the offering of these products. To the extent that any additional restrictions on our tax preparation related financial products restrict our ability to offer such products, our financial results may suffer.

Unanticipated changes in income tax rates, deduction types, or the taxation structure may adversely affect our TaxACT business.

Changes in the way that the state and federal governments structure their taxation regimes may affect our results. The introduction of a simplified or flattened taxation structure may make our services less necessary or attractive to individual filers. We also face risk from the possibility of increased complexity in taxation structures, which may encourage some of our customers to seek professional tax advice instead of using our software or services. In the event that such changes to tax structures cause us to lose market share, our results may suffer.

If our TaxACT business fails to process transactions effectively or fails to adequately protect against disputed or potential fraudulent activities, our revenue and earnings may be harmed.

Our TaxACT business processes a significant volume and dollar value of transactions on a daily basis. Due to the size and volume of transactions that we handle, effective processing systems and controls are essential to ensure that transactions are handled appropriately. Despite our efforts, it is possible that we may make errors or that fraudulent activity may affect our services. In addition to any direct damages and fines that any such problems may create, which may be substantial, a loss of confidence in our controls may seriously harm our business and damage our brand. The systems supporting our business are comprised of multiple technology platforms that are difficult to scale. If we are unable to effectively manage our systems and processes we may be unable to process customer data in an accurate, reliable, and timely manner, which may harm our business.

RISKS RELATED TO OUR E-COMMERCE BUSINESS

The electronics and accessories market is highly competitive, and failure to effectively compete will adversely affect our financial results.

The electronics and accessories market in which our Monoprice business sells products is highly competitive. All of Monoprice's products face competition from many sellers of similar products, some of which are much larger and more well-known than Monoprice. We attempt to offer products that provide similar quality and technology as those offered by our competitors, but at a lower price, and we attempt to do so with customer service and support that equals or exceeds that of many of our competitors. Many of our competitors have significant competitive advantages over us that may adversely affect our ability to successfully compete on price, quality, technology, service, or support, including larger scale, advanced research facilities, extensive experience in the industry, proprietary intellectual property, greater financial resources, more advanced and extensive supply chain and distribution capacity, better service and support capability, and stronger relationships with suppliers and resellers. If we are unable to successfully compete on price, quality, technology, service, or support, we may not be able to attract and retain customers.

We also face competition in attracting the attention of customers in a cost-effective manner. Many of our competitors have better brand recognition, have stronger distribution networks, and spend significantly more than us on marketing efforts. Our financial results depend on our ability to effectively attract customers at a cost that allows us to continue to offer low prices and maintain our margins, and if our efforts are not effective and cost-efficient, our financial results will suffer.

If we fail to accurately forecast customer demand, our inventory may either exceed demand or be insufficient to meet demand, which could harm our financial results.

We rely on our supplier network to manufacture our products, and as a result, we must forecast demand for our products well in advance of the sale of those products when placing orders from our suppliers. If our orders exceed eventual demand, we will have excess inventory, which will increase our inventory carrying costs, may increase risk that those products will become obsolete prior to sale, and may result in write-offs and/or significant price reductions of that inventory. If our orders are insufficient to meet demand, we may not be able to adequately replace that inventory to meet all customer orders in a timely manner, resulting in back-orders, potential lost sales, and negative customer experiences. Significant failure to accurately forecast customer demand may thus impact our short- and long-term financial results.

Our ability to be competitive depends on our ability to introduce new and updated products with sufficient speed to satisfy customers and thus maintain and grow our market share.

The electronics and accessories market is subject to frequent new product introductions, rapid advancements in technology, changes in industry standards, and evolving consumer preferences. Many of our electronics and accessories have short life cycles and/or must be updated frequently. Our future success depends on our ability to develop, introduce, and deliver on a timely basis, and in sufficient quantity, new products and enhancements to current products. The success of any new product or any update to a current product will depend on several factors, including our ability to:

- Accurately predict features that are compelling to customers;
- Acquire or develop technology to incorporate those features in our products;
- Ensure that the design of products is appealing to consumers;
- Arrange for the manufacture and delivery of a sufficient amount of the products on a timely and cost-effective basis; and
- Ensure that the products are of sufficient quality to maintain customer satisfaction.

If we cannot successfully execute on the above factors, our offerings may not match customer demand, with the result that our inventory may become obsolete, we may not be able to maintain or grow sales, our reputation may suffer, and we may be unable to attract and retain customers.

Our ability to maintain and grow market share depends on our ability to offer quality products at price well below the average market price for such products.

We attempt to offer electronics and accessories at a price below our competitors' prices for similar products, while still maintaining similar quality. Our ability to continue to offer quality products at lower prices depends on our ability to adequately source such products at sufficient quality, quantity, and cost and on our ability to keep other operating expenses proportionally low. Because prices for electronics and accessories tend to decline over time, our continued success will depend on our ability to offer some of our products at even lower prices in the future and on our ability to identify new products or product categories that we can offer at similar low prices. If we cannot continue to offer current products, and introduce new products, at such quality, quantity, and low cost, we will be unable to maintain or grow our revenues and our financial results will suffer.

We depend on international third-party manufacturers to supply our electronics and accessories and risks related to the manufacture and shipping of our products could adversely affect our operations and financial results.

We outsource most of the manufacturing of our electronics and accessories to suppliers in Asia. We rely on the performance of these suppliers, and any problems with such performance could result in cost overruns, delayed deliveries, shortages, poor quality control, intellectual property issues (both theft of our intellectual property and infringement by our suppliers of the intellectual property of others), and compliance issues. Performance problems by our suppliers could result from many events, including the following: suppliers' willful or unintentional breach of supply agreements; their failure to comply with applicable laws and regulations; labor unrest at their facilities; civil unrest; natural or human disasters at production or shipping facilities; equipment or other facility failures; their inability to acquire sufficient quantities or qualities of components or raw materials at expected prices; infrastructure problems in their countries (e.g., power or transportation infrastructure problems); their bankruptcy, insolvency, or other financial problems; and requests or requirements by their other customers that may conflict with our requirements. In addition, because most of our products are shipped from Asia, we face risks related to such shipping, including performance failures by our shipping partners and those of our suppliers, natural disasters, shipping equipment failure, and export and import regulation compliance issues. In late 2014 and early 2015, our ability to maintain adequate inventory has been impacted by slowdowns in offloading container ships resulting from labor disputes. These slowdowns may continue, with the result that the impact on our ability to maintain inventory may continue.

The performance of our manufacturers, suppliers, and shippers is largely outside of our control. As the result of any performance failures, we may lose sales, or we may be required to adjust product designs, change production schedules, or develop suitable alternative contract manufacturers, suppliers, or shippers, which could result in delays in the delivery of products to our customers and/or increased costs. Any such delays, disruptions, or quality problems could adversely impact our ability to sell our products, harm our reputation, impair our customer relationships, and adversely affect our operations and financial results.

Our electronics and accessories could experience quality or safety defects that could result in damage to our reputation, require us to provide replacement products, or cause us to institute product recalls.

We expect that all of our electronics and accessories will meet or exceed all applicable standards for quality and safety. We monitor and attempt to address any quality or safety issues during the design and manufacturing processes, but some problems or defects may not be identified until after introduction and shipment of products to consumers. Resolving such problems or defects may result in increased costs related to production and shipment of replacement parts or products, increased customer support requirements, and redesign and manufacture of products. If we are unable to fix defects in a timely manner or adequately address quality control issues, our relationships with our customers may be impaired, our reputation may suffer, and we may lose customers. If the problems or defects result in a significant safety hazard, we may be forced to institute a product recall, resulting in negative publicity, loss of reputation, administrative costs, distraction of personnel from regular duties, and recall, refund, and replacement expenses. In addition, such product recalls may result in disputes with suppliers and customers or lead to adverse proceedings such as arbitration or litigation, which can be costly and expensive.

Product liability claims or regulatory actions could adversely affect our financial results or harm our reputation.

As the seller of consumer products, we face the possibility that there will be claims for losses or injuries caused by some of our products. In addition to the risk of substantial monetary judgments and penalties that could have a material effect on our financial condition and results of operations, product liability claims or regulatory actions could result in negative publicity that could harm our reputation in the marketplace. We also could be required to recall and possibly discontinue the sale of possible defective or unsafe products, which could result in adverse publicity and significant expenses. Although we maintain product liability insurance coverage, potential product liability claims may exceed the amount of coverage or could be excluded under the terms of the policy.

If our products or operations, or those of our suppliers fail to comply with domestic and international government regulations, or if these regulations result in restrictions on our business, our results could be negatively impacted.

Our products and operations, and the operations of our suppliers and partners, must comply with various domestic and international laws, regulations, and standards, which are complicated and subject to interpretation. Failure by us or our partners to comply with existing or evolving laws or regulations, including export and import restrictions and barriers, or to obtain domestic or foreign regulatory approvals or certificates on a timely basis could result in restrictions on our operations or in our inability to obtain or sell certain products, with the result that our business may be adversely impacted.

We require that all of our suppliers comply with our design and product content specifications, ethical and human rights requirements, applicable laws (including product safety, security, labor, and environmental laws), and otherwise be certified as meeting our supplier code of conduct. While we do conduct a monitoring program to attempt to ensure compliance by our suppliers, our program cannot ensure 100% compliance. Any failure by our suppliers to comply with our supplier code of conduct, or with any other applicable standard, law, or regulation, could result in our inability or unwillingness to continue working with that supplier, additional monitor costs, and/or negative publicity and damage to our brand and reputation.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

Our principal corporate office is located in Bellevue, Washington. The primary operations for our InfoSpace business also are located in Bellevue, with the exception of the HSW operations, which are located in Atlanta, Georgia. We provide some data center services for our search operations from a third-party co-location facility located in Tukwila, Washington. The headquarters and data center facility for our TaxACT business are in Cedar Rapids, Iowa, and we have a disaster recovery center for our TaxACT business in Waukee, Iowa. The headquarters and distribution facility for our E-Commerce business are in Rancho Cucamonga, California. All of our facilities are leased. We believe our properties are suitable and adequate for our present and anticipated near-term needs.

ITEM 3. Legal Proceedings

See "Note 8: Commitments and Contingencies" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report for information regarding legal proceedings.

ITEM 4. Mine Safety Disclosures

None.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Market for Our Common Stock

Our common stock trades on the NASDAQ Global Select Market under the symbol "BCOR." The following table sets forth, for the periods indicated, the high and low sales prices for our common stock as reported by the NASDAQ Global Select Market.

	High	Low
Year ended December 31, 2014		
First Quarter	$ 28.73	$ 19.11
Second Quarter	$ 19.85	$ 17.07
Third Quarter	$ 18.96	$ 15.24
Fourth Quarter	$ 17.04	$ 13.12
Year ended December 31, 2013		
First Quarter	$ 16.56	$ 14.44
Second Quarter	$ 19.11	$ 14.45
Third Quarter	$ 23.61	$ 19.12
Fourth Quarter	$ 29.82	$ 22.60

On February 20, 2015, the last reported sale price for our common stock on the NASDAQ Global Select Market was $13.33 per share.

Holders

As of February 20, 2015, there were 439 holders of record of our common stock. A substantially greater number of holders are beneficial owners whose shares are held of record by banks, brokers, and other financial institutions.

Dividends

There were no dividends paid in 2014 and 2013. We currently intend to retain our earnings to finance future growth and, therefore, do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Share Repurchases

See "Note 9: Stockholder's Equity" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report for additional information regarding the Company's stock repurchase program. Share repurchase activity during the fourth quarter 2014 was as follows (in thousands, except per share data):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased under the Plans or Programs
October 1 – 31, 2014	—	$ —	—	$ 45,155
November 1 – 30, 2014	600	$ 14.50	600	$ 36,452
December 1 – 31, 2014	—	$ —	—	$ 36,452
Total	600	$ 14.50	600	

ITEM 6. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II Item 7, our consolidated financial statements and notes thereto in Part II Item 8, and other financial information included elsewhere in this report. The selected consolidated statements of operations data and the consolidated balance sheet data are derived from our audited consolidated financial statements.

	Years ended December 31,				
	2014	2013 [4]	2012 [5]	2011	2010
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenues:					
Services revenue	$ 429,989	$ 519,677	$ 406,919	$ 228,813	$ 214,343
Product revenue, net	150,731	54,303	—	—	—
Total revenues [1]	580,720	573,980	406,919	228,813	214,343
Operating income (loss) [1]	(8,441)	74,449	44,205	21,479	2,751
Other income (loss), net [1]	(14,766)	(29,623)	(6,677)	(1,246)	15,247
Income (loss) from continuing operations before income taxes	(23,207)	44,826	37,528	20,233	17,998
Income tax benefit (expense) [1] [2]	(12,340)	(20,427)	(15,002)	11,288	(8,725)
Income (loss) from continuing operations	(35,547)	24,399	22,526	31,521	9,273
Discontinued operations [3]:					
Loss from discontinued operations, net of taxes	—	—	—	(2,253)	(4,593)
Loss on sale of discontinued operations, net of taxes	—	—	—	(7,674)	—
Net income (loss)	$ (35,547)	$ 24,399	$ 22,526	$ 21,594	$ 4,680
Net income (loss) per share - basic:					
Income (loss) from continuing operations	$ (0.86)	$ 0.59	$ 0.56	$ 0.83	$ 0.26
Loss from discontinued operations	—	—	—	(0.06)	(0.13)
Loss on sale of discontinued operations	—	—	—	(0.20)	—
Basic net income (loss) per share	$ (0.86)	$ 0.59	$ 0.56	$ 0.57	$ 0.13
Weighted average common shares outstanding, basic	41,396	41,201	40,279	37,954	35,886
Net income (loss) per share - diluted:					
Income (loss) from continuing operations	$ (0.86)	$ 0.56	$ 0.54	$ 0.82	$ 0.25
Loss from discontinued operations	—	—	—	(0.06)	(0.12)
Loss on sale of discontinued operations	—	—	—	(0.20)	—
Diluted net income (loss) per share	$ (0.86)	$ 0.56	$ 0.54	$ 0.56	$ 0.13
Weighted average common shares outstanding, diluted	41,396	43,480	41,672	38,621	36,829

	Years ended December 31,				
	2014	2013	2012	2011	2010
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash, cash equivalents, short-term and long-term investments	$ 301,298	$ 333,705	$ 162,288	$ 293,551	$ 253,736
Working capital (6)	303,246	139,305	144,385	281,873	242,440
Total assets	872,714	978,030	585,293	395,139	352,720
Total long-term liabilities (6) (7) (8)	318,631	174,587	102,155	837	955
Total stockholders' equity	479,025	514,070	415,450	355,105	301,771

(1) For a discussion of activity in 2012 through 2014, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II Item 7. In 2010, we recorded a $19.0 million net gain on a litigation settlement. The net gain allowed us to use a portion of our net operating loss carryforwards resulting in a net income tax expense of $6.6 million.

(2) In 2011, we recorded a reversal of $18.9 million of the valuation allowance related to our deferred tax assets.

(3) We completed the sale of Mercantila on June 22, 2011. The operating results of this business have been presented as discontinued operations for 2011 and 2010.

(4) On August 22, 2013, we acquired Monoprice, which generated $54.3 million of revenue in 2013.

(5) On January 31, 2012, we acquired TaxACT, which generated $62.1 million of revenue in 2012.

(6) During 2014, the Notes were classified as a long-term liability with an outstanding balance, net of discount, of $185.2 million. The Notes were classified as a current liability in 2013. See "Note 7: Debt" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

(7) During 2013, Monoprice entered into a credit facility agreement, and TaxACT entered into a new credit facility agreement (to replace the one entered into in 2012). These arrangements had total outstanding balances, net of any discounts and including any short-term portion, of $41.8 million and $51.9 million, respectively, as of December 31, 2014 and $49.7 million and $71.4 million, respectively, as of December 31, 2013. During 2012, TaxACT entered into a credit facility agreement, under which $73.9 million, net of discount and including the short-term portion, was outstanding as of December 31, 2012. See "Note 7: Debt" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

(8) During 2013, the Monoprice acquisition resulted in a $27.7 million deferred tax liability related to intangible assets.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis in conjunction with the Selected Consolidated Financial Data and our consolidated financial statements and notes thereto included elsewhere in this report.

Introduction

Blucora operates a portfolio of internet businesses: an internet Search and Content business, an online Tax Preparation business, and an E-Commerce business. The Search and Content business, InfoSpace, provides search services to users of our owned and operated and distribution partners' web properties, as well as online content. The Tax Preparation business consists of the operations of TaxACT and provides online tax preparation service for individuals, tax preparation software for individuals and professional tax preparers, and ancillary services. The E-Commerce business consists of the operations of Monoprice, which we acquired on August 22, 2013, and sells self-branded electronics and accessories to both consumers and businesses.

Our Businesses

Search and Content

Our Search and Content segment (formerly known as our Search segment), InfoSpace, generates the majority of our revenues. The InfoSpace business provides search services to users of our owned and operated and distribution partners' web properties, as well as online content. These search services generally involve the generation and display of a set of hyperlinks to websites deemed relevant to search queries entered by users, predominantly from desktop and laptop computers. In addition to these algorithmic search results, paid listings are also generally displayed in response to search queries. Search services provided through our owned and operated properties include services through websites such as Dogpile.com, WebCrawler.com, HowStuffWorks.com (acquired May 30, 2014, see below), and third party web pages that we operate. Search services provided to our distribution partners include services to a network of approximately 100 distribution partners through the web properties of those distribution partners, which are generally private-labeled and customized to address the unique requirements of each distribution partner.

The Search and Content segment's revenue primarily consists of advertising revenue generated through end-users clicking on paid listings included in the search results display, as well as from advertisements appearing on our HowStuffWorks.com website. The paid listings, as well as algorithmic search results, primarily are supplied by Google and Yahoo!, whom we refer to as "Search Customers." When a user submits a search query through one of our owned and operated or distribution partner sites and clicks on a paid listing displayed in response to the query, the Search Customer bills the advertiser that purchased the paid listing directly and shares a portion of its related paid listing fee with us. If the paid listing click occurred on one of our distribution partners' properties, we pay a significant share of our revenue to the distribution partner. Revenue is recognized in the period in which such clicks on paid listings occur and is based on the amounts earned by and ultimately remitted to us by our Search Customers.

We derive a significant portion of our revenue from Google, and we expect this concentration to continue in the foreseeable future at levels that are substantially similar to 2014. For the year ended December 31, 2014, search revenue from Google accounted for approximately 80% of our Search and Content segment revenue and 45% of our total revenue. For further discussion of this concentration risk, see the paragraph in our Risk Factors (Part I Item 1A of this report) under the heading "Most of our search services revenue is attributable to Google, and the loss of, or a payment dispute with, Google or any other significant Search Customer would harm our business and financial results."

On May 30, 2014, InfoSpace acquired HSW, a provider of online content through various websites, including www.HowStuffWorks.com.

Tax Preparation

Our TaxACT business consists of an online tax preparation service for individuals, tax preparation software for individuals and professional tax preparers, and ancillary services. TaxACT generates revenue primarily through its online service at www.taxact.com. The TaxACT business's basic federal tax preparation online software service is "free for everyone," meaning that any taxpayer can use the services to e-file his or her federal income tax return without paying for upgraded services and may do so for every form that the IRS allows to be e-filed. This free offer differentiates TaxACT's offerings from many of its competitors who limit their free software and/or services offerings to certain categories of customers or certain forms. The TaxACT business generates revenue from a percentage of these "free" users who purchase a state form or choose to upgrade for a fee to the Deluxe or Ultimate offering, which includes additional support, tools, or state forms in the case of the Ultimate offering. In addition, revenue is generated from the sale of ancillary services, which include, among other things, tax preparation support services, data archive services, bank services (including reloadable pre-paid debit card services), and additional e-filing services. TaxACT is the recognized value player in the digital do-it-yourself space, offering comparable software and/or services at a lower cost to the end user compared to larger competitors. This, coupled with its "free for everyone" offer, provides TaxACT a valuable marketing position. TaxACT's professional tax preparer software allows professional tax preparers to file individual returns for their clients. Revenue from professional tax preparers historically has constituted a relatively small percentage of the TaxACT business's overall revenue and requires relatively modest incremental development costs as the professional tax preparer software is substantially similar to the consumer-facing software and online service.

On October 4, 2013, TaxACT acquired Balance Financial, a provider of web and mobile-based financial management software through its website www.balancefinancial.com.

E-Commerce

Our E-Commerce business, Monoprice, is an online retailer of self-branded electronics and accessories to both consumers and businesses. Monoprice offers its products for sale through the www.monoprice.com website, where the majority of our E-Commerce revenue is derived, and fulfills those orders from our warehouse in Rancho Cucamonga, California. We also sell our products through reseller and marketplace agreements. Monoprice has built a well-respected brand by delivering products with quality on par with well-known national brands, selling these products at prices far below the prices for those well-known brands, and providing top-tier service and rapid product delivery. The Monoprice website showcases 14 product categories and over 6,900 individual products. Monoprice has developed an efficient product cost structure that is enabled by a direct import supply chain solution that eliminates traditional layers of mark-ups imposed by intermediaries. Consumers are able to access and purchase products 24 hours a day from the convenience of a computer or a mobile device. Monoprice's team of customer service representatives assists customers primarily by online chat or email. Nearly all sales are to customers located in the United States.

Acquisitions

HSW: On May 30, 2014, InfoSpace acquired HSW for $44.9 million in cash. HSW is included in our financial results beginning on May 30, 2014, the acquisition date.

Monoprice: On August 22, 2013, we acquired Monoprice for $182.9 million in cash. Monoprice is included in our financial results beginning on August 22, 2013, the acquisition date. Accordingly, the results discussed below were impacted by the timing of this acquisition, in that 2014 included a full year of Monoprice results as compared to a partial year of results in 2013.

TaxACT: On January 31, 2012, we acquired TaxACT for $287.5 million in cash. TaxACT is included in our financial results beginning on January 31, 2012, the acquisition date. Accordingly, the results discussed below were impacted by the timing of this acquisition, in that 2014 and 2013 included twelve months of TaxACT results while 2012 included eleven months. In addition, on October 4, 2013, TaxACT acquired Balance Financial.

Seasonality

Our Tax Preparation segment is highly seasonal, with the significant majority of its annual revenue earned in the first four months of our fiscal year. During the third and fourth quarters, the Tax Preparation segment typically reports losses because revenue from the segment is minimal while core operating expenses continue at relatively consistent levels. Revenue from our E-Commerce segment also is seasonal, with revenues historically being the lowest in the second quarter, a period that does not include consumer back-to-school or holiday-related spending.

Comparability

We revised certain amounts for the year ended December 31, 2012 from the amounts previously reported in that period's annual report on Form 10-K. We reclassified credit card fees previously reported in "Services cost of revenue" to ""Sales and marketing" expense. The reclassification had no effect on our reported revenues, operating income, or cash flows for the year ended December 31, 2012. Refer to "Note 1: The Company and Basis of Presentation" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

RESULTS OF OPERATIONS

Summary

(In thousands, except percentages)	Years ended December 31,				
	2014	Percentage Change	2013	Percentage Change	2012
Services revenue	$ 429,989	(17)%	$ 519,677	28%	$ 406,919
Product revenue, net	$ 150,731	178 %	$ 54,303	100%	$ —
Total revenues	$ 580,720	1 %	$ 573,980	41%	$ 406,919
Operating income (loss)	$ (8,441)	(111)%	$ 74,449	68%	$ 44,205

Year ended December 31, 2014 compared with year ended December 31, 2013

Total revenues increased approximately $6.7 million due to increases of $96.4 million in product revenue from the Monoprice business that we acquired in August 2013 and $12.5 million in revenue related to our Tax Preparation business, offset by a decrease of $102.2 million in revenue related to our Search and Content business.

Operating income decreased approximately $82.9 million, consisting of the $6.7 million increase in revenue and offset by an $89.6 million increase in operating expenses. Key changes in operating expenses were:

- $75.5 million decrease in the Search and Content segment's operating expenses primarily as a result of lower revenue share to our distribution partners with the decrease in Search and Content distribution revenue and decreased content costs, offset by higher personnel expenses primarily due to overall increased headcount and higher spending on our online marketing.
- $3.4 million increase in the Tax Preparation segment's operating expenses primarily due to higher personnel expenses due to increased headcount and higher spending on marketing campaigns for the current tax season.
- $89.4 million increase in the E-Commerce segment's operating expenses primarily due to the timing of the Monoprice acquisition.
- $72.4 million increase in corporate-level expense activity primarily as a result of impairments recognized on E-Commerce goodwill and trade name, amortization expense associated with the acquisitions of Monoprice and HSW, depreciation expense on fixed assets attributable to Monoprice, higher net personnel expenses mainly due to employee-related costs incurred in connection with leadership changes and increased headcount to support operations, offset by lower bonus amounts consistent with company performance in 2014, and higher stock-based compensation related to the issuance of equity awards to HSW, Balance Financial, and Monoprice employees.

Segment results are discussed in the next section.

Year ended December 31, 2013 compared with year ended December 31, 2012

Total revenues increased approximately $167.1 million due to increases of $83.7 million in revenue related to our Search and Content business and $29.1 million in revenue related to our Tax Preparation business, and the addition of $54.3 million in product revenue from the Monoprice business.

Operating income increased approximately $30.2 million, consisting of the $167.1 million increase in revenue and offset by a $136.8 million increase in operating expenses. Key changes in operating expenses were:

- $63.3 million increase in the Search and Content segment's operating expenses primarily as a result of higher revenue share to our distribution partners with the increase in Search and Content distribution revenue and higher spending on our online marketing.
- $18.6 million increase in the Tax Preparation segment's operating expenses primarily due to the timing of the TaxACT acquisition.
- $49.3 million increase in the E-Commerce segment's operating expenses due to the acquisition of Monoprice in 2013.
- $5.6 million increase in corporate-level expense activity, primarily as a result of amortization expense associated with the acquisitions of Monoprice and TaxACT and higher personnel expenses due to increased

headcount to support operations. This was offset by lower stock-based compensation due to $5.2 million in expense recognized in 2012 related to the modification of a warrant issued in August 2011 to purchase Blucora common stock (the ***"Warrant"***) and the vesting of non-employee stock options upon completion of the TaxACT acquisition (for further detail on both items, see "Note 10: Stock-Based Compensation" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report).

Segment results are discussed in the next section.

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 Consolidated Financial Statements in Part II Item 8 of this report is presented on a basis consistent with our current internal management financial reporting. We do not allocate certain general and administrative costs (including personnel and overhead costs), stock-based compensation, depreciation, amortization of intangible assets, impairment of goodwill and intangible assets, other loss, net, and income taxes to segment operating results. We analyzed these separately.

Following the acquisitions of TaxACT and Monoprice, we determined that we have three reportable segments: Search and Content, Tax Preparation, and E-Commerce.

Search and Content

(In thousands, except percentages)	Years ended December 31,				
	2014	Percentage Change	2013	Percentage Change	2012
Revenue	$ 326,270	(24)%	$ 428,464	24%	$ 344,814
Operating income	$ 55,812	(32)%	$ 82,504	33%	$ 62,185
Segment margin	17%		19%		18%

Search and Content revenue: Our ability to increase Search and Content revenue is dependent on our ability to attract and retain distribution partners and users of our owned and operated properties, which relies on providing search services that align with our Search Customers' preferences. In addition, revenue growth will be dependent upon investments that grow the audience for our owned and operated sites, including HowStuffWorks.com, as well as third party web pages that we operate, by leveraging owned and licensed content to create unique and engaging user experiences.

Search and Content operating income: Because we share revenue with our distribution partners, the Search and Content segment's cost of revenue will increase or decrease if search services revenue generated through our distribution partners' web properties increases or decreases, respectively. The cost of revenue also can be impacted by the mix of revenue generated by our distribution partners. In addition, we manage our online marketing by projecting a desired return on our marketing expenditures and attempting to market according to that projected return.

The following table presents our Search and Content revenue by source and as a percentage of total Search and Content revenue:

(In thousands, except percentages)	Years ended December 31,					
	2014	Percentage of Revenue	2013	Percentage of Revenue	2012	Percentage of Revenue
Revenue from existing distribution partners (launched prior to the then-current year)	$ 248,194	76%	$ 321,954	75%	$ 265,709	77%
Revenue from new distribution partners (launched during the then-current year)	9,233	3%	34,332	8%	38,272	11%
Revenue from distribution partners	257,427	79%	356,286	83%	303,981	88%
Revenue from owned and operated properties	68,843	21%	72,178	17%	40,833	12%
Total Search and Content revenue	$ 326,270		$ 428,464		$ 344,814	

Year ended December 31, 2014 compared with year ended December 31, 2013

Search and Content revenue decreased approximately $102.2 million, or 24%. Revenue from distribution partners decreased each quarter in 2014 over the prior year, for a total of $98.9 million, or 28%, driven by decreases of $73.8 million and $25.1 million in revenue from existing partners and new partners (both defined in table above), respectively. We generated 36% and 33% of our Search and Content revenue through our top five distribution partners in 2014 and 2013, respectively. The web properties of our top five distribution partners for 2014 generated 30% of our Search and Content revenue in 2013.

The decrease in distribution revenue in 2014 was driven by the removal of advertisements for our mobile search services as a result of our new agreement with Google, a technology change, loss of certain distribution partner traffic due to increased competition, difficulty in adding new distribution partners, changes in interpretation and enforcement of our Search Customers' policies and requirements, and our own compliance efforts. In addition to the year-over-year decline in distribution revenue, it also decreased sequentially each quarter in 2014. The sequential decreases in the second half of 2014 primarily were due to changes in interpretation and enforcement of our Search Customers' policies and requirements and our own compliance efforts as well as continued effects of increased competition. As we have previously disclosed, our Search Customers have broad discretion to unilaterally revise their policies and requirements, and their interpretations of those policies and requirements may differ from ours. Recent changes in the interpretation and enforcement of policies and requirements by our Search Customers have significantly impacted the operations of some of our larger and more tenured distribution partners. These changes generally impact models that have historically been permitted by our Search Customers, but we believe our Search Customers now wish to deemphasize these models in their networks. The most significant changes take the form of restrictions on marketing, traffic acquisition, distribution methodologies by certain partners, restrictions on certain content displayed by partners, and changes in categorization of certain traffic, all of which have resulted in decreased revenue and impacted our ability to bring new partners into our network. If our Search Customers continue to revise their interpretation and enforcement of their requirements and policies, our Search and Content business will continue to experience volatility.

Revenue generated by our owned and operated properties (which includes HSW) decreased $3.3 million, or 5%, primarily due to lower returns on online marketing in 2014 as compared to 2013. This decrease was offset partially by the revenue contribution from HSW. The lower returns on online marketing were attributable originally to a technology change implemented in the first quarter of 2014. The issues of the technology change were substantially addressed in the second quarter of 2014; however, we have been unable to increase our rate of return in the second half of 2014 to the rate previously experienced prior to such technology change and consistent with rates of return achieved in 2013. Our inability to consistently and profitably scale our online marketing expenditures was due to a decrease in the revenue earned for this traffic without a corresponding decrease in cost to acquire traffic, which we believe was related to volatility with respect to the quality scores that are applied by our Search Customers to certain of our sites. We have limited visibility into the factors impacting these scores or how these scores impact revenue and cost, since these elements are proprietary to our Search Customers. To the extent that we experience continued volatility in quality scores, we could be challenged going forward in our ability to increase marketing expenditures while maintaining our desired rate of return.

Search and Content operating income decreased approximately $26.7 million, consisting of the $102.2 million decrease in revenue, offset by a decrease of $75.5 million in operating expenses. The decrease in Search and Content operating expenses primarily was due to an $81.7 million, or 29%, decrease in Search and Content services cost of revenue, which was mainly driven by the decrease in distribution revenue and the resulting revenue share to our distribution partners as well as decreased content costs, and a $1.0 million decrease in data center expenses related to the migration of the data center to the cloud in 2013. These decreases were offset by a $3.6 million increase in personnel expenses primarily due to overall increased headcount, mainly as a result of the HSW acquisition, and employee separation costs, a $2.2 million increase in spending on our online marketing, and a $0.8 million increase in professional services associated with development projects and HSW content creation. Segment margin decreased primarily due to increased personnel expenses and flat non-personnel operating expenses on declining revenues, as well as a lower return on our online marketing expenditures.

As noted above, we have experienced factors that have caused significant volatility, due in part to changes in interpretation and enforcement of our Search Customers' requirements and policies, resulting in decreased revenue and margin compression. If our Search Customers continue to revise their interpretation and enforcement of their requirements and policies, our Search and Content business will continue to experience volatility and its financial performance will continue to decline. See "Risks Related to our Search and Content Business" in Part I Item 1A. of this report. We have taken steps to redeploy resources toward initiatives that we believe will better align with our Search Customers' preferences, which should drive longer-term and more sustainable segment income. These initiatives will be driven by leadership that we recently brought to this business with the intention to provide product and service diversification to stabilize revenue. We expect further downward pressure on quarterly revenues through at least the first half of 2015 due to the time needed to develop and scale the above initiatives as well as the removal of a distribution partner who accounted for 8% and 11% of fourth quarter and full year 2014 Search and Content revenue, respectively.

Year ended December 31, 2013 compared with year ended December 31, 2012

Search and Content revenue increased approximately $83.7 million, or 24%, primarily due to revenue generated by our distribution partners which increased by $52.3 million, or 17%, driven by a $56.2 million increase in revenue from existing partners. The increase in revenue from existing partners was offset by a $3.9 million decrease in revenue from new partners. We generated 33% and 47% of our Search and Content revenue through our top five distribution partners in 2013 and 2012, respectively. The web properties of our top five distribution partners for 2013 generated 42% of our Search and Content revenue in 2012. Further contributing to the increase was a $31.3 million, or 77%, increase in revenue generated from our owned and operated properties. The increase was primarily due to continued investment in online marketing to drive end users to our owned and operated properties.

Search and Content operating income increased approximately $20.3 million, consisting of the $83.7 million increase in revenue, offset by an increase of $63.3 million in operating expenses. The increase in Search and Content operating expenses primarily was due to a $35.7 million, or 15%, increase in Search and Content services cost of revenue, which was mainly driven by the increase in distribution revenue and the resulting revenue share to our distribution partners. The remaining increase in Search and Content operating expenses was primarily due to a $26.7 million increase in spending on our online marketing, a $0.9 million increase in data center expenses related to the migration of the data center to the cloud, and a $0.7 million increase in sales and marketing personnel expenses in support of our continued marketing initiatives.

Tax Preparation

(In thousands, except percentages)	Years ended December 31,				
	2014	Percentage Change	2013	Percentage Change	2012
Revenue	$ 103,719	14%	$ 91,213	47%	$ 62,105
Operating income	$ 49,696	22%	$ 40,599	35%	$ 30,052
Segment margin	48%		45%		48%

Our ability to generate tax preparation revenue largely is driven by our ability to effectively market our consumer tax preparation software and online services and our ability to sell the related Deluxe or Ultimate offerings and ancillary services to our customers. 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 returns for their clients. Revenue from the professional tax preparation software is derived in two ways: from per-unit licensing fees for the software and from amounts that we charge to e-file through the software. Revenue from professional tax preparers historically has constituted a relatively small percentage of the overall revenue for the TaxACT business.

Consumer tax preparation revenue is largely driven by our ability to acquire new users of the service, retain existing users, and upsell users to paid offerings and services. Overall revenue is driven more by growth in e-files than by growth in revenue per user, which historically has grown modestly, because we have not made significant pricing adjustments. Because we acquired the TaxACT business during the course of the 2012 tax season, we believe that presenting e-file metrics covering the same 2012 time period as the financial results presented would not accurately reflect segment results of operations. Accordingly, we are presenting these metrics for the entire 2012 tax season and calendar year as follows:

(In thousands, except percentages)	Years ended December 31,				
	2014	Percentage Change	2013	Percentage Change	2012
TaxACT desktop e-files	258	(9)%	282	6 %	267
TaxACT online e-files	5,262	4 %	5,037	8 %	4,661
TaxACT sub-total e-files	5,520	4 %	5,319	8 %	4,928
TaxACT Free File Alliance e-files (1)	222	43 %	155	(7)%	167
TaxACT total e-files (2)	5,742	5 %	5,474	7 %	5,095

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

(2) We redefined e-files in our Form 10-Q for the quarter ended March 31, 2013 to exclude e-filed extensions as we believe this is a more accurate metric in evaluating performance of the Tax Preparation segment. The figures set forth above for 2014, 2013, and 2012 reflect this change.

Year ended December 31, 2014 compared with year ended December 31, 2013

Tax Preparation revenue increased approximately $12.5 million primarily due to a 4% increase in consumer e-files, growth in average revenue per user, increased sales of bank services in the current year, and increasing payments over the past couple years related to data archive services that are recognized as revenue over the related contractual term. Revenue derived from professional tax preparers also contributed to the increase, with a 12% increase in preparer e-files coupled with an increase in the number of professional preparer units sold.

Tax Preparation operating income increased approximately $9.1 million due to the $12.5 million increase in revenue, offset by an increase of $3.4 million in operating expenses. The increase in Tax Preparation segment operating expenses primarily was due to an increase in personnel expenses mainly due to higher headcount supporting all functions and, to a lesser extent, increased spending on marketing campaigns for the current tax season.

Year ended December 31, 2013 compared with year ended December 31, 2012

Tax Preparation revenue increased approximately $29.1 million primarily due to the timing of the TaxACT acquisition. In addition, consumer tax preparation revenue increased due to an increase in e-filings for the year.

Tax Preparation operating income increased approximately $10.5 million primarily due to the $29.1 million increase in revenue, offset by an increase of $18.6 million in operating expenses that primarily were related to the timing of the TaxACT acquisition. The increase in operating expenses was amplified further by the fact that a relatively high percentage of tax season advertising occurs in January, a month that was included in 2013 results but not in 2012 results due to the timing of the TaxACT acquisition. In addition, personnel expenses increased mainly due to higher headcount supporting sales and marketing and general and administrative functions, while data center expenses grew primarily to support our online service offerings. These operating expense increases were offset by a $2.4 million decrease in Tax Preparation services cost of revenue primarily related to decreased bank service fees on our bank card services and royalties.

E-Commerce

The E-Commerce segment was new in 2013 due to our acquisition of Monoprice. Unless otherwise indicated, figures for the year ended December 31, 2013 reflect the results from August 22, 2013, the acquisition date, through December 31, 2013.

(In thousands, except percentages)	Years ended December 31,		
	2014	Percentage Change	2013
Revenue	$ 150,731	178%	$ 54,303
Operating income	$ 12,043	142%	$ 4,967
Segment margin	8%		9%

Monoprice is an online retailer of self-branded electronics and accessories to both consumers and businesses. Monoprice offers its products for sale through the www.monoprice.com website, where the majority of our E-Commerce revenue is derived, and fulfills those orders from our warehouse in Rancho Cucamonga, California. We also sell our products through reseller and marketplace agreements. E-Commerce revenue growth largely is driven by our ability to increase the number of Monoprice.com orders and extend our sales channels. Because we acquired the Monoprice business during the course of 2013, we believe that presenting the percentage change in the number of orders covering the same 2013 time period as the financial results presented (and comparable period) would not accurately reflect segment results of operations. Accordingly, we are presenting this metric for the entire 2013 calendar year and the comparable prior period. While order growth slowed for the current period as compared to the prior period, it was offset by an increase in the average order value. The decrease in the number of orders was driven by increased activity through the reseller channel, which also increased the average order value, as well as the impacts of inventory challenges due to port slowdowns. Order numbers changed as follows:

	Years ended December 31,		
	2014	2013	2012
Order numbers	(5)%	15%	13%

E-Commerce revenue and operating income increased approximately $96.4 million and $7.1 million, respectively, primarily due to the timing of the Monoprice acquisition. In addition, E-Commerce segment operating expenses included a $1.2 million charge triggered by the resignation of Ajay Kumar, the President of Monoprice. On June 24, 2014, the Company accepted the resignation of Mr. Kumar, and, under the circumstances of that resignation, Mr. Kumar was entitled to receive payment under the terms of the Restricted Cash Agreement that was entered into in connection with our acquisition of Monoprice. The amount that Mr. Kumar was entitled to under the Restricted Cash Agreement was the deferred amount that he otherwise would have been entitled to receive at the time of the 2013 sale of Monoprice to Blucora. Refer to our Current Report on Form 8-K dated June 24, 2014 for additional information.

As noted above, we have experienced inventory challenges as a result of port slowdowns. See "Risks Related to our E-Commerce Business" in Part I Item 1A. of this report. The port slowdowns have continued into the first quarter of 2015. Until these slowdowns are resolved, the availability of our products will be negatively impacted. As a result, we expect downward pressure on our quarterly revenues through at least the first quarter of 2015.

Corporate-Level Activity

(In thousands)	Years ended December 31,				
	2014	Change	2013	Change	2012
Operating expenses	$ 14,616	$ 787	$ 13,829	$ 2,031	$ 11,798
Stock-based compensation	11,884	357	11,527	(1,696)	13,223
Depreciation	5,581	1,105	4,476	664	3,812
Amortization of intangible assets	31,094	7,305	23,789	4,590	19,199
Impairment of goodwill and intangible assets	62,817	62,817	—	—	—
Total corporate-level activity	$ 125,992	$ 72,371	$ 53,621	$ 5,589	$ 48,032

Certain corporate-level activity is not allocated to our segments, including certain general and administrative costs (including personnel and overhead costs), stock-based compensation, depreciation, amortization of intangible assets, and impairment of goodwill and intangible assets. For further detail, refer to segment information appearing in "Note 11: Segment Information" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

Year ended December 31, 2014 compared with year ended December 31, 2013

Operating expenses included in corporate-level activity increased primarily due to a $1.1 million net increase in personnel expenses and a $0.5 million increase in corporate business insurance expenses as a result of the Monoprice acquisition. The net increase in personnel expenses consisted of an increase in headcount to support operations, an increase in employee separation and related costs incurred in connection with leadership changes, offset by lower bonus amounts consistent with company performance in 2014. These increases were offset by a $0.9 million increase in capitalized internally developed software primarily due to the timing of the Monoprice acquisition. Internally developed software expense is recorded within our segments with the related cost capitalization benefit recorded within corporate-level activity.

Stock-based compensation increased primarily due to the issuance of equity awards to Balance Financial and Monoprice employees.

Depreciation increased primarily due to depreciation expense on fixed assets attributable to Monoprice.

Amortization of intangible assets increased primarily due to amortization expense related to intangibles acquired as part of the Monoprice and HSW acquisitions.

Impairment of goodwill and intangible assets increased primarily due to impairments recognized in the fourth quarter of 2014 on E-Commerce goodwill and trade name. For further detail, see "Note 4: Goodwill and Other Intangible Assets" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

Year ended December 31, 2013 compared with year ended December 31, 2012

Operating expenses included in corporate-level activity increased primarily due to a $1.5 million increase in personnel expenses mainly related to increased headcount to support operations.

Stock-based compensation decreased primarily due to $5.2 million in expense recognized in 2012 related to the modification of the Warrant and the vesting of non-employee stock options upon completion of the TaxACT acquisition, offset by expense of $0.5 million in 2013 related to stock options that vested upon completion of the Monoprice acquisition (for further detail on both items, see "Note 10: Stock-Based Compensation" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report) as well as higher expense in 2013 related to increased equity award activity, including the issuance of equity awards to Monoprice employees.

Depreciation increased due to depreciation expense on fixed assets attributable to Monoprice.

Amortization of intangible assets increased primarily due to amortization expense related to intangibles acquired as part of the Monoprice acquisition and, to a lesser extent, amortization expense related to TaxACT intangibles due to the timing of the TaxACT acquisition.

OPERATING EXPENSES

Cost of Revenues

(In thousands, except percentages)	Years ended December 31,				
	2014	Change	2013	Change	2012
Services cost of revenue	$ 218,153	$ (84,126)	$ 302,279	$ 36,334	$ 265,945
Product cost of revenue	102,344	64,163	38,181	38,181	—
Total cost of revenues	$ 320,497	$ (19,963)	$ 340,460	$ 74,515	$ 265,945
Percentage of revenues	55%		59%		65%

We record the cost of revenues for services and products when the related revenue is recognized. Services cost of revenue consists of costs related to our Search and Content and Tax Preparation businesses, which include revenue sharing arrangements with our distribution partners, usage-based content fees, royalties, bank product service fees, and amortization of intangibles. It also consists of costs associated with the operation of the data centers that serve our Search and Content and Tax Preparation businesses, which include personnel expenses (salaries, stock-based compensation, benefits, and other employee-related costs), bandwidth costs, and depreciation. Product cost of revenue consists of costs related to our E-Commerce business, which include product costs, inbound and outbound shipping and handling costs, packaging supplies, and provisions for inventory obsolescence.

Year ended December 31, 2014 compared with year ended December 31, 2013

Services cost of revenue decreased primarily due to decreased Search and Content services cost of revenue of $81.7 million, driven by the decrease in revenue generated from distribution partners and the resulting revenue share to our distribution partners as well as decreased content costs, and a $1.3 million decrease in data center expenses primarily related to the migration of the Search data center to the cloud in 2013.

Product cost of revenue increased primarily due to the timing of the Monoprice acquisition.

Year ended December 31, 2013 compared with year ended December 31, 2012

Services cost of revenue increased primarily due to increased Search and Content services cost of revenue of $35.7 million driven by the increase in revenue generated from distribution partners and the resulting revenue share to our distribution partners, a $2.8 million increase in data center operations primarily due to the timing of the TaxACT acquisition and higher personnel expenses from increased headcount to support our online service offering, and, to a lesser extent, increased data center expenses related to the migration of the Search data center to the cloud in 2013. These increases were offset by a $2.4 million decrease in Tax Preparation services cost of revenue primarily related to decreased bank service fees on our bank card services and royalties.

Product cost of revenue represents costs related to Monoprice.

Engineering and Technology

(In thousands, except percentages)	Years ended December 31,				
	2014	Change	2013	Change	2012
Engineering and technology	$ 20,670	$ 8,988	$ 11,682	$ 1,713	$ 9,969
Percentage of revenues	4%		2%		3%

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

Year ended December 31, 2014 compared with year ended December 31, 2013

Engineering and technology expenses increased, of which $4.3 million was attributable to Monoprice (excluding stock-based compensation) and primarily related to the timing of the Monoprice acquisition. The remaining increase primarily was due to a $4.0 million increase in personnel expenses as well as a $1.2 million increase in professional services associated with development projects and HSW content creation. Personnel expenses increased mainly due to higher headcount in our Search and Content and Tax Preparation businesses. The higher headcount in our Search and Content business primarily related to the HSW acquisition. These increases in expenses were offset by a $0.9 million increase in capitalized internally developed software primarily due to the timing of the Monoprice acquisition.

Year ended December 31, 2013 compared with year ended December 31, 2012

Engineering and technology expenses increased, of which $1.4 million was attributable to Monoprice, the majority of which was personnel-related.

Sales and Marketing

(In thousands, except percentages)	Years ended December 31,				
	2014	Change	2013	Change	2012
Sales and marketing	$ 118,124	$ 19,442	$ 98,682	$ 53,038	$ 45,644
Percentage of revenues	20%		17%		11%

Sales and marketing expenses consist principally of marketing expenses associated with our TaxACT and Monoprice websites (which include television, radio, online, text, and email channels), our owned and operated web search properties (which consist of traffic acquisition, including our online marketing fees paid to search engines to drive traffic to an owned and operated website, agency fees, brand promotion expense, and market research expense), personnel expenses (salaries, stock-based compensation, benefits, and other employee-related costs) for personnel engaged in marketing and selling activities, and fulfillment expenses primarily associated with our E-Commerce business. Fulfillment expenses include direct operating expenses (including personnel costs) related to our purchasing, customer and technical support, receiving, inspection and warehouse functions, the cost of temporary help and contractors to augment our staffing, and credit card processing fees.

Year ended December 31, 2014 compared with year ended December 31, 2013

Sales and marketing expenses increased, of which $16.0 million was attributable to Monoprice (excluding stock-based compensation) and primarily related to the timing of the Monoprice acquisition. The remaining increase primarily was due to a $2.6 million increase in marketing expenses in our Search and Content and Tax Preparation businesses and a $0.2 million net increase in personnel expenses. The increase in marketing expenses was driven by increased online marketing by our Search and Content segment and, to a lesser extent, increased marketing campaign activity for the current tax season by our Tax Preparation segment. Personnel expenses increased primarily due to higher headcount in our Tax Preparation business, offset by lower bonus amounts consistent with company performance in 2014.

Year ended December 31, 2013 compared with year ended December 31, 2012

Sales and marketing expenses increased primarily due to a $44.3 million increase in marketing expenses, a $6.0 million increase in personnel expenses, and a $2.2 million increase in credit card processing fees. The increase in marketing expenses was driven by increased online marketing by our Search and Content segment, the timing of the TaxACT acquisition further amplified by the fact that a relatively high percentage of tax season marketing occurs in January, a month that was included in 2013 results but not in 2012 results, and, to a lesser extent, the sales and marketing expense of Monoprice. Personnel expenses increased primarily due to Monoprice and, to a lesser extent, increased headcount in support of our Search and Content and Tax Preparation businesses. Lastly, the increase in credit card processing fees was primarily attributable to Monoprice and, to a lesser extent, the timing of the TaxACT acquisition.

General and Administrative

(In thousands, except percentages)	Years ended December 31,				
	2014	Change	2013	Change	2012
General and administrative	$ 39,120	$ 9,273	$ 29,847	$ 2,429	$ 27,418
Percentage of revenues	7%		5%		7%

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 to augment our staffing, 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.

Year ended December 31, 2014 compared with year ended December 31, 2013

G&A expenses increased, of which $4.9 million was attributable to Monoprice (excluding stock-based compensation) and included a $1.2 million charge related to the Restricted Cash Agreement of Mr. Kumar and the impact of the timing of the Monoprice acquisition. The remaining increase primarily was due to a $3.6 million net increase in personnel expenses and a $0.5 million increase in corporate business insurance expenses as a result of the Monoprice acquisition. The increase in personnel expenses consisted of an increase in salaries, benefits, and other employee-related costs attributable to increased headcount to support operations and an increase in employee separation and related costs incurred in connection with leadership changes, offset by lower bonus amounts consistent with company performance in 2014.

Year ended December 31, 2013 compared with year ended December 31, 2012

G&A expenses increased primarily due to a $0.5 million increase in personnel expenses, consisting of a $2.9 million increase in salaries, benefits, and other employee-related costs attributable to increased corporate and TaxACT headcount to support operations as well as increased headcount with the Monoprice acquisition, offset by a $2.4 million net decrease in stock-based compensation. The $2.4 million net decrease in stock-based compensation included $5.2 million in expense recognized in 2012 related to the modification of the Warrant and the vesting of non-employee stock options upon completion of the TaxACT acquisition, offset by expense of $0.5 million in 2013 related to stock options that vested upon completion of the Monoprice acquisition (for further detail on both items, see "Note 10: Stock-Based Compensation" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report) as well as higher expense in 2013 related to increased equity award activity, including the issuance of equity awards to Monoprice employees. The remaining increase in G&A expenses related to non-personnel expenses attributable to Monoprice, increases in professional services fees, and, to a lesser extent, non-personnel expenses attributable to TaxACT due to the timing of the TaxACT acquisition.

Depreciation, Amortization of Intangible Assets, and Impairment of Goodwill and Intangible Assets

(In thousands, except percentages)	Years ended December 31,				
	2014	Change	2013	Change	2012
Depreciation	$ 4,352	$ 1,613	$ 2,739	$ 620	$ 2,119
Amortization of intangible assets	23,581	7,460	16,121	4,502	11,619
Impairment of goodwill and intangible assets	62,817	62,817	—	—	—
Total	$ 90,750	$ 71,890	$ 18,860	$ 5,122	$ 13,738
Percentage of revenues	16%		3%		3%

Depreciation of property and equipment includes depreciation of computer equipment and software, office equipment and furniture, heavy equipment, and leasehold improvements not recognized in cost of revenues. Amortization of intangible assets primarily includes the amortization of customer relationships, which are amortized over their estimated lives. Impairment of goodwill and intangible assets relates to those acquired in a business combination.

Year ended December 31, 2014 compared with year ended December 31, 2013

Depreciation increased primarily due to depreciation expense on fixed assets attributable to Monoprice.

Amortization of intangible assets increased primarily due to amortization expense related to intangibles acquired as part of the Monoprice and HSW acquisitions.

Impairment of goodwill and intangible assets increased primarily due to impairments recognized in the fourth quarter of 2014 on E-Commerce goodwill and trade name. For further detail, see "Note 4: Goodwill and Other Intangible Assets" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

Year ended December 31, 2013 compared with year ended December 31, 2012

Depreciation increased primarily due to depreciation expense on fixed assets attributable to Monoprice.

Amortization of intangible assets increased primarily due to amortization expense related to intangibles acquired as part of the Monoprice acquisition and, to a lesser extent, amortization expense related to TaxACT intangibles due to the timing of the TaxACT acquisition.

Other Loss, Net

(In thousands)	Years ended December 31,				
	2014	Change	2013	Change	2012
Interest income	$ (352)	$ (52)	$ (300)	$ (169)	$ (131)
Interest expense	11,202	1,739	9,463	5,941	3,522
Amortization of debt issuance costs	1,143	35	1,108	288	820
Accretion of debt discounts	3,691	853	2,838	2,513	325
Loss on debt extinguishment and modification expense	—	(1,593)	1,593	1,593	—
Loss on derivative instrument	—	(11,652)	11,652	9,306	2,346
Impairment of equity investment in privately-held company	—	(3,711)	3,711	3,711	—
Decrease in pre-acquisition liability	(665)	(665)	—	—	—
Decrease in fair value of earn-out contingent liability	(15)	285	(300)	(300)	—
Other	(238)	(96)	(142)	63	(205)
Other loss, net	$ 14,766	$ (14,857)	$ 29,623	$ 22,946	$ 6,677

Year ended December 31, 2014 compared with year ended December 31, 2013

The increases in interest expense, amortization of debt issuance costs, and accretion of debt discounts primarily related to the Convertible Senior Notes issued in March 2013 and the Monoprice credit facility entered into in November 2013, offset by decreases in the same categories due to the TaxACT credit facility refinancing in August 2013 and payments of the related principal balance in 2014.

Loss on debt extinguishment and modification expense related to the TaxACT credit facility refinancing in August 2013. Refer to "Note 7: Debt" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

On November 21, 2013, the Warrant to purchase 1.0 million shares of Blucora common stock issued in August 2011 was exercised in full. The change in the fair value of the Warrant, driven by the change in the value of our common stock, resulted in an $11.7 million loss on derivative instrument during 2013. Refer to "Note 2: Summary of Significant Accounting Policies" and "Note 9: Stockholders' Equity" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

In 2013, in connection with a review of our equity method investments for other-than-temporary impairment, we determined that our equity investment in a privately-held company had experienced an other-than-temporary decline in value, due to recurring losses from operations, significant personnel reductions, and a change in the underlying business model. Accordingly, we wrote down the $3.7 million carrying value of the investment to zero, resulting in a loss.

The sellers of Monoprice are entitled to federal and state tax refunds related to pre-acquisition tax periods pursuant to the purchase agreement. During 2014, we adjusted the refunds due to the sellers after finalizing Monoprice's 2013 federal and state tax returns. As a result, we recorded a $0.7 million gain.

Year ended December 31, 2013 compared with year ended December 31, 2012

The increases in interest expense, amortization of debt issuance costs, and accretion of debt discounts primarily related to the Monoprice credit facility entered into in November 2013 and the Convertible Senior Notes issued in March 2013, offset by slight decreases in the same categories related to the TaxACT credit facilities.

Loss on debt extinguishment and modification expense related to the TaxACT credit facility refinancing in August 2013.

The loss on derivative instrument related to the increase in the fair value of the Warrant, driven by the change in the value of our common stock.

In 2013, we wrote down the $3.7 million carrying value of our equity investment in a privately-held company to zero, resulting in a loss.

Income Taxes

During 2014, we recorded income tax expense of $12.3 million. Income tax differed from taxes at the statutory rates primarily due to the impairment of non-deductible goodwill.

During 2013, we recorded income tax expense of $20.4 million. Income tax differed from taxes at the statutory rates primarily due to the non-deductible loss on the Warrant derivative (see "Note 9: Stockholders' Equity" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report) and an increase in the valuation allowance against deferred tax assets that were capital in nature.

During 2012, we recorded income tax expense of $15.0 million. Income tax differed from taxes at the statutory rates primarily due to the non-deductible loss on the Warrant derivative and non-deductible stock-based compensation.

At December 31, 2014, we had gross temporary differences representing future tax deductions of $637.1 million, which represented deferred tax assets primarily comprised of $570.4 million of federal net operating loss carryforwards. We applied a valuation allowance against the net operating loss carryforwards and certain other deferred tax assets. If in the future, we determine that any additional portion of the deferred tax assets is more likely than not to be realized, we will record a benefit to the income statement or additional paid-in-capital, as appropriate.

NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA: We define Adjusted EBITDA differently for this report than we have defined it in the past, due to the impairment of goodwill and intangible assets recorded in the fourth quarter of 2014. We define Adjusted EBITDA as net income (loss), determined in accordance with GAAP, excluding the effects of income taxes, depreciation, amortization of intangible assets, impairment of goodwill and intangible assets, stock-based compensation, and other loss, net (which primarily includes items such as interest income, interest expense, amortization of debt issuance costs, accretion of debt discounts, loss on debt extinguishment and modification expense, loss on derivative instrument, other-than-temporary impairment loss on equity investments, and adjustments to contingent liabilities related to business combinations).

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), which we believe to be the most comparable GAAP measure, is presented below:

(in thousands)	Years ended December 31,		
	2014	2013	2012
Net income (loss)	$ (35,547)	$ 24,399	$ 22,526
Stock-based compensation	11,884	11,527	13,223
Depreciation and amortization of intangible assets	36,675	28,265	23,011
Impairment of goodwill and intangible assets	62,817	—	—
Other loss, net	14,766	29,623	6,677
Income tax expense	12,340	20,427	15,002
Adjusted EBITDA	$ 102,935	$ 114,241	$ 80,439

Year ended December 31, 2014 compared with year ended December 31, 2013

The decrease in Adjusted EBITDA was due to a decrease in segment operating income of $26.7 million related to our Search and Content segment, offset by increases in segment operating income of $9.1 million related to growth in our Tax Preparation segment and $7.1 million from our E-Commerce segment primarily related to the timing of the Monoprice acquisition. Also contributing to the net decrease in segment operating income was a $0.8 million increase in corporate operating expenses not allocated to the segments mainly related to increased personnel and business insurance expenses.

Year ended December 31, 2013 compared with year ended December 31, 2012

The increase in Adjusted EBITDA was due to increases in segment operating income of $20.3 million and $10.5 million related to our Search and Content and Tax Preparation segments, respectively, driven by growth in the Search and Content segment and the timing of the TaxACT acquisition, as well as segment operating income of $5.0 million for our E-Commerce segment which was new in 2013 due to the Monoprice acquisition. Offsetting the increases in segment operating income was a $1.5 million increase in corporate personnel expenses not allocated to the segments mainly related to increased headcount to support operations.

Non-GAAP net income: We define non-GAAP net income differently for this report than we have defined it in the past, due to the impairment of goodwill and intangible assets recorded in the fourth quarter of 2014 and adjustments recorded in other loss, net that resulted from finalizing Monoprice's 2013 federal and state tax returns in the third quarter of 2014. For this report, we define non-GAAP net income as net income (loss), determined in accordance with GAAP, excluding the effects of stock-based compensation, amortization of acquired intangible assets, impairment of goodwill and intangible assets, accretion of debt discount on the Convertible Senior Notes, loss on debt extinguishment and modification expense, loss on derivative instrument, other-than-temporary impairment loss on equity investments, changes in non-cash pre-acquisition liabilities, and the related cash tax impact of those adjustments, and non-cash income taxes. We exclude the non-cash portion of income taxes because of our ability to offset a substantial portion of our cash tax liabilities by using deferred tax assets, which primarily consist of U.S. federal net operating losses. The majority of these deferred tax assets will expire, if unutilized, between 2020 and 2024.

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

(in thousands, except per share amounts)	Years ended December 31, 2014	2013	2012
Net income (loss)	$ (35,547)	$ 24,399	$ 22,526
Stock-based compensation	11,884	11,527	13,223
Amortization of acquired intangible assets	31,094	23,789	19,199
Impairment of goodwill and intangible assets	62,817	—	—
Accretion of debt discount on Convertible Senior Notes	3,594	2,674	—
Loss on debt extinguishment and modification expense	—	1,593	—
Loss on derivative instrument	—	11,652	2,346
Impairment of equity investment in privately-held company	—	3,711	—
Decrease in non-cash pre-acquisition liability	(665)	—	—
Cash tax impact of adjustments to GAAP net income	(298)	(189)	(93)
Non-cash income tax expense	9,545	18,538	13,559
Non-GAAP net income	$ 82,424	$ 97,694	$ 70,760
Per diluted share:			
Net income (loss)	$ (0.83)	$ 0.56	$ 0.54
Stock-based compensation	0.28	0.26	0.32
Amortization of acquired intangible assets	0.73	0.55	0.46
Impairment of goodwill and intangible assets	1.46	—	—
Accretion of debt discount on Convertible Senior Notes	0.08	0.06	—
Loss on debt extinguishment and modification expense	—	0.03	—
Loss on derivative instrument	—	0.27	0.06
Impairment of equity investment in privately-held company	—	0.09	—
Decrease in non-cash pre-acquisition liability	(0.01)	—	—
Cash tax impact of adjustments to GAAP net income	(0.01)	(0.00)	(0.00)
Non-cash income tax expense	0.22	0.43	0.32
Non-GAAP net income per share	$ 1.92	$ 2.25	$ 1.70
Weighted average shares outstanding used in computing non-GAAP diluted net income per share and its components, including the "Net income (loss)" component	42,946	43,480	41,672

Year ended December 31, 2014 compared with year ended December 31, 2013

The decrease in non-GAAP net income primarily was due to a decrease in segment operating income of $26.7 million related to our Search and Content segment, offset by increases in segment operating income of $9.1 million related to growth in our Tax Preparation segment and $7.1 million from our E-Commerce segment primarily related to the timing of the Monoprice acquisition. Also contributing to the net decrease in segment operating income were a $1.7 million increase in interest expense related to the Convertible Senior Notes issued in March 2013 and the Monoprice credit facility entered into in November 2013, offset by decreased interest expense on the TaxACT credit facility refinancing in August 2013 and payments of the related principal balance in 2014, a $1.1 million increase in depreciation expense primarily due to depreciation expense on fixed assets attributable to Monoprice, a $1.0 million increase in cash income tax expense primarily due to additional state taxes attributable to Monoprice and HSW, and a $0.8 million increase in corporate operating expenses not allocated to the segments mainly related to increased personnel and business insurance expenses.

Year ended December 31, 2013 compared with year ended December 31, 2012

The increase in non-GAAP net income primarily was due to a $20.3 million and $10.5 million increase in Search and Content and Tax Preparation segment operating income, respectively, driven by growth in the Search and Content segment and the timing of the TaxACT acquisition, as well as $5.0 million in segment operating income for our new E-Commerce segment due to the Monoprice acquisition. Offsetting the increases in segment operating income were a $5.9 million increase in interest expense related to the Convertible Senior Notes issued in March 2013 and the Monoprice credit facility entered into in November 2013, partially offset by decreased interest expense on TaxACT's credit facilities, and a $1.5 million increase in corporate personnel expenses not allocated to the segments mainly related to increased headcount to support operations.

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 December 31, 2014, we had cash and marketable investments of $301.3 million, consisting of cash and cash equivalents of $46.4 million and available-for-sale investments of $254.9 million. We generally invest our excess cash in high quality marketable investments. These investments include debt securities issued by the U.S. federal government and its agencies, international governments, municipalities and publicly-held corporations, as well as insured time deposits with commercial banks, money market funds invested in securities issued by agencies of the U.S., and equity securities. A significant portion of our financial instrument investments held at December 31, 2014 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 paragraph in our Risk Factors (Part I Item 1A of this report) under the heading "Existing cash and cash equivalents, short-term investments, and cash generated from operations may not be sufficient to meet our anticipated cash needs for working capital and capital expenditures."

Use of Cash

We may use our cash, cash equivalents, and short-term investments balance in the future on investment in our current businesses, in acquiring new businesses or assets, for repayment of debt, or for stock repurchases. Such businesses or assets may not be related to Search and Content, Tax Preparation, or E-Commerce, and such acquisitions will result in further transaction-related costs. We currently are focused on the following areas: enhancing the search and content services and tax preparation services and software offered to our end users, maintaining and adding search distribution partners and tax preparation and Monoprice.com customers, expanding and diversifying the offerings of our three businesses, extending our e-commerce sales channels through geographic and other means, and building our e-commerce brand recognition.

On May 30, 2014, InfoSpace acquired HSW for $44.9 million in cash, which was funded from our available cash.

On August 22, 2013, we acquired Monoprice for $182.9 million in cash. The acquisition of Monoprice was funded from our available cash. On November 22, 2013, Monoprice entered into a $70.0 million credit facility agreement for the purposes of post-transaction financing of the Monoprice acquisition and providing future working capital flexibility for Monoprice. The final maturity date of the credit facility is November 22, 2018. The interest rate is variable, based upon choices from which Monoprice elects. The credit facility includes financial and operating covenants with respect to certain ratios, including leverage ratio and fixed charge coverage ratio, which are defined further in the agreement. We were in compliance with these covenants as of December 31, 2014. Monoprice borrowed $50.0 million under the credit facility, receiving net proceeds of approximately $49.3 million. Monoprice repaid $8.0 million on the credit facility in 2014. For further detail, see "Note 7: Debt" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

On March 15, 2013, we issued $201.25 million principal amount of 4.25% Convertible Senior Notes (the "***Notes***"). The Notes are due April 1, 2019, unless earlier purchased, redeemed, or converted in accordance with their terms. The Notes bear interest at a rate of 4.25% per year, payable semi-annually in arrears beginning on October 1, 2013. We received net proceeds from the offering of approximately $194.8 million. There are no financial or operating covenants relating to the Notes. As of May 2013, we are permitted to settle any conversion obligation under the Notes in cash, shares of our common stock, or a combination of cash and shares of our common stock, at our election. We intend to satisfy any conversion premium by issuing shares of our common stock. For further detail, see "Note 7: Debt" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

On January 31, 2012, we acquired TaxACT for $287.5 million in cash. The TaxACT acquisition was funded from our cash reserves and from the net proceeds of borrowings under a $105.0 million credit facility. TaxACT initially borrowed $100.0 million under this 2012 credit facility, receiving net proceeds of approximately $96.7 million. We repaid $25.5 million in 2012, $10.0 million in April 2013, and the remaining $64.5 million in August 2013, the latter amount in connection with the refinancing of this credit agreement. On August 30, 2013, TaxACT entered into an agreement to refinance this credit facility on more favorable terms. The new 2013 credit facility consists of a revolving credit commitment that reduced to $90.0 million on August 30, 2014 and will reduce to $80.0 million on August 30, 2015 and $70.0 million on August 30, 2016. The final maturity date of the 2013 credit facility is August 30, 2018. The interest rate is variable, based upon choices from which TaxACT elects. The 2013 credit facility includes financial and operating covenants with respect to certain ratios, including leverage ratio and fixed charge coverage ratio, which are defined further in the agreement. We were in compliance with these covenants as of December 31, 2014. TaxACT borrowed approximately $71.4 million under the 2013 credit facility, of which $65.4 million was used to pay off the 2012 credit facility and $6.0 million was an additional draw in October 2013. In 2014, we borrowed an additional $36.6 million and repaid $56.0 million. For further detail, see "Note 7: Debt" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

Our Board of Directors approved a stock repurchase program whereby we may purchase our common stock in open-market transactions. In May 2014, our Board of Directors increased the repurchase authorization, such that we may repurchase up to $85.0 million of our common stock, and extended the repurchase period through May 2016. During the year ended December 31, 2014, we purchased 2.3 million shares in open-market transactions at a total cost of approximately $38.6 million and an average price of $16.85 per share, exclusive of purchase and administrative costs. During the year ended December 31, 2013, we purchased 0.4 million shares in open-market transactions at a total cost of approximately $10.0 million and an average price of $23.95 per share, exclusive of purchase and administrative costs. As of December 31, 2014, we may repurchase up to an additional $36.5 million of our common stock under the repurchase program. For further detail, see "Note 9: Stockholders' Equity" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

Contractual Obligations and Commitments

Our contractual obligations and commitments are as follows for years ending December 31 (in thousands):

	2015	2016	2017	2018	2019	Thereafter	Total
Operating lease commitments	$ 3,154	$ 3,213	$ 2,916	$ 2,455	$ 2,502	$ 3,105	$ 17,345
Purchase commitments	437	92	62	—	—	—	591
Debt commitments	8,000	8,000	8,000	69,940	201,250	—	295,190
Interest on Notes	8,553	8,553	8,553	8,553	4,277	—	38,489
Escrow for acquisition-related indemnifications	735	—	—	—	—	—	735
Total	$ 20,879	$ 19,858	$ 19,531	$ 80,948	$ 208,029	$ 3,105	$ 352,350

For further detail see "Note 8: Commitments and Contingencies" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

Off-balance Sheet Arrangements

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

Unrecognized Tax Benefits

The above table does not reflect unrecognized tax benefits of approximately $0.5 million, the timing of which is uncertain. For additional discussion on unrecognized tax benefits see "Note 13: Income Taxes" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

Cash Flows

Our cash flows were comprised of the following (in thousands):

	Years ended December 31,		
	2014	2013	2012
Net cash provided by operating activities	$ 55,734	$ 95,056	$ 48,831
Net cash used by investing activities	(101,936)	(303,693)	(165,073)
Net cash provided (used) by financing activities	(37,579)	270,584	102,623
Net increase (decrease) in cash and cash equivalents	$ (83,781)	$ 61,947	$ (13,619)

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

Net cash provided by operating activities was $55.7 million, $95.1 million, and $48.8 million for the years ended December 31, 2014, 2013, and 2012, respectively. The activity in 2014 included approximately $47.6 million of net income (offset by non-cash adjustments) and $8.1 million of working capital contribution. The working capital contribution continued to be driven by accrued expenses and the impact of excess tax benefits from stock-based activity primarily due to utilizing equity net operating loss carryforwards from prior years, offset by reduced accrual balances related to the Search and Content business's online marketing spending and the timing of TaxACT's spending on marketing campaigns for the current tax season. Accounts receivable and accounts payable reflected lower Search and Content distribution revenue and the resulting revenue share to our distribution partners.

The activity in 2013 included approximately $48.3 million of net income (offset by non-cash adjustments) and $46.7 million of working capital contribution. The working capital contribution was driven by accrued expenses and the impact of excess tax benefits from stock-based activity. The contribution from deferred revenue was attributable to TaxACT revenue arrangements. The amounts from accounts receivable and accounts payable reflected balances assumed in the Monoprice acquisition and higher Search distribution revenue and the resulting revenue share to our distribution partners.

The activity in 2012 included approximately $30.3 million of net income (offset by non-cash adjustments) and $18.5 million of working capital contribution. The working capital contribution was driven by accrued expenses and the impact of excess tax benefits from stock-based activity. The contribution from deferred revenue was attributable mainly to TaxACT revenue arrangements. While amounts from accounts receivable and accounts payable were influenced by higher Search distribution revenue and the resulting revenue share to our distribution partners, these were offset by balances assumed in the TaxACT acquisition.

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

Net cash used by investing activities was $101.9 million, $303.7 million, and $165.1 million for the years ended December 31, 2014, 2013, and 2012, respectively. The activity in 2014 consisted of net cash outlays on our available-for-sale investments of $51.8 million, the acquisition of HSW for $44.9 million, and $5.2 million in purchases of property and equipment. The activity in 2013 primarily consisted of the acquisitions of Monoprice and Balance Financial for a combined $185.0 million (net of cash acquired of $2.8 million), net cash outlays on our available-for-sale investments of $112.5 million, and $4.7 million in purchases of property and equipment. The activity in 2012 primarily consisted of the acquisition of TaxACT for $279.4 million (net of cash acquired of $8.1 million) and $3.8 million in purchases of property and equipment, offset by net cash inflows on our available-for-sale investments of $117.8 million.

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

Net cash used by financing activities was $37.6 million for the year ended December 31, 2014, and net cash provided by financing activities was $270.6 million and $102.6 million for the years ended December 31, 2013 and 2012, respectively. The activity in 2014 consisted of combined payments of $64.0 million on the Monoprice and TaxACT 2013 credit facilities, stock repurchases of $38.7 million, and $2.9 million in tax payments from shares withheld upon vesting of restricted stock units. These cash outflows were offset by $36.6 million in proceeds from the TaxACT 2013 credit facility, $23.3 million in excess tax benefits from stock-based activity primarily due to utilizing equity net operating loss carryforwards from prior years, and $8.1 million in combined proceeds from the issuance of common stock related to stock option exercises and the employee stock purchase plan.

The activity for 2013 primarily consisted of $250.1 million in combined net proceeds from the Notes, Monoprice credit facility, and TaxACT 2013 credit facility, $29.4 million in excess tax benefits from stock-based activity primarily due to utilizing equity net operating loss carryforwards from prior years, and $13.5 million in combined proceeds from the issuance of common stock related to stock option exercises, the employee stock purchase plan, and the Warrant exercise. These cash inflows were offset by a $10.0 million payment on the TaxACT 2012 credit facility, stock repurchases of $10.0 million, and $2.4 million in tax payments from shares withheld upon vesting of restricted stock units.

The activity for 2012 consisted of $96.7 million in net proceeds from the TaxACT 2012 credit facility, $23.0 million in excess tax benefits from stock-based activity primarily due to utilizing equity net operating loss carryforwards from prior years, and $9.7 million in combined proceeds from the issuance of common stock related to stock option exercises and the employee stock purchase plan. These cash inflows were offset by a $25.5 million payment on the TaxACT 2012 credit facility and $1.3 million in tax payments from shares withheld upon vesting of restricted stock units.

Critical Accounting Policies and Estimates

This Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as the disclosures included elsewhere in this Annual Report on Form 10-K, is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and disclosures of contingencies. In some cases, we could have reasonably used different accounting policies and estimates.

The SEC has defined a company's most critical accounting policies as the ones that are the most important to the portrayal of the company's financial condition and results of operations and which require the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. On an ongoing basis, we evaluate the estimates used. We base our estimates on historical experience, current conditions, and on various other assumptions that we believe to be reasonable under the circumstances and, based on information available to us at that time, we make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources as well as identify and assess our accounting treatment with respect to commitments and contingencies. Actual results may differ significantly from these estimates under different assumptions, judgments, or conditions. We believe the following critical accounting policies involve the more significant judgments and estimates used in the preparation of our consolidated financial statements. We also have other accounting policies that involve the use of estimates, judgments, and assumptions that are significant to understanding our results. For additional information, see "Note 2: Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

Search services revenue recognition: The majority of our revenues consists of advertising revenue generated through end-users clicking on paid listings included in the search results display, as well as from advertisements appearing on our HowStuffWorks.com website. The paid listings, as well as algorithmic search results, primarily are supplied by Google and Yahoo!, whom we refer to as "Search Customers." When a user submits a search query through one of our owned and operated or distribution partner sites and clicks on a paid listing displayed in response to the query, the Search Customer bills the advertiser that purchased the paid listing directly and shares a portion of its related paid listing fee with us. If the paid listing click occurred on one of our distribution partners' properties, we pay a significant share of our revenue to the distribution partner. Revenue is recognized in the period in which such clicks on paid listings occur and is based on the amounts earned by and ultimately remitted to us. This revenue is recorded in the Search and Content segment.

Under our agreements with our Search Customers and our distribution partners, we are the primary obligor (i.e., are responsible to the Search Customers for providing the search services in accordance with the applicable agreements and remediating any service issues) and separately negotiate each revenue or unit pricing contract independent of any revenue sharing arrangements. For search services, we determine the paid search results, content, and information directed to our owned and operated websites and our distribution partners' web properties. Consequently, we record search services revenue on a gross basis.

Tax preparation revenue recognition: We derive service revenue from the sale of tax preparation online services, ancillary service offerings, packaged tax preparation software, and multiple element arrangements that may include a combination of these items. Ancillary service offerings include tax preparation support services, data archive services, bank or reloadable pre-paid debit card services, e-filing services, and other value-added services. This revenue is recorded in the Tax Preparation segment.

Our Tax Preparation segment revenue consists primarily of hosted tax preparation online services, tax preparation support services, data archive services, and e-filing services. We recognize revenue from these services as the services are performed and the four revenue recognition criteria as described in "Note 2: Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report are met.

We recognize revenue from the sale of our packaged software when legal title transfers. This is generally when our customers download the software from the Internet or when the software ships.

The bank or reloadable prepaid debit card services are offered to taxpayers as an option to receive their tax refunds in the form of a prepaid bank card or to have the fees for the software and/or services purchased by the customers deducted from their refunds. Other value-added service revenue consists of revenue from revenue sharing and royalty arrangements with third party partners. Revenue for these transactions is recognized when the four revenue recognition criteria described above are met; for some arrangements that is upon filing and for other arrangements that is upon our determination of when collectability is probable.

For software and/or services that consist of multiple elements, we must: (1) determine whether and when each element has been delivered; (2) determine the fair value of each element using the selling price hierarchy of vendor-specific objective evidence ("***VSOE***") of fair value if available, third-party evidence ("***TPE***") of fair value if VSOE is not available, and estimated selling price ("***ESP***") if neither VSOE nor TPE is available; and (3) allocate the total price among the various elements based on the relative selling price method. Once we have allocated the total price among the various elements, we recognize revenue when the revenue recognition criteria described above are met for each element.

VSOE generally exists when we sell the deliverable separately. When VSOE cannot be established, we attempt to establish a selling price for each element based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately. When we are unable to establish selling price using VSOE or TPE, we use ESP in our allocation of arrangement consideration. ESP is the estimated price at which we would sell the software or service if it were sold on a stand-alone basis. We determine ESP for the software or service by considering multiple factors including, but not limited to, historical stand-alone sales, pricing practices, market conditions, competitive landscape, internal costs, and gross margin objectives.

In some situations, we receive advance payments from our customers. We defer revenue associated with these advance payments and recognize the consideration for each element when we ship the software or perform the services, as appropriate. Advance payments related to data archive services are deferred and recognized over the related contractual term.

E-Commerce revenue recognition: We derive product revenue from online sales of self-branded electronics and accessories to both consumers and businesses. We recognize product revenue from product sales when all four revenue recognition criteria, as outlined in "Note 2: Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report, have been met. Because we either (i) have a general practice of refunding customer losses for products damaged while in-transit despite selling terms indicating title transfers at the point of shipment or (ii) have FOB-destination shipping terms specifically set out in certain arrangements, delivery is deemed to occur at the point in time when the product is received by the customer. All amounts billed to a customer in a sale transaction related to shipping and handling, if any, represent revenues earned for the goods provided, and these amounts have been classified as "Product revenue." Costs related to such shipping and handling billings are classified as "Product cost of revenue."

We provide our customers with a thirty-day right of return. Return allowances, which reduce revenue, are estimated using historical experience.

Cost of revenues: We record the cost of revenues for sales of products and services when the related revenue is recognized. "Services cost of revenue" consists of costs related to the Search and Content and Tax Preparation businesses, which include revenue sharing arrangements with our distribution partners, usage-based content fees, royalties, bank product service fees, and amortization of intangible assets. It also consists of costs associated with the operation of the data centers that serve our Search and Content and Tax Preparation businesses, which include personnel expenses (salaries, stock-based compensation, benefits, and other employee-related costs), depreciation, and bandwidth costs. "Product cost of revenue" consists of costs related to our E-Commerce business, which include product costs, inbound and outbound shipping and handling costs, packaging supplies, and provisions for inventory obsolescence. Shipping charges to receive products from our suppliers are included in inventory and recognized as product cost of revenue upon sale of products to customers.

Sales and marketing expenses: Sales and marketing expenses consist principally of marketing expenses associated with our TaxACT and Monoprice websites (which include television, radio, online, text, and email channels), our owned and operated web search properties (which consist of traffic acquisition, including our online marketing fees paid to search engines to drive traffic to an owned and operated website, agency fees, brand promotion expense, and market research expense), personnel costs (salaries, stock-based compensation, benefits, and other employee-related costs) for personnel engaged in marketing and selling activities, and fulfillment expenses primarily associated with our E-Commerce business. Fulfillment expenses include direct operating expenses (including personnel costs) related to our purchasing, customer and technical support, receiving, inspection and warehouse functions, the cost of temporary help and contractors to augment staffing, and credit card processing fees.

Stock-based compensation: We measure stock-based compensation at the grant date based on the fair value of the award and recognize it as expense, net of estimated forfeitures, over the vesting or service period, as applicable, of the stock award using the straight-line method. We recognize stock-based compensation over the vesting period for each separately vesting portion of a share-based award as if they were individual share-based awards. We estimate forfeitures at the time of grant and revise those estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Calculating stock-based compensation relies upon certain assumptions, including the expected term of the stock-based awards, expected stock price volatility, expected interest rate, number and types of stock-based awards, and the pre-vesting forfeiture rate. If we use different assumptions due to changes in our business or other factors, our stock-based compensation could vary materially in the future.

Income taxes: We account for income taxes under the asset and liability method, under which deferred tax assets, including net operating loss carryforwards, and liabilities are determined based on temporary differences between the book and tax bases of assets and liabilities. We periodically evaluate the likelihood of the realization of deferred tax assets and reduce the carrying amount of the deferred tax assets by a valuation allowance to the extent we believe a portion will not be realized. We consider many factors when assessing the likelihood of future realization of the deferred tax assets, including expectations of future taxable income, recent cumulative earnings experience by taxing jurisdiction, and other relevant factors. There is a wide range of possible judgments relating to the valuation of our deferred tax assets.

For additional information about the realization of our deferred tax assets and our valuation allowance, see "Note 13: Income Taxes" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report. For additional information about our net operating loss carryforwards, see the Risk Factor "If there is a change in our ownership within the meaning of Section 382 of the Internal Revenue Code, our ability to use our NOLs may be severely limited or potentially eliminated" in Part I Item 1A of this report. For additional information about expectations of future taxable income, see the Risk Factor "Our financial results may fluctuate, which could cause our stock price to be volatile or decline" in Part I Item 1A of this report.

Inventories: Inventories, consisting of merchandise available for sale in the E-Commerce business, are accounted for using the first-in-first-out ("***FIFO***") method of accounting and are valued at the lower of cost or market and include the related shipping and handling costs. Inventory quantities on hand are reviewed regularly, and allowances are maintained for obsolete, slow moving, and nonsalable inventory.

Business combinations and intangible assets including goodwill: We account for business combinations using the acquisition method, and, accordingly, the identifiable assets acquired and liabilities assumed are recorded at their acquisition date fair values. Goodwill is calculated as the excess of the purchase price over the fair value of net assets, including the amount assigned to identifiable intangible assets, and is assigned to reporting units that are expected to benefit from the synergies of the business combination as of the acquisition date. Reporting units are consistent with reportable segments. Identifiable intangible assets with finite lives are amortized over their useful lives on a straight-line basis, except for the installed code base technology which is amortized proportional to expected revenue. Acquisition-related costs, including advisory, legal, accounting, valuation, and other similar costs, are expensed in the periods in which the costs are incurred. The results of operations of acquired businesses are included in the consolidated financial statements from the acquisition date.

Goodwill and intangible assets impairment: We evaluate goodwill and indefinite-lived intangible assets for impairment annually, as of November 30, or more frequently when events or circumstances indicate that impairment may have occurred. As part of the impairment evaluation, we may elect to perform an assessment of qualitative factors. If this qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit (for goodwill) or an indefinite-lived intangible asset is less than its carrying value, or if we elect to bypass the qualitative assessment, we then would proceed with the quantitative impairment test.

The goodwill quantitative impairment test is a two-step process that first compares the carrying values of reporting units to their fair values. If the carrying value of a reporting unit exceeds the fair value, a second step is performed to compute the amount of impairment. This second step determines the current fair values of all assets and liabilities of a reporting unit and then compares the implied fair value of the reporting unit's goodwill to the carrying value of that goodwill. If the carrying value of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

The indefinite-lived intangible asset quantitative impairment test compares the carrying value of the intangible asset to its fair value. If the carrying value of the intangible asset exceeds the fair value, an impairment loss is recognized in an amount equal to the excess.

Fair value typically is estimated using the present value of future discounted cash flows, an income approach. The significant estimates in the discounted cash flow model include the weighted-average cost of capital, long-term rates of revenue growth and/or profitability of our businesses, and working capital effects. The weighted-average cost of capital considers the relevant risk associated with business-specific characteristics and the uncertainty related to each business's ability to achieve the projected cash flows. To validate the reasonableness of the reporting unit fair values, we reconcile the aggregate fair values of our reporting units to the aggregate market value of our common stock on the date of valuation, while considering a reasonable acquisition premium. These estimates and the resulting valuations require significant judgment.

Definite-lived intangible assets are reviewed for impairment when events or circumstances indicate that the carrying value of an asset or group of assets may not be recoverable. The determination of recoverability is based on an estimate of pre-tax undiscounted future cash flows, using our best estimates of future net sales and operating expenses, expected to result from the use and eventual disposition of the asset or group of assets over the remaining economic life of the primary asset in the asset group. We measure the amount of the impairment as the excess of the asset's carrying value over its fair value.

In 2014, we performed quantitative assessments of goodwill and indefinite-lived intangible assets for impairment for each of our reporting units as of November 30. As a result of these quantitative assessments, we recorded an impairment of goodwill and intangible assets of $62.8 million in the fourth quarter of 2014 primarily related to our E-Commerce business. The affected intangible asset was the trade name. Our E-Commerce business had operating results, projected revenue growth rates, and projected profitability below our initial expectations, which led to the impairment of its goodwill and trade name. We also determined that the adverse changes and impairments related to the E-Commerce reporting unit were indicators requiring the review of E-Commerce long-lived assets for recoverability. The results of this review indicated that their carrying values were recoverable.

For additional information about our goodwill and intangible assets, see "Note 4: Goodwill and Other Intangibles Assets" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

In the dynamic search and content, tax preparation and e-commerce industries, there is significant uncertainty about the future. Unforeseen events such as market disruptions and deterioration of the macroeconomic environment, or internal challenges such as reorganizations, employee and management turnover, operational cash flows, and other trends that could have material negative impacts on our key assumptions in determining fair values, could lead to a decision to impair goodwill and/or intangible assets in future periods.

Equity method investments: We currently hold equity securities and warrants to purchase equity securities in companies whose securities are not publicly-traded. The equity method is used to account for investments in these companies, if the investment provides us with the ability to exercise significant influence over operating and financial policies of the investees. We record our proportionate share of the net earnings or losses of equity method investees and a corresponding increase or decrease to the investment balances. We evaluate our equity method investments for impairment whenever events or changes in circumstances indicate, in management’s judgment, that the carrying value of such investment may have experienced a decline in value. See "Note 12: Other Loss, Net" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

Debt issuance costs and debt discounts: Debt issuance costs and debt discounts are deferred and amortized as interest expense under the effective interest method over the contractual term of the related debt, adjusted for prepayments in the case of our credit facilities.

Debt issuance costs related to the Convertible Senior Notes issued in 2013 were allocated to the liability and equity components of the instrument. The debt issuance costs allocated to the liability component are amortized to interest expense through the earlier of the maturity date of the Notes or the date of conversion, if any. The debt issuance costs allocated to the equity component of the Notes were recorded as an offset to "Additional paid-in capital."

Derivative instruments and hedging: We recognized derivative instruments as either assets or liabilities at their fair value. We recorded changes in the fair value of the derivative instruments as gains or losses either in "Other loss, net" on the consolidated statements of comprehensive income, for those not designated as a hedging instrument (the Warrant - see "Note 9: Stockholders' Equity" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report), or in "Accumulated other comprehensive loss" on the consolidated balance sheets, for those used in a hedging relationship (the interest rate swap - see "Note 7: Debt" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report). The Warrant and interest rate swap were settled in the last half of 2013. We had no derivatives outstanding as of December 31, 2014.

Recent Accounting Pronouncements

See "Note 2: Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

Quarterly Results of Operations (Unaudited)

The following table presents a summary of our unaudited consolidated results of operations for the eight quarters ended December 31, 2014. The information for each of these quarters has been prepared on a basis consistent with our annual audited consolidated financial statements. You should read this information in conjunction with our consolidated financial statements and notes thereto in Part II Item 8. The operating results for any quarter are not necessarily indicative of results for any future period.

	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
	(in thousands except per share data)							
Revenues:								
Services revenue	$ 165,338	$ 117,181	$ 109,491	$ 127,667	$ 179,044	$ 106,270	$ 76,885	$ 67,790
Product revenue, net	—	—	14,630	39,673	37,139	35,299	37,970	40,323
Total revenues	165,338	117,181	124,121	167,340	216,183	141,569	114,855	108,113
Operating expenses:								
Cost of revenues:								
Services cost of revenue	76,987	69,352	72,935	83,005	71,293	56,233	49,754	40,873
Product cost of revenue	—	—	10,622	27,559	25,029	23,137	25,605	28,573
Total cost of revenues	76,987	69,352	83,557	110,564	96,322	79,370	75,359	69,446
Engineering and technology	2,538	2,508	2,905	3,731	4,135	4,817	5,970	5,748
Sales and marketing	38,484	14,695	18,230	27,273	55,836	22,287	18,152	21,849
General and administrative	6,384	6,557	8,421	8,485	8,632	10,425	9,495	10,568
Depreciation	517	524	697	1,001	1,058	1,135	1,085	1,074
Amortization of intangible assets	3,169	3,168	4,184	5,600	5,584	5,761	6,118	6,118
Impairment of goodwill and intangible assets	—	—	—	—	—	—	—	62,817
Total operating expenses	128,079	96,804	117,994	156,654	171,567	123,795	116,179	177,620
Operating income (loss)	37,259	20,377	6,127	10,686	44,616	17,774	(1,324)	(69,507)
Other loss, net	(1,005)	(6,304)	(13,118)	(9,196)	(4,069)	(3,724)	(3,208)	(3,765)
Income (loss) before income taxes	36,254	14,073	(6,991)	1,490	40,547	14,050	(4,532)	(73,272)
Income tax benefit (expense)	(12,646)	(5,667)	510	(2,624)	(14,560)	(5,313)	2,294	5,239
Net income (loss)	$ 23,608	$ 8,406	$ (6,481)	$ (1,134)	$ 25,987	$ 8,737	$ (2,238)	$ (68,033)
Net income (loss) per share:								
Basic	$ 0.58	$ 0.20	$ (0.16)	$ (0.03)	$ 0.62	$ 0.21	$ (0.05)	$ (1.67)
Diluted	$ 0.53	$ 0.20	$ (0.16)	$ (0.03)	$ 0.58	$ 0.20	$ (0.05)	$ (1.67)
Weighted average common shares outstanding:								
Basic	40,911	41,050	41,088	41,566	42,162	41,570	41,034	40,820
Diluted	44,294	42,724	41,088	41,566	44,521	43,084	41,034	40,820

	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Revenues:								
Services revenue	100.0%	100.0%	88.2 %	76.3 %	82.8%	75.1%	66.9 %	62.7 %
Product revenue, net	—	—	11.8	23.7	17.2	24.9	33.1	37.3
Total revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Operating expenses:								
Cost of revenues (1):								
Services cost of revenue	46.6	59.2	66.6	65.0	39.8	52.9	64.7	60.3
Product cost of revenue	—	—	72.6	69.5	67.4	65.5	67.4	70.9
Total cost of revenues	46.6	59.2	67.3	66.1	44.6	56.1	65.6	64.2
Engineering and technology	1.5	2.1	2.3	2.2	1.9	3.4	5.2	5.3
Sales and marketing	23.3	12.6	14.7	16.3	25.8	15.7	15.8	20.2
General and administrative	3.9	5.6	6.8	5.1	4.0	7.4	8.3	9.8
Depreciation	0.3	0.4	0.6	0.6	0.5	0.8	0.9	1.0
Amortization of intangible assets	1.9	2.7	3.4	3.3	2.6	4.1	5.3	5.7
Impairment of goodwill and intangible assets	—	—	—	—	—	—	—	58.1
Total operating expenses	77.5	82.6	95.1	93.6	79.4	87.5	101.1	164.3
Operating income (loss)	22.5	17.4	4.9	6.4	20.6	12.5	(1.1)	(64.3)
Other loss, net	(0.6)	(5.4)	(10.5)	(5.5)	(1.9)	(2.6)	(2.8)	(3.5)
Income (loss) before income taxes	21.9	12.0	(5.6)	0.9	18.7	9.9	(3.9)	(67.8)
Income tax benefit (expense)	(7.6)	(4.8)	0.4	(1.6)	(6.7)	(3.8)	2.0	4.8
Net income (loss)	14.3%	7.2%	(5.2)%	(0.7)%	12.0%	6.1%	(1.9)%	(63.0)%

(1) "Services cost of revenue" and "Product cost of revenue" are calculated based on their respective revenue bases of "Services revenue" and "Product revenue, net," respectively. "Total cost of revenues" is calculated based on "Total revenues."

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial market risks, including changes in the market values of our marketable debt and equity securities and interest rates.

Financial market risk: We do not invest in financial instruments or their derivatives for trading or speculative purposes. By policy, we limit our credit exposure to any one issuer, other than securities issued by the U.S. federal government and its agencies, and do not have any derivative instruments in our investment portfolio. The three primary goals that guide our investment decisions, with the first being the most important, are: preserve capital, maintain ease of conversion into immediate liquidity, and achieve a rate of return over a pre-determined benchmark. As of December 31, 2014, we principally invest in marketable fixed-income debt and equity securities. Fixed-income debt securities include debt instruments issued by the U.S. federal government and its agencies, international governments, municipalities and publicly-held corporations, as well as insured time deposits with commercial banks and money market funds invested in securities issued by agencies of the U.S., with minimal default risk and maturity dates of less than one year from the end of any of our quarterly accounting periods. Equity securities include common stock in a publicly-traded company. We consider the market value, default, and liquidity risks of our investments generally to be low at December 31, 2014.

Interest rate risk: As of December 31, 2014, all of the debt securities that we held were fixed-rate earning instruments that carry a degree of interest rate risk. Fixed-rate securities may have their fair market value adversely impacted due to a rise in interest rates. We may suffer losses in principal if we are forced to sell securities that have declined in market value due to changes in interest rates. At December 31, 2014, our cash equivalent balance of $14.5 million was primarily held in money market funds, taxable municipal bonds, and time deposits, and our short-term investment balance of $251.6 million was primarily held in U.S. government securities, taxable municipal bonds, time deposits, and commercial paper. We consider the interest rate risk for our cash equivalent and fixed-income debt securities held at December 31, 2014 to be low. For further detail on our cash equivalents and fixed-income debt securities, see "Note 5: Fair Value Measurements" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report.

In addition, as of December 31, 2014, we have $93.9 million of debt outstanding under the Monoprice and TaxACT 2013 credit facilities, which carries a degree of interest rate risk. These debts have a floating portion of their interest rates tied to the London Interbank Offered Rate (***"LIBOR"***). For further information on our outstanding debt, see "Note 7: Debt" of the Notes to Consolidated Financial Statements in Part II Item 8 of this report. A hypothetical 100 basis point increase in LIBOR on December 31, 2014 would result in a $3.0 million increase in our interest expense until the scheduled maturity dates in 2018.

The following table provides information about our cash equivalent and fixed-income debt securities as of December 31, 2014, including principal cash flows for 2015 and thereafter and the related weighted average interest rates. The change in fair values during 2014 was less than $0.1 million for our cash equivalent and fixed-income debt securities and was recorded in other comprehensive income. Principal amounts and weighted average interest rates by expected year of maturity are as follows:

(In thousands, except percentages)	2015		Thereafter		Total		Fair Value
U.S. government securities	$ 100,517	0.20%	$ —	—%	$ 100,517	0.20%	$ 100,818
International government securities	6,412	0.22%	—	—%	6,412	0.22%	6,560
Money market and other funds	8,490	0.00%	—	—%	8,490	0.00%	8,490
Commercial paper	24,600	0.18%	—	—%	24,600	0.18%	24,589
Time deposits	31,994	0.31%	—	—%	31,994	0.31%	32,001
Corporate bonds	1,525	0.40%	—	—%	1,525	0.40%	1,528
Taxable municipal bonds	91,596	0.37%	—	—%	91,596	0.37%	92,120
Cash equivalents and marketable fixed-income securities	$ 265,134		$ —		$ 265,134		$ 266,106

Equity price risk: As part of the acquisition of HSW in the second quarter of 2014, we acquired marketable equity securities. Market prices for equity securities are subject to fluctuation, and consequently, the amount realized in the subsequent sale of an investment may significantly differ from the current market value. Fluctuation in the market price of an equity security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments, and general market conditions.

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The following table summarizes our equity securities and equity price risk as of December 31, 2014, including the effects of a hypothetical 30% increase and a 30% decrease in market prices as of that date. The selected 30% hypothetical changes do not reflect what could be considered the best or worst case scenarios. Results could be far worse due to, among other things, the underlying economic characteristics of the investee and the nature of equity markets.

(In thousands, except percentages)	December 31, 2014
Fair value of equity securities	$ 3,234
Hypothetical price increase	30 %
Estimated fair value after hypothetical price increase	$ 4,204
Hypothetical percentage increase in stockholders' equity	0.20 %
Hypothetical price decrease	(30)%
Estimated fair value after hypothetical price decrease	$ 2,264
Hypothetical percentage decrease in stockholders' equity	(0.20)%

ITEM 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Blucora, Inc.

We have audited the accompanying consolidated balance sheets of Blucora, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Blucora, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Blucora, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Seattle, Washington
February 26, 2015

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

	December 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 46,444	$ 130,225
Available-for-sale investments	254,854	203,480
Accounts receivable, net of allowance of $67 and $62	30,988	48,081
Other receivables	3,295	8,292
Inventories	29,246	28,826
Prepaid expenses and other current assets, net	13,477	9,774
Total current assets	378,304	428,678
Property and equipment, net	15,942	16,108
Goodwill, net	304,658	348,957
Other intangible assets, net	168,919	178,064
Other long-term assets	4,891	6,223
Total assets	$ 872,714	$ 978,030
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 37,755	$ 61,268
Accrued expenses and other current liabilities	21,505	31,109
Deferred revenue	7,884	7,510
Short-term portion of long-term debt, net	7,914	7,903
Convertible senior notes, net	—	181,583
Total current liabilities	75,058	289,373
Long-term liabilities:		
Long-term debt, net	85,835	113,193
Convertible senior notes, net	185,177	—
Deferred tax liability, net	42,963	56,861
Deferred revenue	1,915	1,814
Other long-term liabilities	2,741	2,719
Total long-term liabilities	318,631	174,587
Total liabilities	393,689	463,960
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock, par $0.0001—authorized shares, 900,000; issued and outstanding shares, 40,882 and 42,083	4	4
Additional paid-in capital	1,467,658	1,466,043
Accumulated deficit	(987,524)	(951,977)
Accumulated other comprehensive loss	(1,113)	—
Total stockholders' equity	479,025	514,070
Total liabilities and stockholders' equity	$ 872,714	$ 978,030

See notes to consolidated financial statements.

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

	Years ended December 31,		
	2014	2013	2012
Revenues:			
Services revenue	$ 429,989	$ 519,677	$ 406,919
Product revenue, net	150,731	54,303	—
Total revenues	580,720	573,980	406,919
Operating expenses:			
Cost of revenues:			
Services cost of revenue	218,153	302,279	265,945
Product cost of revenue	102,344	38,181	—
Total cost of revenues	320,497	340,460	265,945
Engineering and technology	20,670	11,682	9,969
Sales and marketing	118,124	98,682	45,644
General and administrative	39,120	29,847	27,418
Depreciation	4,352	2,739	2,119
Amortization of intangible assets	23,581	16,121	11,619
Impairment of goodwill and intangible assets	62,817	—	—
Total operating expenses	589,161	499,531	362,714
Operating income (loss)	(8,441)	74,449	44,205
Other loss, net	(14,766)	(29,623)	(6,677)
Income (loss) before income taxes	(23,207)	44,826	37,528
Income tax expense	(12,340)	(20,427)	(15,002)
Net income (loss)	$ (35,547)	$ 24,399	$ 22,526
Net income (loss) per share:			
Basic	$ (0.86)	$ 0.59	$ 0.56
Diluted	$ (0.86)	$ 0.56	$ 0.54
Weighted average shares outstanding:			
Basic	41,396	41,201	40,279
Diluted	41,396	43,480	41,672
Other comprehensive income (loss):			
Net income (loss)	$ (35,547)	$ 24,399	$ 22,526
Unrealized gain (loss) on available-for-sale investments, net of tax	(1,119)	11	(16)
Unrealized gain (loss) on derivative instrument, net of tax	—	266	(266)
Reclassification adjustment for realized (gains) losses on available-for-sale investments, net of tax, included in net income	6	(1)	(26)
Other comprehensive income (loss)	(1,113)	276	(308)
Comprehensive income (loss)	$ (36,660)	$ 24,675	$ 22,218

See notes to consolidated financial statements.

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

	Common stock		Additional-paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
	Shares	Amount				
Balance as of December 31, 2011	39,534	$ 4	$ 1,353,971	$ (998,902)	$ 32	$ 355,105
Common stock issued for stock options and restricted stock units	1,236	—	9,025	—	—	9,025
Common stock issued for employee stock purchase plan	62	—	601	—	—	601
Other comprehensive loss	—	—	—	—	(308)	(308)
Stock-based compensation	—	—	13,344	—	—	13,344
Tax effect of equity compensation	—	—	22,693	—	—	22,693
Taxes paid on stock issued for equity awards	—	—	(1,318)	—	—	(1,318)
Reclassification of equity award to liability award	—	—	(6,218)	—	—	(6,218)
Net income	—	—	—	22,526	—	22,526
Balance as of December 31, 2012	40,832	4	1,392,098	(976,376)	(276)	415,450
Common stock issued for stock options and restricted stock units	584	—	2,841	—	—	2,841
Common stock issued for employee stock purchase plan	85	—	1,065	—	—	1,065
Common stock issued upon Warrant exercise	1,000	—	9,620	—	—	9,620
Stock repurchases	(418)	—	(10,006)	—	—	(10,006)
Convertible senior notes, net of issuance costs of $714 and tax effect of $7,785	—	—	13,842	—	—	13,842
Settlement of derivative instrument (Warrant)	—	—	20,217	—	—	20,217
Other comprehensive income	—	—	—	—	276	276
Stock-based compensation	—	—	11,642	—	—	11,642
Tax effect of equity compensation	—	—	27,224	—	—	27,224
Taxes paid on stock issued for equity awards	—	—	(2,500)	—	—	(2,500)
Net income	—	—	—	24,399	—	24,399
Balance as of December 31, 2013	42,083	4	1,466,043	(951,977)	—	514,070
Common stock issued for stock options and restricted stock units	1,003	—	6,715	—	—	6,715
Common stock issued for employee stock purchase plan	85	—	1,376	—	—	1,376
Stock repurchases	(2,289)	—	(38,650)	—	—	(38,650)
Other comprehensive loss	—	—	—	—	(1,113)	(1,113)
Stock-based compensation	—	—	11,990	—	—	11,990
Tax effect of equity compensation	—	—	22,962	—	—	22,962
Taxes paid on stock issued for equity awards	—	—	(2,778)	—	—	(2,778)
Net loss	—	—	—	(35,547)	—	(35,547)
Balance as of December 31, 2014	40,882	$ 4	$ 1,467,658	$ (987,524)	$ (1,113)	$ 479,025

See notes to consolidated financial statements.

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

	Years ended December 31,		
	2014	2013	2012
Operating Activities:			
Net income (loss)	$ (35,547)	$ 24,399	$ 22,526
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Stock-based compensation	11,884	11,527	8,937
Warrant-related stock-based compensation	—	—	4,286
Depreciation and amortization of intangible assets	36,675	28,265	23,011
Impairment of goodwill and intangible assets	62,817	—	—
Excess tax benefits from stock-based award activity	(23,284)	(29,400)	(23,041)
Deferred income taxes	(13,667)	(10,849)	(8,738)
Amortization of premium (accretion of discount) on investments, net	3,772	3,007	(194)
Amortization of debt issuance costs	1,143	1,108	820
Accretion of debt discounts	3,691	2,838	325
Loss on debt extinguishment and modification expense	—	1,593	—
Loss on derivative instrument	—	11,652	2,346
Impairment loss on equity investment in privately-held company	—	3,711	—
Earn-out contingent liability adjustments	(15)	(300)	—
Other	128	767	31
Cash provided (used) by changes in operating assets and liabilities:			
Accounts receivable	17,001	(9,911)	(597)
Other receivables	4,983	1,741	(665)
Inventories	(420)	(1,349)	—
Prepaid expenses and other current assets	(4,125)	2,511	(5,862)
Other long-term assets	116	256	1,981
Accounts payable	(23,513)	12,275	(1,600)
Deferred revenue	475	3,527	4,170
Accrued expenses and other current and long-term liabilities	13,620	37,688	21,095
Net cash provided by operating activities	55,734	95,056	48,831
Investing Activities:			
Business acquisitions, net of cash acquired	(44,927)	(184,982)	(279,386)
Equity investment in privately-held company	—	(4,000)	—
Purchases of property and equipment	(5,213)	(4,747)	(3,752)
Change in restricted cash	—	2,491	252
Proceeds from sales of investments	28,705	25,812	203,493
Proceeds from maturities of investments	255,994	213,616	36,753
Purchases of investments	(336,495)	(351,883)	(122,433)
Net cash used by investing activities	(101,936)	(303,693)	(165,073)
Financing Activities:			
Proceeds from issuance of convertible notes, net of debt issuance costs of $6,432	—	194,818	—
Proceeds from credit facilities, net of debt issuance costs and debt discount of $406 and $300 in 2013 and $2,343 and $953 in 2012	36,556	55,294	96,704
Repayment of credit facilities	(64,000)	(10,000)	(25,504)
Debt issuance costs on credit facility	—	(28)	—
Stock repurchases	(38,650)	(10,006)	—
Excess tax benefits from stock-based award activity	23,284	29,400	23,041
Proceeds from stock option exercises	6,730	2,826	9,099
Proceeds from issuance of stock through employee stock purchase plan	1,376	1,065	601
Proceeds from issuance of stock upon warrant exercise	—	9,620	—
Tax payments from shares withheld upon vesting of restricted stock units	(2,875)	(2,405)	(1,318)
Net cash provided (used) by financing activities	(37,579)	270,584	102,623
Net increase (decrease) in cash and cash equivalents	(83,781)	61,947	(13,619)
Cash and cash equivalents, beginning of period	130,225	68,278	81,897
Cash and cash equivalents, end of period	$ 46,444	$ 130,225	$ 68,278
Supplemental disclosure of non-cash investing and financing activities:			
Purchases of property and equipment through leasehold incentives (investing)	$ 120	$ 1,006	$ 841
Contingent earn-out consideration from acquisition (financing)	$ 15	$ 300	$ —
Cash paid for income taxes	$ 2,729	$ 2,528	$ 3,071
Cash paid for interest	$ 11,206	$ 7,138	$ 3,527

See notes to consolidated financial statements.

Note 1: The Company and Basis of Presentation

Description of the business: Blucora, Inc. (the "***Company***" or "***Blucora***") operates three primary businesses: an internet Search and Content business, an online Tax Preparation business, and an E-Commerce business. The Search and Content business operates through our InfoSpace LLC subsidiary (***"InfoSpace"***) and provides search services to users of its owned and operated and distribution partners' web properties, as well as online content. The Tax Preparation business consists of the operations of TaxACT, Inc. ("***TaxACT***") and provides online tax preparation service for individuals, tax preparation software for individuals and professional tax preparers, and ancillary services through its website, www.taxact.com. The E-Commerce business consists of the operations of Monoprice, Inc. ("***Monoprice***") and sells self-branded electronics and accessories to both consumers and businesses primarily through its website, www.monoprice.com.

On May 30, 2014, InfoSpace acquired the assets of HowStuffWorks ("***HSW***"), which constituted a business, pursuant to the terms of the Asset Purchase Agreement dated April 18, 2014. HSW provides online content through various websites, including www.HowStuffWorks.com. HSW generates revenue primarily through advertisements appearing on its website.

On August 22, 2013, the Company acquired all of the equity of Monoprice pursuant to the terms of the Stock Purchase Agreement dated as of July 31, 2013.

On January 31, 2012, the Company acquired all of the equity of TaxACT. Further, on October 4, 2013, TaxACT acquired all of the equity of Balance Financial, Inc. ("***Balance Financial***"), a provider of web and mobile-based financial management software through its website www.balancefinancial.com.

Segments: The Company has three reportable segments: Search and Content (formerly known as Search), Tax Preparation, and E-Commerce. The Search and Content segment is the InfoSpace business, which now includes HSW, the Tax Preparation segment is the TaxACT business, and the E-Commerce segment is the Monoprice business. Unless the context indicates otherwise, the Company uses the term "***Search and Content***" to represent search and content services, the term "***Tax Preparation***" to represent services and software sold through the TaxACT business, and the term "***E-Commerce***" to represent products sold through the Monoprice business (see "Note 11: Segment Information").

Principles of consolidation: The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany accounts and transactions have been eliminated.

Reclassification: As a result of the Monoprice acquisition in August 2013, the Company reclassified credit card fees previously reported in "Services cost of revenue" to "Sales and marketing" for the year ended December 31, 2012 to conform with the 2013 presentation. The Company assessed the related materiality of the reclassification and concluded that it was immaterial to any of its previously issued financial statements. The reclassification had no effect on reported revenues, operating income, or cash flows for the periods presented.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ***("GAAP")*** requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and disclosure of contingencies. Estimates include those used for impairment of goodwill and other intangible assets, useful lives of other intangible assets, acquisition accounting, valuation of investments, valuation of the Warrant and interest rate swap derivatives, revenue recognition, the estimated allowance for sales returns and doubtful accounts, the estimated allowance for obsolete, slow moving, and nonsalable inventory, internally developed software, accrued contingencies, stock option valuation, and valuation allowance for deferred tax assets. Actual amounts may differ from estimates.

Seasonality: Blucora's Tax Preparation segment is highly seasonal, with the significant majority of its annual revenue earned in the first four months of the Company's fiscal year. During the third and fourth quarters, the Tax Preparation segment typically reports losses because revenue from the segment is minimal while core operating expenses continue at relatively consistent levels. Revenue from the E-Commerce segment also is seasonal, with revenues historically being the lowest in the second quarter, a period that does not include consumer back-to-school or holiday-related spending.

Note 2: Summary of Significant Accounting Policies

Cash equivalents: The Company considers all highly liquid debt instruments with an original maturity of ninety days or less at date of acquisition to be cash equivalents.

Short-term investments: The Company principally invests its available cash in fixed income debt and marketable equity securities. Fixed income debt securities include investment-grade income securities, AAA-rated money market funds, and insured time deposits with commercial banks. Equity securities include common stock in a publicly-traded company. Such investments are included in "Cash and cash equivalents" and "Available-for-sale investments" on the consolidated balance sheets and reported at fair value with unrealized gains and losses included in "Accumulated other comprehensive loss" on the consolidated balance sheets.

The Company reviews its available-for-sale investments for impairment and classifies the impairment of any individual available-for-sale investment as either temporary or other-than-temporary. The differentiating factors between temporary and other-than-temporary impairments are primarily the length of the time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. An impairment classified as temporary is recognized in "Accumulated other comprehensive loss" on the consolidated balance sheets. An impairment classified as other-than-temporary is recognized in "Other loss, net" on the consolidated statements of comprehensive income.

Accounts receivable: Accounts receivable are stated at amounts due from customers net of an allowance for doubtful accounts.

Inventories: Inventories, consisting of merchandise available for sale in the E-Commerce business, are accounted for using the first-in-first-out (“***FIFO***”) method of accounting and are valued at the lower of cost or market and include the related inbound shipping and handling costs. Inventory quantities on hand are reviewed regularly, and allowances are maintained for obsolete, slow moving, and nonsalable inventory.

Property and equipment: Property and equipment are stated at cost. Depreciation is computed under the straight-line method over the following estimated useful lives:

Computer equipment and software	3 years
Data center servers	3 years
Internally-developed software	3 years
Office equipment	7 years
Office furniture	7 years
Heavy equipment	10 years
Leasehold improvements	Shorter of lease term or economic life

The Company capitalizes certain internal-use software development costs, consisting primarily of employee salaries and benefits allocated on a project or product basis. The Company capitalized $2.4 million, $1.2 million, and $1.0 million of internal-use software costs in the years ended December 31, 2014, 2013, and 2012, respectively.

Business combinations and intangible assets including goodwill: The Company accounts for business combinations using the acquisition method, and, accordingly, the identifiable assets acquired and liabilities assumed are recorded at their acquisition date fair values. Goodwill is calculated as the excess of the purchase price over the fair value of net assets, including the amount assigned to identifiable intangible assets, and is assigned to reporting units that are expected to benefit from the synergies of the business combination as of the acquisition date. Reporting units are consistent with reportable segments. Identifiable intangible assets with finite lives are amortized over their useful lives on a straight-line basis, except for the installed code base technology which is amortized proportional to expected revenue. Acquisition-related costs, including advisory, legal, accounting, valuation, and other similar costs, are expensed in the periods in which the costs are incurred. The results of operations of acquired businesses are included in the consolidated financial statements from the acquisition date.

Goodwill and intangible assets impairment: The Company evaluates goodwill and indefinite-lived intangible assets for impairment annually, as of November 30, or more frequently when events or circumstances indicate that impairment may have occurred. As part of the impairment evaluation, the Company may elect to perform an assessment of qualitative factors. If this qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit (for goodwill) or an indefinite-lived intangible asset is less than its carrying value, or if the Company elects to bypass the qualitative assessment, the Company then would proceed with the quantitative impairment test.

The goodwill quantitative impairment test is a two-step process that first compares the carrying values of reporting units to their fair values. If the carrying value of a reporting unit exceeds the fair value, a second step is performed to compute the amount of impairment. This second step determines the current fair values of all assets and liabilities of the reporting unit and then compares the implied fair value of the reporting unit's goodwill to the carrying value of that goodwill. If the carrying value of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

The indefinite-lived intangible asset quantitative impairment test compares the carrying value of the intangible asset to its fair value. If the carrying value of the intangible asset exceeds the fair value, an impairment loss is recognized in an amount equal to the excess.

Fair value typically is estimated using the present value of future discounted cash flows, an income approach. The significant estimates in the discounted cash flow model include the weighted-average cost of capital, long-term rates of revenue growth and/or profitability of our businesses, and working capital effects. The weighted-average cost of capital considers the relevant risk associated with business-specific characteristics and the uncertainty related to each business's ability to achieve the projected cash flows. To validate the reasonableness of the reporting unit fair values used in the goodwill impairment test, the Company reconciles the aggregate fair values of its reporting units to the aggregate market value of its common stock on the date of valuation, while considering a reasonable acquisition premium. These estimates and the resulting valuations require significant judgment.

Definite-lived intangible assets are reviewed for impairment when events or circumstances indicate that the carrying value of an asset or group of assets may not be recoverable. The determination of recoverability is based on an estimate of pre-tax undiscounted future cash flows, using the Company's best estimates of future net sales and operating expenses, expected to result from the use and eventual disposition of the asset or group of assets over the remaining economic life of the primary asset in the asset group. The Company measures the amount of the impairment as the excess of the asset's carrying value over its fair value.

See "Note 4: Goodwill and Other Intangible Assets" for discussion of impairment of goodwill and intangible assets in the fourth quarter of 2014.

Equity method investments: The Company currently holds equity securities and warrants to purchase equity securities, for business and strategic purposes, in companies whose securities are not publicly traded. The equity method is used to account for investments in these companies, if the investment provides the Company with the ability to exercise significant influence over operating and financial policies of the investees. The Company records its proportionate share of the net earnings or losses of equity method investees and a corresponding increase or decrease to the investment balances. The Company evaluates its equity method investments for impairment whenever events or changes in circumstances indicate, in management's judgment, that the carrying value of such investments may have experienced a decline in value (see "Note 12: Other Loss, Net"). The Company's equity investments were carried at a fair value of $0 at December 31, 2014 and 2013.

Debt issuance costs and debt discounts: Debt issuance costs and debt discounts are deferred and amortized as interest expense under the effective interest method over the contractual term of the related debt, adjusted for prepayments in the case of the Company's credit facilities (see "Note 7: Debt").

Debt issuance costs related to the Company's Convertible Senior Notes (the "***Notes***") issued in 2013 were allocated to the liability and equity components of the instrument. The debt issuance costs allocated to the liability component are amortized to interest expense through the earlier of the maturity date of the Notes or the date of conversion, if any. The debt issuance costs allocated to the equity component of the Notes were recorded as an offset to "Additional paid-in capital" (See "Note 7: Debt").

Derivative instruments and hedging: The Company recognized derivative instruments as either assets or liabilities at their fair value. The Company recorded changes in the fair value of the derivative instruments as gains or losses either in "Other loss, net" on the consolidated statements of comprehensive income, for those not designated as a hedging instrument (the Warrant - see "Note 9: Stockholders' Equity"), or in "Accumulated other comprehensive loss" on the consolidated balance sheets, for those used in a hedging relationship (the interest rate swap - see "Note 7: Debt"). The Warrant and interest rate swap were settled in the last half of 2013.

The change in the fair value of the Warrant resulted in losses of $11.7 million and $2.3 million for the years ended December 31, 2013 and 2012, respectively.

The interest rate swap agreement was used for the purpose of minimizing exposure to changes in interest rates and was accounted for as a cash flow hedge. The hedge was perfectly effective through termination, and no ineffectiveness was recorded in the consolidated statements of comprehensive income. The Company had no other swap agreements outstanding at December 31, 2014.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Marketable equity securities are classified within Level 1 of the fair value hierarchy because the Company values its marketable equity securities using quoted prices in active markets for identical securities. Cash equivalents and debt securities are classified within Level 2 of the fair value hierarchy because the Company values its cash equivalents and debt securities utilizing market observable inputs. The Company classified its interest rate swap derivative within Level 2 as the valuation inputs were based on quoted prices and market observable data of similar instruments. As previously discussed, the interest rate swap was terminated in 2013. The Company classified the Warrant derivative within Level 3 because it was valued using the Black-Scholes-Merton valuation model, which has significant unobservable inputs related to historical stock price volatility. This unobservable input reflected the Company's assumptions, consistent with reasonably available assumptions made by other market participants. This valuation required significant judgment. As previously discussed, the Warrant was settled in 2013.

Revenue recognition: The Company recognizes revenue when all four revenue recognition criteria have been met: persuasive evidence of an arrangement exists, the Company has delivered the product or performed the service, the fee is fixed or determinable, and collectability is probable. Determining whether and when these criteria have been satisfied involves exercising judgment and using estimates and assumptions that can have an impact on the timing and amount of revenue that the Company recognizes.

The Company evaluates whether revenue should be presented on a gross basis, which is the amount that a customer pays for the service or product, or on a net basis, which is the customer payment less amounts the Company pays to suppliers. In making that evaluation, the Company primarily considers indicators such as whether the Company is the primary obligor in the arrangement and assumes the risks and rewards as a principal in the customer transaction. The evaluation of these factors, which at times can be contradictory, are subject to significant judgment and subjectivity.

Search services revenue recognition: The majority of the Company's revenues are generated from its search services. Search services revenue primarily consists of advertising revenue generated through end-users clicking on paid listings included in the search results display, as well as from advertisements appearing on the Company's HowStuffWorks.com website. The paid listings, as well as algorithmic search results, primarily are supplied by Google and Yahoo!, referred to as "Search Customers." When a user submits a search query through one of the Company's owned and operated or distribution partner sites and clicks on a paid listing displayed in response to the query, the Search Customer bills the advertiser that purchased the paid listing directly and shares a portion of its related paid listing fee with the Company. If the paid listing click occurred on one of its distribution partners' properties, the Company pays a significant share of its revenue to the distribution partner. Revenue is recognized in the period in which such clicks on paid listings occur and is based on the amounts earned by and ultimately remitted to the Company. This revenue is recorded in the Search and Content segment.

Under the Company's agreements with its Search Customers and its distribution partners, the Company is the primary obligor (i.e., is responsible to the Search Customers for providing the search services in accordance with the applicable agreements and remediating any service issues) and separately negotiates each revenue or unit pricing contract independent of any revenue sharing arrangements. For search services, the Company determines the paid search results, content, and information directed to its owned and operated websites and its distribution partners' web properties. Consequently, the Company records search services revenue on a gross basis.

Tax preparation revenue recognition: The Company derives service revenue from the sale of tax preparation online services, ancillary service offerings, packaged tax preparation software, and multiple element arrangements that may include a combination of these items. Ancillary service offerings include tax preparation support services, data archive services, bank or reloadable pre-paid debit card services, e-filing services, and other value-added services. This revenue is recorded in the Tax Preparation segment.

The Company's Tax Preparation segment revenue consists primarily of hosted tax preparation online services, tax preparation support services, data archive services, and e-filing services. The Company recognizes revenue from these services as the services are performed and the four revenue recognition criteria described above are met.

The Company recognizes revenue from the sale of its packaged software when legal title transfers. This is generally when its customers download the software from the Internet or when the software ships.

The bank or reloadable prepaid debit card services are offered to taxpayers as an option to receive their tax refunds in the form of a prepaid bank card or to have the fees for the software and/or services purchased by the customers deducted from their refunds. Other value-added service revenue consists of revenue from revenue sharing and royalty arrangements with third party partners. Revenue for these transactions is recognized when the four revenue recognition criteria described above are met; for some arrangements that is upon filing and for other arrangements that is upon the Company's determination of when collectability is probable.

For software and/or services that consist of multiple elements, the Company must: (1) determine whether and when each element has been delivered; (2) determine the fair value of each element using the selling price hierarchy of vendor-specific objective evidence ("***VSOE***") of fair value if available, third-party evidence ("***TPE***") of fair value if VSOE is not available, and estimated selling price ("***ESP***") if neither VSOE nor TPE is available; and (3) allocate the total price among the various elements based on the relative selling price method. Once the Company has allocated the total price among the various elements, it recognizes revenue when the revenue recognition criteria described above are met for each element.

VSOE generally exists when the Company sells the deliverable separately. When VSOE cannot be established, the Company attempts to establish a selling price for each element based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately. When the Company is unable to establish selling price using VSOE or TPE, it uses ESP in its allocation of arrangement consideration. ESP is the estimated price at which the Company would sell the software or service if it were sold on a stand-alone basis. The Company determines ESP for the software or service by considering multiple factors including, but not limited to, historical stand-alone sales, pricing practices, market conditions, competitive landscape, internal costs, and gross margin objectives.

In some situations, the Company receives advance payments from its customers. The Company defers revenue associated with these advance payments and recognizes the consideration for each element when the Company ships the software or performs the services, as appropriate. Advance payments related to data archive services are deferred and recognized over the related contractual term.

E-Commerce revenue recognition: The Company derives product revenue from online sales of self-branded electronics and accessories to both consumers and businesses. The Company recognizes product revenue from product sales when all four revenue recognition criteria, as outlined above, have been met. Because the Company either (i) has a general practice of refunding customer losses for products damaged while in-transit despite selling terms indicating title transfers at the point of shipment or (ii) has FOB-destination shipping terms specifically set out in certain arrangements, delivery is deemed to occur at the point in time when the product is received by the customer. All amounts billed to a customer in a sale transaction related to shipping and handling, if any, represent revenues earned for the goods provided, and these amounts have been classified as "Product revenue." Costs related to such shipping and handling billings are classified as "Product cost of revenue."

The Company provides its customers with a thirty-day right of return. Return allowances, which reduce revenue, are estimated using historical experience.

Cost of revenues: The Company records the cost of revenues for sales of products and services when the related revenue is recognized. "Services cost of revenue" consists of costs related to the Search and Content and Tax Preparation businesses, which include revenue sharing arrangements with our distribution partners, usage-based content fees, royalties, bank product services fees, and amortization of intangible assets. It also consists of costs associated with the operation of the data centers that serve the Company's Search and Content and Tax Preparation businesses, which include personnel expenses (salaries, stock-based compensation, benefits, and other employee-related costs), depreciation, and bandwidth costs. "Product cost of revenue" consists of costs related to the E-Commerce business, which include product costs, inbound and outbound shipping and handling costs, packaging supplies, and provisions for inventory obsolescence. Shipping charges to receive products from the Company's suppliers are included in inventory and recognized as product cost of revenue upon sale of products to customers.

Engineering and technology expenses: Engineering and technology expenses are associated with the research, development, support, and ongoing enhancements of the Company's offerings, including personnel expenses (salaries, stock-based compensation, benefits, and other employee-related costs), the cost of temporary help and contractors to augment staffing, software support and maintenance, bandwidth and hosting, and professional services fees. Research and development expenses were $8.9 million, $7.3 million, and $6.1 million for the years ended December 31, 2014, 2013, and 2012, respectively.

Sales and marketing expenses: Sales and marketing expenses consist principally of marketing expenses associated with the Company's TaxACT and Monoprice websites (which include television, radio, online, text, and email channels), the Company's owned and operated web search properties (which consist of traffic acquisition, including the Company's online marketing fees paid to search engines to drive traffic to an owned and operated website, agency fees, brand promotion expense, and market research expense), personnel costs (salaries, stock-based compensation, benefits, and other employee-related costs) for personnel engaged in marketing and selling activities, and fulfillment expenses primarily associated with the Company's E-Commerce business. Fulfillment expenses include direct operating expenses (including personnel costs) related to the Company's purchasing, customer and technical support, receiving, inspection and warehouse functions, the cost of temporary help and contractors to augment staffing, and credit card processing fees.

Costs for advertising are recorded as expense when the advertisement appears or electronic impressions are recorded. Advertising expense totaled $81.8 million, $75.9 million, and $31.8 million for the years ended December 31, 2014, 2013, and 2012, respectively. Prepaid advertising costs were $3.6 million and $0.8 million at December 31, 2014 and 2013, respectively.

General and administrative expenses: General and administrative expenses consist primarily of personnel expenses (salaries, stock-based compensation, benefits, and other employee-related costs), the cost of temporary help and contractors to augment staffing, 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.

Stock-based compensation: The Company measures stock-based compensation at the grant date based on the fair value of the award and recognizes it as expense, net of estimated forfeitures, over the vesting or service period, as applicable, of the stock award using the straight-line method. The Company recognizes stock-based compensation over the vesting period for each separately vesting portion of a share-based award as if they were individual share-based awards. The Company estimates forfeitures at the time of grant and revises those estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Employee benefit plan: The Company has a 401(k) savings plan covering its employees. Eligible employees may contribute through payroll deductions. The Company may match the employees' 401(k) contributions at the discretion of the Company's Board of Directors. Pursuant to a continuing resolution, the Company has matched a portion of the 401(k) contributions made by its employees. The amount contributed by the Company is equal to a maximum of 50% of employee contributions up to a maximum of 3% of an employee's salary. For the years ended December 31, 2014, 2013, and 2012, the Company contributed $0.9 million, $0.6 million, and $0.4 million, respectively, for employees. The amount contributed has been increasing with higher headcount mainly from acquired businesses.

Leases: The Company leases office space, and these leases are classified as operating leases.

Income taxes: The Company accounts for income taxes under the asset and liability method, under which deferred tax assets, including net operating loss carryforwards, and liabilities are determined based on temporary differences between the book and tax bases of assets and liabilities. The Company periodically evaluates the likelihood of the realization of deferred tax assets and reduces the carrying amount of the deferred tax assets by a valuation allowance to the extent the Company believes a portion will not be realized. The Company considers many factors when assessing the likelihood of future realization of the deferred tax assets, including expectations of future taxable income, recent cumulative earnings experience by taxing jurisdiction, and other relevant factors. There is a wide range of possible judgments relating to the valuation of the Company's deferred tax assets.

Other comprehensive income: Comprehensive income includes net income plus items that are recorded directly to stockholders' equity, including the net change in unrealized gains and losses on cash equivalents and available-for-sale investments and certain derivative instruments. Included in the net change in unrealized gains and losses are realized gains or losses included in the determination of net income in the period realized. Amounts reclassified out of other comprehensive income into net income were determined on the basis of specific identification.

Concentration of credit risk: Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents, short-term investments, and trade receivables. These instruments are generally unsecured and uninsured. The Company places a significant amount of its cash equivalents and investments with major financial institutions. Accounts receivable are typically unsecured and are derived from revenues earned from customers primarily located in the United States operating in a variety of industries and geographic areas. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses.

The Company attempts to manage exposure to counterparty credit risk by only entering into agreements with major financial institutions which are expected to be able to fully perform under the terms of the agreement.

Supplier concentration risk: A material part of Monoprice's business is dependent on two vendors. These unrelated vendors accounted for 17% of Monoprice's inventory purchases during the year ended December 31, 2014 and 19% of Monoprice's inventory purchases during the period from August 22, 2013 (the date which Monoprice was acquired) to December 31, 2013. As of December 31, 2014 and 2013, these unrelated vendors accounted for 21% and 20% of Monoprice's related accounts payable, respectively.

Revenue concentration: The Company derives a significant portion of its revenues from two Search Customers. Revenues from the top two Search Customers represented 55%, 74%, and 84% of revenues in the years ended December 31, 2014, 2013, and 2012, respectively, and each of those two Search Customers represented at least 10% of 2014 revenues. At December 31, 2014 and 2013, two Search Customers accounted for more than 80% of the Company's accounts receivable balance.

Geographic revenue information, as determined by the location of the customer, is presented below (in thousands):

	Years ended December 31,		
	2014	2013	2012
United States	$ 556,466	$ 558,601	$ 402,656
International	24,254	15,379	4,263
Total	$ 580,720	$ 573,980	$ 406,919

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.

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, 2016. Earlier adoption is not permitted. The Company currently is evaluating the impact of this guidance on its consolidated financial statements.

In July 2013, the FASB issued guidance on the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. The Company adopted this guidance in the first quarter of 2014, and the adoption did not have a material impact on the Company's consolidated financial statements.

Note 3: Business Combinations

HSW: On May 30, 2014, InfoSpace acquired HSW, a provider of online content (see "Note 1: The Company and Basis of Presentation"), for $44.9 million in cash, which was funded from available cash. The acquisition of HSW is strategic to InfoSpace and intended to expand its operations. HSW is included in the Search and Content segment. The identifiable net assets acquired amounted to approximately $4.5 million, consisting primarily of marketable equity securities, and intangible assets acquired amounted to approximately $25.4 million, consisting of $18.2 million in content, $1.3 million in proprietary technology, and $5.9 million in trade names. The Company estimates the economic lives of the content and proprietary technology to be 10 years and 4 years, respectively, and the trade names are estimated to have indefinite lives. Goodwill amounted to $15.1 million and is expected to be deductible for income tax purposes. Goodwill consists largely of the ability to attract new customers through utilization of current content and to develop new content post-acquisition, neither of which qualify for separate recognition. Pro forma results of operations have not been presented because the effects of this acquisition were not material to the Company's consolidated results of operations.

Balance Financial: On October 4, 2013, TaxACT acquired all of the equity of Balance Financial, a provider of web and mobile-based financial management software, for $4.9 million in cash which includes a $0.7 million escrow amount recorded in "Accrued expenses and other current liabilities" for indemnifications related to general representations and warranties. The escrow period expires on April 4, 2015, at which time the amount, net of any indemnifiable losses, will be released. The acquisition of the Balance Financial business is strategic to TaxACT and was funded from the revolving credit loan under the TaxACT 2013 credit facility (see "Note 7: Debt"). Balance Financial is included in the Tax Preparation segment. The identifiable net assets acquired amounted to $1.0 million, consisting primarily of deferred tax assets, and intangible assets acquired amounted to $0.8 million, consisting primarily of internally-developed software and customer relationships both of which have finite lives. Goodwill amounted to $3.1 million. Pro forma results of operations have not been presented because the effects of this acquisition were not material to the Company's consolidated results of operations.

Monoprice: On August 22, 2013, the Company acquired all of the outstanding stock of Monoprice, an online retailer of self-branded electronics and accessories for both consumers and businesses (see "Note 1: The Company and Basis of Presentation"). The Company paid $182.9 million, which was funded from available cash, after a $0.4 million working capital adjustment in the fourth quarter of 2013. The acquisition is intended to diversify the Company's business model and expand its operations.

Valuations were as follows (in thousands):

		Fair Value
Tangible assets acquired	$	49,714
Liabilities assumed		(23,623)
Identifiable net assets acquired	$	26,091
Fair value adjustments to intangible assets:		
Customer relationships	$	30,900
Trade name		38,000
Fair value of intangible assets acquired	$	68,900
Purchase price:		
Cash paid	$	182,909
Less identifiable net assets acquired		(26,091)
Plus deferred tax liability related to intangible assets		27,683
Less fair value of intangible assets acquired		(68,900)
Excess of purchase price over net assets acquired, allocated to goodwill	$	115,601

Form 10-K

The Company incurred acquisition costs of $0.7 million in 2013, which were recognized in "General and administrative expense." The Company did not assume any equity awards or plans from Monoprice. Following the completion of the acquisition, the Company issued 27,152 options and 126,259 restricted stock units (“***RSUs***”), which are at levels consistent with other awards to Blucora subsidiary employees, and 243,750 performance-based RSUs to Monoprice’s employees (see "Note 10: Stock-Based Compensation"). In addition, the sellers of Monoprice are entitled to federal and state tax refunds related to pre-acquisition tax periods pursuant to the purchase agreement (see "Note 6: Balance Sheet Components"). During the year ended December 31, 2014, the Company adjusted the refunds due to the sellers after finalizing Monoprice's 2013 federal and state tax returns. As a result, the Company recorded a $0.7 million gain within "Other loss, net" (see "Note 12: Other Loss, Net").

The Company’s estimates of the economic lives of the acquired assets are 2 years for the business-to-consumer customer relationships, 7 years for the business-to-business customer relationships, approximately 6 years for the personal property assets, and the trade name is estimated to have an indefinite life. Goodwill consists largely of the ability to attract new customers and develop new technologies post-acquisition, which do not qualify for separate recognition. The Company does not expect that any of this goodwill will be deductible for income tax purposes. The Company recorded impairments on Monoprice goodwill and intangible assets in 2014. See "Note 4: Goodwill and Other Intangible Assets" for details.

The gross contractual amount of trade accounts receivable acquired was $3.2 million, all of which the Company has collected. The Company recorded deferred revenue at a fair value of $1.3 million as of the acquisition date. Prior to the acquisition, Monoprice had recorded deferred revenue at $2.0 million.

For the period from the acquisition date to December 31, 2013, the Company’s total revenues included $54.3 million in revenue and a $5.0 million operating income contribution from the Monoprice business.

Pro Forma Financial Information of Monoprice Acquisition (unaudited)

The financial information in the table below summarizes the combined results of operations of Blucora and Monoprice on a pro forma basis, for the period in which the acquisition occurred and the prior reporting period (when applicable) as though the companies had been combined as of the beginning of each period presented. This pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the acquisition occurred at the beginning of each period presented. The pro forma condensed combined statement of operations for the year ended December 31, 2013 combines the historical results of operations of the Company and Monoprice for the year ended December 31, 2013 with the results of Monoprice for the period from January 1, 2013 to the acquisition date. The following amounts are in thousands:

	Years ended December 31,	
	2013	**2012**
Revenues	$ 663,900	$ 525,027
Net income	$ 25,637	$ 22,874

TaxACT: On January 31, 2012, the Company acquired all of the outstanding stock of TaxACT, which operates the TaxACT tax preparation online service and software business (see "Note 1: The Company and Basis of Presentation"). The Company paid $287.5 million in cash, less certain transaction expenses. The TaxACT acquisition was funded from the Company's cash reserves and from the TaxACT 2012 credit facility, of which $100.0 million was drawn at the transaction's close (see "Note 7: Debt"). The acquisition is intended to diversify the Company's business model and expand its operations.

Valuations were as follows (in thousands):

	Fair Value
Tangible assets acquired	$ 22,465
Liabilities assumed	(17,759)
Identifiable net assets acquired	$ 4,706
Fair value adjustments to intangible assets:	
Customer relationships	$ 101,400
Proprietary technology	29,800
Trade name	19,499
Fair value of intangible assets acquired	$ 150,699
Purchase price:	
Cash paid	$ 287,500
Less identifiable net assets acquired	(4,706)
Plus deferred tax liability related to intangible assets	53,380
Less fair value of intangible assets acquired	(150,699)
Excess of purchase price over net assets acquired, allocated to goodwill	$ 185,475

The Company recorded acquisition costs of $1.1 million in 2012, which were recognized in "General and administrative expense." The Company incurred $2.3 million of debt origination costs related to the credit facility used to fund the acquisition, a portion of which was recorded as loss on debt extinguishment and modification expense in "Other loss, net" and the remainder of which is being amortized to interest expense over the term of the credit facility. The Company did not assume any equity awards or plans from TaxACT. Following the completion of the acquisition, the Company issued 380,000 options and 167,000 RSUs to TaxACT's employees as an incentive for future services and at levels consistent with other employee awards (see "Note 10: Stock-Based Compensation"). In addition, the sellers of TaxACT are entitled to certain federal tax refunds related to pre-acquisition tax periods pursuant to the purchase agreement (see "Note 6: Balance Sheet Components").

The Company's estimates of the economic lives of the acquired assets are 8 years for the customer relationships, 4 years for the proprietary technology, approximately 3 years for the personal property assets, and the trade name is estimated to have an indefinite life. Goodwill consists largely of the ability to attract new customers and develop new technologies post acquisition, which do not qualify for separate recognition. The Company determined that no portion of the goodwill arising from the TaxACT acquisition will be deductible for income tax purposes.

The gross contractual amount of trade accounts receivable acquired was $9.4 million, all of which has been collected. The Company recorded deferred revenue associated with the TaxACT business's data storage and retrieval service at a fair value of $0.3 million as of the acquisition date. Prior to the acquisition, TaxACT had recorded deferred revenue at $5.1 million.

For the period from the acquisition date to December 31, 2012, the Company's total revenues included $62.1 million in revenue and a $30.1 million operating income contribution from the TaxACT business.

Pro Forma Financial Information of TaxACT Acquisition (unaudited)

The financial information in the table below summarizes the combined results of operations of Blucora and TaxACT on a pro forma basis, for the period in which the acquisition occurred and the prior reporting period (when applicable) as though the companies had been combined as of the beginning of the period presented. This pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the acquisition occurred at the beginning of each period presented. The pro forma condensed combined statement of operations for the year ended December 31, 2012 combines the historical results of the Company for the year ended December 31, 2012 with the results of TaxACT for the month ended January 31, 2012. The following amounts are in thousands:

	Year ended December 31, 2012
Revenues	$ 427,809
Net income	$ 26,819

Note 4: Goodwill and Other Intangible Assets

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

	Search and Content	Tax Preparation	E-Commerce	Total
Goodwill, gross:				
Balance as of December 31, 2012	$ 44,815	$ 185,475	$ —	$ 230,290
Additions	—	3,066	115,601	118,667
Balance as of December 31, 2013	44,815	188,541	115,601	348,957
Additions	15,097	—	—	15,097
Balance as of December 31, 2014	$ 59,912	$ 188,541	$ 115,601	$ 364,054
Accumulated impairment:				
Balance as of December 31, 2012	$ —	$ —	$ —	$ —
Impairments	—	—	—	—
Balance as of December 31, 2013	—	—	—	—
Impairments	—	—	(59,396)	(59,396)
Balance as of December 31, 2014	$ —	$ —	$ (59,396)	$ (59,396)
Goodwill, net:				
Balance as of December 31, 2013	$ 44,815	$ 188,541	$ 115,601	$ 348,957
Balance as of December 31, 2014	$ 59,912	$ 188,541	$ 56,205	$ 304,658

The goodwill addition in 2014 related to the acquisition of HSW and the additions in 2013 related to the acquisitions of Monoprice (E-Commerce segment) and Balance Financial (Tax Preparation segment), all as described in "Note 3: Business Combinations." The goodwill impairment in 2014 related to Monoprice and was recorded in "Impairment of goodwill and intangible assets" on the consolidated statements of comprehensive income in the fourth quarter and is discussed further below.

Intangible assets other than goodwill consisted of the following (in thousands):

	December 31, 2014			December 31, 2013		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Definite-lived intangible assets:						
Customer relationships	$ 132,500	$ (50,075)	$ 82,425	$ 132,500	$ (27,740)	$ 104,760
Technology	44,805	(35,649)	9,156	43,535	(27,951)	15,584
Content	18,200	(1,061)	17,139	—	—	—
Other	6,667	(6,667)	—	6,705	(6,667)	38
Total definite-lived intangible assets	202,172	(93,452)	108,720	182,740	(62,358)	120,382
Indefinite-lived intangible assets:						
Trade names	60,199	—	60,199	57,499	—	57,499
Other	—	—	—	183	—	183
Total indefinite-lived intangible assets	60,199	—	60,199	57,682	—	57,682
Total	$ 262,371	$ (93,452)	$ 168,919	$ 240,422	$ (62,358)	$ 178,064

There were technology, content, and trade name additions in 2014 related to the acquisition of HSW (Search and Content segment) as described in "Note 3: Business Combinations." In addition, the Company recorded an impairment of $3.2 million on trade names in the fourth quarter of 2014 related to Monoprice (E-Commerce segment), which adjusted the carrying value of the Monoprice trade name to $34.8 million. The impairment amount was recorded in "Impairment of goodwill and intangible assets" on the consolidated statements of comprehensive income and is discussed further below.

During the annual goodwill impairment evaluation, the Company performed the first step of the goodwill quantitative impairment test in which it determined that the carrying value of the E-Commerce reporting unit exceeded its fair value, primarily due to operating results, projected revenue growth rates, and projected profitability below management's initial expectations. As a result, the Company then performed the second step of the impairment test for the E-Commerce reporting unit, which resulted in an impairment equal to the excess of the goodwill's carrying value over its implied fair value as disclosed in the first table above. Refer to "Note 2: Summary of Significant Accounting Policies" for a description of the Company's reporting units and the method used to determine the fair values of those reporting units and the amount of goodwill impairment. In addition, the Company reviewed its trade names during the annual impairment evaluation and determined that the Monoprice trade name's carrying value exceeded its fair value, which resulted in an impairment equal to that excess as disclosed in the second table above. The Company classified the fair value of its reporting units, goodwill, and trade names within Level 3 because they were valued using discounted cash flows, which have significant unobservable inputs related to the weighted-average cost of capital and forecasts of future cash flows. The Company also determined that the adverse changes and impairments related to the E-Commerce reporting unit were indicators requiring the review of E-Commerce long-lived assets for recoverability. The results of this review indicated that the carrying values of the E-Commerce long-lived assets were recoverable.

Amortization expense was as follows (in thousands):

	Years ended December 31.		
	2014	2013	2012
Statement of comprehensive income line item:			
Services cost of revenue	$ 7,513	$ 7,668	$ 7,580
Amortization of intangible assets	23,581	16,121	11,619
Total	$ 31,094	$ 23,789	$ 19,199

Expected amortization of definite-lived intangible assets held as of December 31, 2014 is as follows (in thousands):

	2015	2016	2017	2018	2019	Thereafter	Total
Statement of comprehensive income line item:							
Services cost of revenues	$ 7,450	$ 621	$ —	$ —	$ —	$ —	$ 8,071
Amortization of intangible assets	21,880	17,206	17,155	16,970	16,838	10,600	100,649
Total	$ 29,330	$ 17,827	$ 17,155	$ 16,970	$ 16,838	$ 10,600	$ 108,720

The weighted average amortization periods for definite-lived intangible assets are as follows: 59 months for customer relationships, 16 months for technology, 113 months for content, and 64 months for total definite-lived intangible assets.

Note 5: Fair Value Measurements

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

		Fair value measurements at the reporting date using		
	December 31, 2014	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	$ 8,490	$ —	$ 8,490	$ —
Time deposits	1,242	—	1,242	—
Taxable municipal bonds	4,754	—	4,754	—
Total cash equivalents	14,486	—	14,486	—
Available-for-sale investments:				
Debt securities:				
U.S. government securities	100,818	—	100,818	—
International government securities	6,560	—	6,560	—
Commercial paper	24,589	—	24,589	—
Time deposits	30,759	—	30,759	—
Corporate bonds	1,528	—	1,528	—
Taxable municipal bonds	87,366	—	87,366	—
Total debt securities	251,620	—	251,620	—
Equity securities	3,234	3,234	—	—
Total available-for-sale investments	254,854	3,234	251,620	—
Total assets at fair value	$ 269,340	$ 3,234	$ 266,106	$ —

	December 31, 2013	Fair value measurements at the reporting date using: Quoted prices in active markets using identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents:				
U.S. government securities	$ 6,400	$ —	$ 6,400	$ —
Money market and other funds	9,391	—	9,391	—
Commercial paper	17,999	—	17,999	—
Time deposits	499	—	499	—
Taxable municipal bonds	21,215	—	21,215	—
Total cash equivalents	55,504	—	55,504	—
Available-for-sale investments:				
U.S. government securities	58,114	—	58,114	—
Commercial paper	14,496	—	14,496	—
Time deposits	9,880	—	9,880	—
Taxable municipal bonds	120,990	—	120,990	—
Total available-for-sale investments	203,480	—	203,480	—
Total assets at fair value	$ 258,984	$ —	$ 258,984	$ —

The Company also had financial instruments that were not measured at fair value. See "Note 7: Debt" for details.

The Company had non-recurring Level 3 fair value measurements in 2014 related to its reporting units and various intangible assets as part of goodwill and intangible asset impairment reviews. See "Note 4: Goodwill and Other Intangible Assets" for details.

The contractual maturities of the debt securities classified as available-for-sale at December 31, 2014 and 2013 were less than one year. Available-for-sale investments as of December 31, 2013 included only debt securities.

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, 2014				
Debt securities	$ 251,673	$ 16	$ (69)	$ 251,620
Equity securities	4,312	—	(1,078)	3,234
Total	$ 255,985	$ 16	$ (1,147)	$ 254,854
Balance as of December 31, 2013	$ 203,479	$ 24	$ (23)	$ 203,480

As of December 31, 2014, the Company's equity securities, which consist of a single holding in a publicly-traded company, were in an unrealized loss position for less than 12 months. The Company has determined that such position is temporary.

Note 6: Balance Sheet Components

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

	December 31, 2014	December 31, 2013
Prepaid expenses	$ 8,676	$ 4,370
Other current assets, net	4,801	5,404
Total prepaid expenses and other current assets, net	$ 13,477	$ 9,774

Property and equipment, net consisted of the following (in thousands):

	December 31, 2014	December 31, 2013
Computer equipment and data center	$ 10,392	$ 10,792
Purchased software	6,721	6,153
Internally-developed software	9,045	7,166
Office equipment	488	421
Office furniture	2,467	2,061
Heavy equipment	3,084	2,944
Leasehold improvements and other	4,122	3,553
	36,319	33,090
Accumulated depreciation	(21,279)	(17,985)
	15,040	15,105
Capital projects in progress	902	1,003
Total property and equipment, net	$ 15,942	$ 16,108

Total depreciation expense was $5.6 million, $4.5 million, and $3.8 million for the years ended December 31, 2014, 2013, and 2012, respectively.

Unamortized internally-developed software was $4.1 million and $3.2 million at December 31, 2014 and 2013, respectively. The Company recorded depreciation expense for internally-developed software of $1.6 million for the year ended December 31, 2014 and $0.9 million for each of the years ended December 31, 2013 and 2012.

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

	December 31, 2014	December 31, 2013
Salaries and related expenses	$ 5,463	$ 7,708
Accrued content costs	4,077	4,132
Accrued advertising	3,292	6,155
Accrued interest on Notes (see Note 7)	2,138	2,138
Tax refunds payable to sellers (see Note 3)	792	6,814
Other	5,743	4,162
Total accrued expenses and other current liabilities	$ 21,505	$ 31,109

Note 7: Debt

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

	December 31, 2014			December 31, 2013		
	Principal amount	Unamortized discount	Net carrying value	Principal amount	Unamortized discount	Net carrying value
Monoprice 2013 credit facility	$ 42,000	$ (191)	$ 41,809	$ 50,000	$ (288)	$ 49,712
TaxACT 2013 credit facility	51,940	—	51,940	71,384	—	71,384
Convertible Senior Notes	201,250	(16,073)	185,177	201,250	(19,667)	181,583
Total debt	$ 295,190	$ (16,264)	$ 278,926	$ 322,634	$ (19,955)	$ 302,679

Monoprice 2013 credit facility: On November 22, 2013, Monoprice entered into an agreement with a syndicate of lenders for the purposes of post-transaction financing of the Monoprice acquisition and providing future working capital flexibility for Monoprice. The Monoprice credit facility consists of a $30.0 million revolving credit loan—which includes up to $5.0 million under a letter of credit and up to $5.0 million in swingline loans—and a $40.0 million term loan for an aggregate $70.0 million credit facility. The final maturity date of the credit facility is November 22, 2018. Monoprice's obligations under the credit facility are guaranteed by Monoprice Holdings, Inc. and are secured by the assets of the Monoprice business.

Monoprice borrowed $50.0 million under the credit facility, which was used to pay a dividend to Blucora and to pay certain expenses and fees related to the credit facility. Monoprice repaid $8.0 million on the credit facility in 2014. Monoprice has the right to permanently reduce, without premium or penalty, the entire credit facility at any time or portions of the credit facility in an aggregate principal amount not less than $1.0 million or any whole multiple of $1.0 million in excess thereof (for swingline loans, the aggregate principal amount is not less than $0.1 million and any whole multiple of $0.1 million in excess thereof). The interest rate on amounts borrowed under the credit facility is variable, based upon, at the election of Monoprice, either LIBOR plus a margin of between 2.75% and 3.25%, payable as of the end of each interest period, or a variable rate plus a margin of between 1.75% and 2.25%, payable quarterly in arrears. In each case, the applicable margin within the range depends upon Monoprice's ratio of leverage to EBITDA over the previous four quarters. The credit facility includes financial and operating covenants with respect to certain ratios, including leverage ratio and fixed charge coverage ratio, which are defined further in the agreement. As of December 31, 2014, Monoprice was in compliance with all of the financial and operating covenants. As of December 31, 2014, 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.

TaxACT 2013 credit facility: On August 30, 2013, TaxACT entered into an agreement with a syndicate of lenders to refinance a 2012 credit facility on more favorable terms. Under that 2012 credit facility, TaxACT borrowed $100.0 million, of which $25.5 million was repaid in 2012, $10.0 million in April 2013, and the remaining $64.5 million in August 2013, the latter amount in connection with the refinancing of this credit agreement. The interest rate on amounts borrowed under the 2012 credit facility was variable. The Company hedged a portion of the interest rate risk through an interest rate swap, which was terminated at break-even on September 10, 2013.

The 2013 credit facility consists of revolving credit loans, up to $10.0 million in swingline loans, and up to $5.0 million under a letter of credit, which in the aggregate represented a $100.0 million revolving credit commitment that reduced to $90.0 million on August 30, 2014 and will reduce to $80.0 million on August 30, 2015 and $70.0 million on August 30, 2016. The final maturity date of the credit facility is August 30, 2018. TaxACT's obligations under the credit facility are guaranteed by TaxACT Holdings, Inc. and are secured by the assets of the TaxACT business.

TaxACT borrowed approximately $71.4 million under the 2013 credit facility, of which $65.4 million was used to pay off the 2012 credit facility, accrued interest, and certain expenses and fees related to the refinancing and an additional $6.0 million was borrowed in October 2013. TaxACT had net repayment activity of $19.4 million in 2014. TaxACT has the right to permanently reduce, without premium or penalty, the entire credit facility at any time or portions of the credit facility in an aggregate principal amount not less than $3.0 million or any whole multiple of $1.0 million in excess thereof. The interest rate on amounts borrowed under the credit facility is variable, based upon, at the election of TaxACT, either LIBOR plus a margin of between 1.75% and 2.5%, or a Base Rate plus a margin of between 0.75% and 1.5%, and payable as of the end of each interest period. In each case, the applicable margin within the range depends upon TaxACT's ratio of leverage to EBITDA over the previous four quarters. The credit facility includes financial and operating covenants with respect to certain ratios, including leverage ratio and fixed charge coverage ratio, which are defined further in the agreement. As of December 31, 2014, the Company was in compliance with all of the financial and operating covenants. As of December 31, 2014, 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.

On August 30, 2013, the Company performed an analysis by creditor to determine whether the refinancing would be recorded as an extinguishment or a modification of debt and, as a result of this analysis, recognized a loss on partial extinguishment of debt comprised of the following (in thousands):

Refinancing fees paid to creditors, including arrangement fee, classified as extinguishment	$	567
Deferred financing costs on extinguished debt		726
Debt discount on extinguished debt		300
Total	$	1,593

In connection with amounts classified as an extinguishment, the Company recorded deferred debt issuance costs, which are being amortized as an adjustment to interest expense over the term of the new credit facility using the effective interest method. The remaining portion of the refinancing was a modification, and the Company determined a new effective interest rate based on the carrying amount of the original debt and the revised cash flows. Deferred financing costs and unamortized debt discount related to the prior credit agreement are being amortized as an adjustment to interest expense over the term of the new credit facility using the effective interest method. Similarly, additional creditor-related fees related to the modification are being amortized over the term of the new credit facility using the effective interest method. In total, approximately $0.7 million is being amortized over the term of the new credit facility using the effective interest method.

Convertible Senior Notes: On March 15, 2013, the Company issued $201.25 million aggregate principal amount of its Convertible Senior Notes (the "***Notes***"), inclusive of the underwriters' exercise in full of their over-allotment option of $26.25 million. The Notes mature on April 1, 2019, unless earlier purchased, redeemed, or converted in accordance with the terms, and bear interest at a rate of 4.25% per year, payable semi-annually in arrears beginning on October 1, 2013. The Company received net proceeds from the offering of approximately $194.8 million after adjusting for debt issuance costs, including the underwriting discount.

The Notes were issued under an indenture dated March 15, 2013 (the "***Indenture***") by and between the Company and The Bank of New York Mellon Trust Company, N.A., as Trustee. There are no financial or operating covenants relating to the Notes.

Beginning July 1, 2013 and prior to the close of business on September 28, 2018, holders may convert all or a portion of the Notes at their option, in multiples of $1,000 principal amount, under the following circumstances:

- During any fiscal quarter commencing July 1, 2013, if the last reported sale price of the Company's common stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day. As of December 31, 2014, the Notes were not convertible. As of December 31, 2013, the Notes were convertible.
- During the five business day period after any five consecutive trading day period (the ***"measurement period"***) in which the trading price per $1,000 principal amount of the Notes for each trading day of the measurement period was less than 98% of the product of the last reported sales price of the Company's common stock and the conversion rate on each trading day.
- If the Company calls any or all of the Notes for redemption.
- Upon the occurrence of specified corporate events, including a merger or a sale of all or substantially all of the Company's assets.

The convertibility of the Notes is determined at the end of each reporting period. If the Notes are determined to be convertible, they remain convertible until the end of the subsequent quarter and are classified in "Current liabilities" on the balance sheet; otherwise, they are classified in "Long-term liabilities." Depending upon the price of the Company's common stock or the trading price of the Notes within the reporting period, pursuant to the first two criteria listed above, the Notes could be convertible during one reporting period but not convertible during a comparable reporting period.

On or after October 1, 2018 and until the close of business on March 28, 2019, holders may convert their Notes, in multiples of $1,000 principal amount, at the option of the holder.

The conversion ratio for the Notes is initially 0.0461723, equivalent to an initial conversion price of approximately $21.66 per share of the Company's common stock. The conversion ratio is subject to customary adjustment for certain events as described in the Indenture.

At the time the Company issued the Notes, the Company was only permitted to settle conversions with shares of its common stock. The Company received shareholder approval at its annual meeting in May 2013 to allow for "flexible settlement," which provided the Company with the option to settle conversions in cash, shares of common stock, or any combination thereof. The Company's intention is to satisfy conversion of the Notes with cash for the principal amount of the debt and shares of common stock for any related conversion premium.

Beginning April 6, 2016, the Company may, at its option, redeem for cash all or part of the Notes plus accrued and unpaid interest. If the Company undergoes a fundamental change (as described in the Indenture), holders may require the Company to repurchase for cash all or part of their Notes in principal amounts of $1,000 or an integral multiple thereof. The fundamental change repurchase price will be equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest. However, if a fundamental change occurs and a holder elects to convert the Notes, the Company will, under certain circumstances, increase the applicable conversion rate for the Notes surrendered for conversion by a number of additional shares of common stock based on the date on which the fundamental change occurs or becomes effective and the price paid per share of the Company's common stock in the fundamental change as specified in the Indenture.

The Notes are unsecured and unsubordinated obligations of the Company and rank senior in right of payment to any of the Company's indebtedness that is expressly subordinated in right of payment to the Notes, and equal in right of payment to any of the Company's existing and future unsecured indebtedness that is not subordinated. The Notes are effectively junior in right of payment to any of the Company's secured indebtedness (to the extent of the value of assets securing such indebtedness) and structurally junior to all existing and future indebtedness and other liabilities, including trade payables, of the Company's subsidiaries. The Indenture does not limit the amount of debt that the Company or its subsidiaries may incur.

The Notes may be settled in combination of cash or shares of common stock given the flexible settlement option. As a result, the Notes contain liability and equity components, which were bifurcated and accounted for separately. The liability component of the Notes, as of the issuance date, was calculated by estimating the fair value of a similar liability issued at a 6.5% effective interest rate, which was determined by considering the rate of return investors would require in the Company's debt structure. The amount of the equity component was calculated by deducting the fair value of the liability component from the principal amount of the Notes, resulting in the initial recognition of $22.3 million as the debt discount recorded in additional paid-in capital for the Notes. The carrying amount of the Notes is being accreted to the principal amount over the remaining term to maturity, and the Company is recording corresponding interest expense. The Company incurred debt issuance costs of $6.4 million related to the Notes and allocated $5.7 million to the liability component of the Notes. These costs are being amortized to interest expense over the six-year term of the Notes or the date of conversion, if any.

The following table sets forth total interest expense for the years ended December 31, 2014 and 2013 related to the Notes (in thousands):

	Years ended December 31,	
	2014	2013
Contractual interest expense (Cash)	$ 8,553	$ 6,795
Amortization of debt issuance costs (Non-cash)	920	684
Accretion of debt discount (Non-cash)	3,594	2,674
Total interest expense	$ 13,067	$ 10,153
Effective interest rate of the liability component	7.32%	7.32%

The fair value of the principal amount of the Notes as of December 31, 2014 was $190.6 million, based on the last quoted active trading price, a Level 1 fair value measurement, as of that date.

Note 8: Commitments and Contingencies

The Company's contractual commitments are as follows for years ending December 31 (in thousands):

	2015	2016	2017	2018	2019	Thereafter	Total
Operating lease commitments	$ 3,154	$ 3,213	$ 2,916	$ 2,455	$ 2,502	$ 3,105	$ 17,345
Purchase commitments	437	92	62	—	—	—	591
Debt commitments	8,000	8,000	8,000	69,940	201,250	—	295,190
Interest on Notes	8,553	8,553	8,553	8,553	4,277	—	38,489
Escrow for acquisition-related indemnifications	735	—	—	—	—	—	735
Total	$ 20,879	$ 19,858	$ 19,531	$ 80,948	$ 208,029	$ 3,105	$ 352,350

Operating lease commitments: The Company has non-cancelable operating leases for its facilities. The leases run through 2022. Rent expense under operating leases totaled $3.0 million, $2.0 million, and $1.8 million for the years ended December 31, 2014, 2013, and 2012, respectively.

Purchase commitments: The Company's purchase commitments consist primarily of non-cancelable service agreements for its data centers.

Debt commitments and interest on Notes: The Company's debt commitments are based upon contractual payment terms and consist of the outstanding principal related to the Monoprice credit facility, the TaxACT credit facility, and the Notes. The Company may repay the amounts outstanding under the Monoprice and TaxACT credit facilities before their terms are complete, depending upon the cash generated by the respective businesses, and under the Notes based upon holders exercising their conversion option. For further detail regarding the credit facilities and the Notes, see "Note 7: Debt."

Escrow for acquisition-related indemnifications: The Company holds escrow for acquisition-related indemnifications around general representations and warranties in connection with the Balance Financial acquisition. See "Note 3: Business Combinations" for further discussion of the escrow.

Collateral pledged: The Company has pledged a portion of its cash as collateral for certain of its property lease-related banking arrangements. At December 31, 2014, the total amount of collateral pledged under these standby letters of credit was $0.9 million.

Off-balance sheet arrangements: The Company has no off-balance sheet arrangements other than operating leases.

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

On May 12, 2014, a putative class action complaint was filed in the U.S. District Court for the Western District of Washington against the Company and certain of its officers. The complaint asserted claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, and purported to be brought on behalf of a class of persons who purchased the Company's common stock during the period between November 5, 2013 and February 20, 2014. Prior to filing the amended consolidated complaint, the plaintiff agreed to voluntarily dismiss this case without prejudice, and the Court granted the order dismissing the case on November 4, 2014.

Note 9: Stockholders' Equity

Stock incentive plan: The Company may grant non-qualified stock options, stock, RSUs, and stock appreciation rights to employees, non-employee directors, and consultants.

The Company granted options and RSUs during 2014, 2013, and 2012 under the Company's Restated 1996 Flexible Stock Incentive Plan. Options and RSUs generally vest over a period of three years, with one-third vesting one year from the date of grant and the remainder vesting ratably thereafter on a semi-annual basis, and expire seven years from the date of grant. There are a few exceptions to this vesting schedule, which provide for vesting at different rates or based on achievement of performance or market targets.

The Company issues new shares upon the exercise of options and upon the vesting of RSUs. If an option or RSU is surrendered or otherwise unused, the related shares will continue to be available.

Warrant: On August 23, 2011, the Company issued a warrant to purchase 1.0 million shares of Blucora common stock, exercisable at a price of $9.62 per share (the ***"Warrant"***). The Warrant originally was considered stock-based compensation and was scheduled to expire on August 23, 2014, but the completion of the TaxACT acquisition on January 31, 2012 was an event under the Warrant's terms that extended the expiration date to the earlier of August 23, 2017 or the effective date of a change of control of Blucora. Subsequent to the extension, the Company treated the award as a derivative instrument (see "Note 2: Summary of Significant Accounting Policies"). The modification date fair value previously recognized in "Additional paid-in capital" of $6.2 million was classified as a current liability, and the Warrant's fair value was determined each reporting period with gains or losses related to the change in fair value recorded in "Other loss, net" in the amounts of $11.7 million and $2.3 million for the years ended December 31, 2013 and 2012, respectively. The Company recorded $6.6 million in total expense relating to the modification and subsequent change in fair value for the Warrant for the year ended December 31, 2012. On November 21, 2013, the Warrant was exercised and 1.0 million shares of Blucora common stock were purchased for an aggregate exercise price of $9.6 million. The related derivative instrument liability balance of $20.2 million was settled through "Additional paid-in capital."

*1998 Employee Stock Purchase Plan ("**ESPP**"):* The ESPP permits eligible employees to contribute up to 15% of their base earnings toward the twice-yearly purchase of Company common stock, subject to an annual maximum dollar amount. The purchase price is the lesser of 85% of the fair market value of common stock on the first day or on the last day of an offering period. An aggregate of 1.4 million shares of common stock are authorized for issuance under the ESPP. Of this amount, 0.3 million shares were available for issuance. The Company issues new shares upon purchase through the ESPP.

Stock repurchase program: In February 2013, the Company's Board of Directors approved a stock repurchase program whereby the Company may purchase its common stock in open-market transactions. In May 2014, the Board of Directors increased the repurchase authorization, such that the Company may repurchase up to $85.0 million of its common stock, and extended the repurchase period through May 2016. Repurchased shares will be retired and resume the status of authorized but unissued shares of common stock. During the year ended December 31, 2014, the Company purchased 2.3 million shares in open-market transactions at a total cost of approximately $38.6 million and an average price of $16.85 per share, exclusive of purchase and administrative costs. During the year ended December 31, 2013, the Company purchased 0.4 million shares in open-market transactions at a total cost of approximately $10.0 million and an average price of $23.95 per share, exclusive of purchase and administrative costs. As of December 31, 2014, the Company may repurchase up to an additional $36.5 million of its common stock under the repurchase program.

Other comprehensive income: The following table provides information about activity in other comprehensive income (in thousands):

	Unrealized gain (loss) on investments	Unrealized gain (loss) on derivative instrument	Total
Balance as of December 31, 2011	$ 32	$ —	$ 32
Other comprehensive loss	(42)	(266)	(308)
Balance as of December 31, 2012	(10)	(266)	(276)
Other comprehensive income	10	266	276
Balance as of December 31, 2013	—	—	—
Other comprehensive loss	(1,113)	—	(1,113)
Balance as of December 31, 2014	$ (1,113)	$ —	$ (1,113)

Note 10: Stock-Based Compensation

A summary of the general terms of stock options and RSUs at December 31, 2014 was as follows:

Number of shares authorized for awards	7,671,479
Options and RSUs outstanding	5,097,247
Options and RSUs expected to vest	4,701,050
Options and RSUs available for grant	2,574,232

The following activity occurred under the Company's stock incentive plans:

	Options	Weighted average exercise price	Intrinsic value (in thousands)	Weighted average remaining contractual term (in years)
Stock options:				
Outstanding December 31, 2013	3,786,561	$ 11.57		
Granted	1,483,486	$ 19.95		
Forfeited	(179,678)	$ 19.87		
Expired	(72,592)	$ 19.15		
Exercised	(673,952)	$ 9.96		
Outstanding December 31, 2014	4,343,825	$ 14.21	$ 9,131	4.6
Exercisable December 31, 2014	2,529,778	$ 10.85	$ 8,985	3.6
Expected to vest after December 31, 2014	4,062,243	$ 13.93	$ 9,115	4.5

	Stock units	Weighted average grant date fair value	Intrinsic value (in thousands)	Weighted average remaining contractual term (in years)
RSUs:				
Outstanding December 31, 2013	1,078,481	$ 17.07		
Granted	536,964	$ 18.44		
Forfeited	(430,782)	$ 19.23		
Vested	(431,241)	$ 15.21		
Outstanding December 31, 2014	753,422	$ 17.88	$ 10,435	1.1
Expected to vest after December 31, 2014	638,807	$ 17.88	$ 8,847	1.0

Supplemental information is presented below:

	Years ended December 31,		
	2014	2013	2012
Stock options:			
Weighted average grant date fair value per share granted	$ 5.67	$ 5.05	$ 3.84
Total intrinsic value of options exercised (in thousands)	$ 3,600	$ 2,626	$ 3,886
Total fair value of options vested (in thousands)	$ 4,000	$ 2,410	$ 2,288
RSUs:			
Weighted average grant date fair value per unit granted	$ 18.44	$ 18.86	$ 13.19
Total intrinsic value of units vested (in thousands)	$ 8,315	$ 7,986	$ 4,663
Total fair value of units vested (in thousands)	$ 6,560	$ 5,163	$ 3,049

The Company included the following amounts for stock-based compensation expense, which related to stock options, RSUs, and the ESPP, in the consolidated statements of comprehensive income (in thousands):

	Years ended December 31,		
	2014	2013	2012
Cost of revenues	$ 477	$ 662	$ 558
Engineering and technology	1,569	1,351	1,180
Sales and marketing	2,047	2,335	1,909
General and administrative	7,791	7,179	9,576
Total	$ 11,884	$ 11,527	$ 13,223
Excluded and capitalized as part of internal-use software	$ 106	$ 115	$ 121

In May 2012, the Company granted 190,000 stock options to certain employees who perform acquisition-related activities. The awards' vestings were predicated on completing “qualified acquisitions” under the terms of the awards. The completions of the HSW acquisition on May 30, 2014 and the Monoprice acquisition on August 22, 2013 constituted qualified acquisitions under the terms of the awards. The vestings of the awards resulted in charges of $0.3 million and $0.5 million to stock-based compensation expense in 2014 and 2013, respectively, both of which were classified in "General and administrative expense." No expense was recognized in 2012, as a qualified acquisition did not occur.

In October 2011, the Company granted 200,000 stock options to a non-employee consultant who performed acquisition-related activities. The award’s vesting was predicated on completing a “qualified acquisition” under the terms of the award. The completion of the TaxACT acquisition on January 31, 2012 constituted a qualified acquisition under the terms of the award. The vesting of the award resulted in a charge of $0.9 million to stock-based compensation expense in 2012, which was classified in "General and administrative expense."

As discussed in "Note 9: Stockholders’ Equity," the acquisition of the TaxACT business on January 31, 2012 fulfilled the Warrant agreement's remaining performance condition and extended the Warrant’s expiration date. The extension of the Warrant’s term was a modification that resulted in a $4.3 million charge to stock-based compensation expense, equal to the increase in the Warrant’s fair value, and was recognized in "General and administrative expense" in the first quarter of 2012. Subsequent to the modification, the Company treated the Warrant as a derivative instrument.

To estimate stock-based compensation expense, the Company used the Black-Scholes-Merton valuation method with the following assumptions for equity awards granted:

	Years ended December 31,		
	2014	2013	2012
Stock option grants:			
Risk-free interest rate	0.11% - 1.31%	0.25% - 1.06%	0.26% - 1.57%
Expected dividend yield	0%	0%	0%
Expected volatility	35% - 43%	40% - 46%	40% - 48%
Expected life	3.0 years	3.2 years	3.3 years
Non-employee stock option grant:			
Risk-free interest rate	—	—	0.26%
Expected dividend yield	—	—	0%
Expected volatility	—	—	38% - 41%
Expected life	—	—	1.6 - 2.2 years
Warrant grant:			
Risk-free interest rate	—	—	0.95%
Expected dividend yield	—	—	0%
Expected volatility	—	—	46%
Expected life	—	—	5.6 years

The risk-free interest rate was based on the implied yield available on U.S. Treasury issues with an equivalent remaining term. The Company last paid a dividend in 2008 but does not expect to pay recurring dividends. The expected volatility was based on historical volatility of the Company's stock for the related expected life of the award. The expected life of the award was based on historical experience, including historical post-vesting termination behavior.

As of December 31, 2014, total unrecognized stock-based compensation expense related to unvested stock awards is as follows:

	Expense (in thousands)	Weighted average period over which to be recognized (in years)
Stock options	$ 4,058	1.5
RSUs	5,297	1.3
Total	$ 9,355	1.4

Note 11: Segment Information

The Company changed its segment reporting structure as a result of the TaxACT acquisition on January 31, 2012 and again as a result of the Monoprice acquisition on August 22, 2013. The Search and Content segment (formerly known as the Search segment) is the InfoSpace business, which now includes HSW, the Tax Preparation segment is the TaxACT business, and the E-Commerce segment is the Monoprice business. The Company's chief executive officer is its chief operating decision maker and reviews financial information presented on a disaggregated basis. This information is used for purposes of allocating resources and evaluating financial performance.

The Company does not allocate certain general and administrative costs (including personnel and overhead costs), stock-based compensation, depreciation, amortization of intangible assets, and impairment of goodwill and intangible assets to the reportable segments. Such amounts are reflected in the table under the heading "Corporate-level activity." In addition, the Company does not allocate other loss, net and income taxes to the reportable segments. The Company does not account for, and does not report to management, its assets or capital expenditures by segment other than goodwill and intangible assets used for impairment analysis purposes.

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):

	Years ended December 31,		
	2014	2013	2012
Revenues:			
Search and Content	$ 326,270	$ 428,464	$ 344,814
Tax Preparation	103,719	91,213	62,105
E-Commerce	150,731	54,303	—
Total revenues	580,720	573,980	406,919
Operating income (loss):			
Search and Content	55,812	82,504	62,185
Tax Preparation	49,696	40,599	30,052
E-Commerce	12,043	4,967	—
Corporate-level activity	(125,992)	(53,621)	(48,032)
Total operating income (loss)	(8,441)	74,449	44,205
Other loss, net	(14,766)	(29,623)	(6,677)
Income tax expense	(12,340)	(20,427)	(15,002)
Net income (loss)	$ (35,547)	$ 24,399	$ 22,526

"Corporate-level activity" in 2014 included impairment of goodwill and intangible assets, as discussed further in "Note 4: Goodwill and Other Intangible Assets."

Note 12: Other Loss, Net

"Other loss, net" consisted of the following (in thousands):

	Years ended December 31,		
	2014	2013	2012
Interest income	$ (352)	$ (300)	$ (131)
Interest expense (see Note 7)	11,202	9,463	3,522
Amortization of debt issuance costs (see Note 7)	1,143	1,108	820
Accretion of debt discounts (see Note 7)	3,691	2,838	325
Loss on debt extinguishment and modification expense (see Note 7)	—	1,593	—
Loss on derivative instrument (see Notes 2 and 9)	—	11,652	2,346
Impairment of equity investment in privately-held company	—	3,711	—
Decrease in pre-acquisition liability (see Note 3)	(665)	—	—
Decrease in fair value of earn-out contingent liability	(15)	(300)	—
Other	(238)	(142)	(205)
Other loss, net	$ 14,766	$ 29,623	$ 6,677

In 2013, in connection with the Company's review of its equity method investments for other-than-temporary impairment, the Company determined that its equity investment in a privately-held company had experienced an other-than-temporary decline in value, due to recurring losses from operations, significant personnel reductions, and a change in the underlying business model. Accordingly, the Company wrote down the $3.7 million carrying value of the investment to zero, resulting in a loss.

Note 13: Income Taxes

Income tax expense consisted of the following (in thousands):

	Years ended December 31, 2014	2013	2012
Current:			
U.S. federal	$ 23,921	$ 30,452	$ 23,303
State	2,086	642	437
Total current expense	26,007	31,094	23,740
Deferred:			
U.S. federal	(12,621)	(10,430)	(8,234)
State	(1,046)	(237)	(504)
Total deferred benefit	(13,667)	(10,667)	(8,738)
Income tax expense, net	$ 12,340	$ 20,427	$ 15,002

Income tax expense (benefit) differed from the amount computed by applying the statutory federal income tax rate as follows (in thousands):

	Years ended December 31, 2014	2013	2012
Income tax expense (benefit) at federal statutory rate of 35%	$ (8,122)	$ 15,689	$ 13,135
State income taxes, net of federal benefit	657	320	(89)
Non-deductible compensation	569	221	1,621
Deductible domestic manufacturing costs	(1,080)	(949)	(804)
Non-deductible impairment of goodwill (see Note 4)	20,789	—	—
Non-deductible loss on derivative instrument (the Warrant, see Note 9)	—	4,078	821
Change in liabilities for uncertain tax positions	(72)	(201)	(75)
Change in valuation allowance on unrealized capital losses	(117)	1,108	—
Other	(284)	161	393
Income tax expense, net	$ 12,340	$ 20,427	$ 15,002

As discussed further in "Note 4: Goodwill and Other Intangible Assets," the Company recorded an impairment of goodwill in 2014.

The tax effect of temporary differences and net operating loss carryforwards that gave rise to the Company's deferred tax assets and liabilities were as follows (in thousands):

	December 31,	
	2014	2013
Deferred tax assets:		
Current:		
Net operating loss carryforwards	$ 19,964	$ 34,167
Accrued compensation	1,318	1,605
Deferred revenue	2,594	2,385
Inventory	1,462	800
Other, net	2,149	1,903
Total current deferred tax assets	27,487	40,860
Non-current:		
Net operating loss carryforwards	179,671	190,974
Tax credit carryforwards	10,370	9,259
Depreciation and amortization	6,388	7,696
Stock-based compensation	5,941	5,318
Other, net	4,977	4,204
Total non-current deferred tax assets	207,347	217,451
Total gross deferred tax assets	234,834	258,311
Valuation allowance	(211,865)	(235,730)
Deferred tax assets, net of valuation allowance	22,969	22,581
Deferred tax liabilities:		
Current:		
Other, net	(133)	(253)
Total current deferred tax liabilities	(133)	(253)
Non-current:		
Depreciation and amortization	(57,158)	(68,888)
Discount on Notes	(5,816)	(6,977)
Other, net	—	(5)
Total non-current deferred tax liabilities	(62,974)	(75,870)
Total gross deferred tax liabilities	(63,107)	(76,123)
Net deferred tax liabilities	$ (40,138)	$ (53,542)

At December 31, 2014, the Company evaluated the need for a valuation allowance for certain deferred tax assets based upon its assessment of whether it is more likely than not that the Company will generate sufficient future taxable income necessary to realize the deferred tax benefits. The Company does not forecast capital gains and, therefore, maintains a valuation allowance against its capital loss deferred tax assets. The Company has deferred tax assets related to net operating losses that arose from excess tax benefits for stock-based compensation and minimum tax credits that arose from the corresponding alternative minimum tax paid for those excess tax benefits. The Company must apply a valuation allowance against these equity-based deferred tax assets until the Company utilizes the deferred tax assets to reduce taxes payable. Accordingly, the Company does not consider these deferred tax assets when evaluating changes in the valuation allowance.

The changes in the valuation allowance for deferred tax assets are shown below (in thousands):

	Years ended December 31,	
	2014	2013
Balance at beginning of year	$ 235,730	$ 262,353
Net changes to deferred tax assets, subject to a valuation allowance	(23,865)	(26,623)
Balance at end of year	$ 211,865	$ 235,730

For the years ended December 31, 2014 and 2013, the valuation allowance increased approximately $0.3 million and $1.1 million, respectively, for changes in unrealized capital loss deferred tax assets. For the years ended December 31, 2014 and 2013, the remaining decrease in the valuation allowance pertained to utilization of equity-based deferred tax assets used to reduce taxes payable in the amounts of $24.1 million and $27.7 million, respectively. As of December 31, 2014, $209.0 million of the valuation allowance pertained to equity-based deferred tax assets. The consolidated balance sheets reflect an increase in equity upon the release of this valuation allowance. Accordingly, income tax expense does not reflect a benefit for the release of the valuation allowance.

As of December 31, 2014, the Company's U.S. federal and state net operating loss carryforwards for income tax purposes were $570.4 million and $24.5 million, respectively, which primarily related to excess tax benefits for stock-based compensation. When the net operating loss carryforwards related to stock-based compensation are recognized, the income tax benefit of those losses is accounted for as a credit to stockholders' equity on the consolidated balance sheets rather than on the consolidated statements of comprehensive income. If not utilized, the Company's federal net operating loss carryforwards will expire between 2020 and 2031, with the majority of them expiring between 2020 and 2024. Additionally, changes in ownership, as defined by Section 382 of the Internal Revenue Code, may limit the amount of net operating loss carryforwards used in any one year.

A reconciliation of the unrecognized tax benefit balances is as follows (in thousands):

Balance as of December 31, 2011	$ 18,267
Gross increases for tax positions of prior years	1,208
Gross decreases for tax positions of prior years	(216)
Lapse of statute of limitations	(171)
Balance as of December 31, 2012	19,088
Gross increases for tax positions of prior years	219
Gross decreases for tax positions of prior years	(101)
Settlements	(562)
Lapse of statute of limitations	(107)
Balance as of December 31, 2013	18,537
Gross increases for tax positions of prior years	126
Gross decreases for tax positions of prior years	(199)
Settlements	(61)
Lapse of statute of limitations	—
Balance as of December 31, 2014	$ 18,403

The total amount of unrecognized tax benefits that would affect the Company's effective tax rate if recognized was $0.5 million and $0.6 million as of December 31, 2014 and 2013, respectively. The remaining $17.9 million as of December 31, 2014 and 2013, if recognized, would create a deferred tax asset subject to a valuation allowance. The Company and certain of its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. In previous years, the Company also filed in various foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2011, although net operating loss carryforwards and tax credit carryforwards from any year are subject to examination and adjustment for at least three years following the year in which they are fully utilized. As of December 31, 2014, no significant adjustments have been proposed relative to the Company's tax positions.

The Company recognizes interest and penalties related to uncertain tax positions in interest expense and general and administrative expenses, respectively. During the years ended December 31, 2014, 2013, and 2012, the Company recognized less than $0.1 million of interest and penalties related to uncertain tax positions upon expiration of the statute of limitations on assessments. The Company had approximately $0.3 million accrued for the payment of interest and penalties as of December 31, 2014 and 2013.

Note 14: 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, vesting of unvested RSUs, exercise of the Warrant (for 2013 and 2012), and conversion or maturity of the Notes. Dilutive potential common shares are excluded from the computation of earnings per share if their effect is antidilutive.

Weighted average shares were as follows (in thousands):

	Years ended December 31,		
	2014	2013	2012
Weighted average common shares outstanding, basic	41,396	41,201	40,279
Dilutive potential common shares	—	2,279	1,393
Weighted average common shares outstanding, diluted	41,396	43,480	41,672
Shares excluded	5,468	381	1,172

Shares excluded primarily related to shares excluded due to the antidilutive effect of a net loss (in 2014), stock options with an exercise price greater than the average price during the applicable periods, and awards with performance conditions not completed during the applicable periods.

As more fully discussed in "Note 9: Stockholders' Equity," on November 21, 2013, the Warrant was exercised and 1.0 million shares of the Company's common stock were issued accordingly. The weighted average of these shares was included in "Weighted average common shares outstanding, basic" starting in November 2013. Prior to that, the weighted average of the incremental common shares issuable upon the exercise of the Warrant were included in the dilutive potential common shares.

As more fully discussed in "Note 7: Debt," in March 2013, the Company issued the Notes, which are convertible and mature in April 2019. In May 2013, the Company received shareholder approval for "flexible settlement," which provided the Company with the option to settle conversions in cash, shares of common stock, or any combination thereof. The Company intends, upon conversion or maturity of the Notes, to settle the principal in cash and satisfy any conversion premium by issuing shares of its common stock. As a result, the Company only includes the impact of the premium feature in its dilutive potential common shares when the average stock price for the reporting period exceeds the conversion price of the Notes, which occurred only in the fourth quarter of 2013.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2014 to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure, and that such information is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Our internal control over financial reporting is designed 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* (2013 framework) issued by the Committee of the Sponsoring Organizations of the Treadway Commission.

Based on our evaluation under the framework in *Internal Control – Integrated Framework* (2013 framework), our management concluded that our internal control over financial reporting was effective as of December 31, 2014.

Ernst & Young LLP has audited the effectiveness of our internal control over financial reporting as of December 31, 2014 and its report is included below.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the fourth quarter of 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Blucora, Inc.

We have audited Blucora, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Blucora, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Blucora, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Blucora, Inc. as of December 31, 2014 and 2013 and the related consolidated statements of comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014 of Blucora, Inc. and our report dated February 26, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Seattle, Washington
February 26, 2015

ITEM 9B. Other Information

Not applicable.

PART III

As permitted by the rules of the Securities and Exchange Commission, we have omitted certain information from Part III of this Annual Report on Form 10-K. We intend to file a definitive Proxy Statement with the Securities and Exchange Commission relating to our annual meeting of stockholders not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and such information is incorporated by reference herein.

ITEM 10. Directors, Executive Officers and Corporate Governance

Certain information concerning our directors required by this Item is incorporated by reference to our Proxy Statement under the heading "Information Regarding the Board Of Directors and Committees."

Certain information regarding our executive officers required by this Item is incorporated by reference to our Proxy Statement under the heading "Information Regarding Executive Officers."

Other information concerning our officers and directors required by this Item is incorporated by reference to our Proxy Statement under the heading "Beneficial Ownership."

ITEM 11. Executive Compensation

The information required by this Item is incorporated by reference to our Proxy Statement under the headings "Compensation Committee Report," "Compensation Committee Interlocks and Insider Participation," "Compensation Discussion and Analysis," and "Compensation of Named Executive Officers."

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated by reference to our Proxy Statement under the headings "Beneficial Ownership" and "Equity Compensation Plans."

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated by reference to our Proxy Statement under the headings "Information Regarding the Board of Directors" and "Audit Committee Report."

ITEM 14. Principal Accounting Fees and Services

The information required by this Item is incorporated by reference to our Proxy Statement under the heading "Audit Committee Report."

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

(a)

1. ***Consolidated Financial Statements***

See Index to Consolidated Financial Statements at Item 8 of this report.

2. ***Financial Statement Schedules***

All financial statement schedules required by Item 15(a)(2) have been omitted because they are not applicable or the required information is presented in the Consolidated Financial Statements or Notes thereto.

3. ***Exhibits***

The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this report.

(b) ***Exhibits***

See Item 15(a) above.

(c) ***Financial Statements and Schedules***

See Item 15(a) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BLUCORA, INC.

By: /s/ William J. Ruckelshaus

William J. Ruckelshaus
President and Chief Executive Officer

Date: February 26, 2015

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Eric M. Emans and Nathan W. Garnett, jointly and severally, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities to execute any amendments to this Annual Report on Form 10-K, and to file the same, exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated and on the dates indicated.

Signature	Title	Date
/s/ William J. Ruckelshaus **William J. Ruckelshaus**	President, Chief Executive Officer, and Director (Principal Executive Officer)	February 26, 2015
/s/ Eric M. Emans **Eric M. Emans**	Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)	February 26, 2015
/s/ John E. Cunningham, IV **John E. Cunningham, IV**	Chairman and Director	February 26, 2015
/s/ David H. S. Chung **David H. S. Chung**	Director	February 26, 2015
/s/ Lance G. Dunn **Lance G. Dunn**	Director	February 26, 2015
/s/ Steven W. Hooper **Steven W. Hooper**	Director	February 26, 2015
/s/ Elizabeth J. Huebner **Elizabeth J. Huebner**	Director	February 26, 2015
/s/ Andrew M. Snyder **Andrew M. Snyder**	Director	February 26, 2015
/s/ Christopher W. Walters **Christopher W. Walters**	Director	February 26, 2015

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
2.1	Stock Purchase Agreement between Blucora, Inc., Monoprice, Inc., and the Shareholders, dated as of July 31, 2013	8-K	August 1, 2013	2.1	
3.1	Restated Certificate of Incorporation, as filed with the Secretary of the State of Delaware on August 10, 2012	8-K	August 13, 2012	3.1	
3.2	Amended and Restated Bylaws of Blucora, Inc., dated August 8, 2013	8-K	August 14, 2013	3.1	
4.1	Indenture dated as of March 15, 2013 by and between Blucora, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee	8-K	March 15, 2013	4.1	
4.2	Form of 4.25% Convertible Senior Note due 2019 (included in Exhibit 4.1)	8-K	March 15, 2013	4.2	
10.1*	1998 Employee Stock Purchase Plan	S-1 (No. 333-62323), as amended	August 27, 1998	10.3	
10.2*	Restated 1996 Flexible Stock Incentive Plan, as amended and restated effective as of June 5, 2012	S-8 (No. 333-198645)	September 8, 2014	99.1	
10.3*	Form of Restated 1996 Flexible Stock Incentive Plan Nonqualified Stock Option Letter Agreement for Nonemployee Directors	S-8 (No. 333-169691)	September 30, 2010	4.5	
10.4*	Form of Restated 1996 Flexible Stock Incentive Plan Nonqualified Stock Option Letter Agreement for Vice Presidents and Above	S-8 (No. 333-169691)	September 30, 2010	4.6	
10.5*	Form of Restated 1996 Flexible Stock Incentive Plan Notice of Grant of Restricted Stock Units and Restricted Stock Unit Agreement for Nonemployee Directors	S-8 (No. 333-169691)	September 30, 2010	4.8	
10.6*	Form of Restated 1996 Flexible Stock Incentive Plan Notice of Grant of Restricted Stock Units and Restricted Stock Unit Agreement for Vice Presidents and Above	S-8 (No. 333-169691)	September 30, 2010	4.9	
10.7	Office Lease between Blucora, Inc. and Plaza Center Property LLC dated July 19, 2012	10-Q	November 1, 2012	10.2	
10.8	First Amendment to Office Lease between Blucora, Inc. and Plaza Center Property LLC dated November 5, 2013	10-K	February 27, 2014	10.8	
10.9	Lease Agreement, dated January 28, 2008, by and between 2nd Story Software, Inc., PBI Properties, Larry Kane Investments, L.C., and Swati Dandekar for office space located at 1425 60th Street NE, Suite 300, Cedar Rapids, Iowa	10-K	March 9, 2012	10.13	
10.10	Amendment to Lease Agreement by and between 2nd Story Software, Inc., PBI Properties, Larry Kane Investments, L.C., and Swati Dandekar for office space located at 1425 60th Street NE, Suite 300, Cedar Rapids, Iowa, dated March 14, 2013	10-Q	May 2, 2013	10.5	
10.11*	Form of Indemnification Agreement between the registrant and each of its directors and executive officers	8-K	April 13, 2011	10.1	
10.12*	Blucora 2014 Executive Bonus Plan	8-K	February 12, 2014	10.1	
10.13*	Blucora 2015 Executive Bonus Plan	8-K	February 25, 2014	10.1	
10.14*	Amended and Restated Employment Agreement, amended and restated effective as of January 6, 2015, between Company and Eric M. Emans	8-K	January 22, 2015	10.1	

Exhibit Number	Exhibit Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
10.15*	Employment Agreement dated between Blucora, Inc., Monoprice, Inc., and Bernard Luthi dated July 14, 2014	10-Q	November 5, 2014	10.1	
10.16*	Employment Agreement between Blucora, Inc. and Nathan Garnett dated September 7, 2014	10-Q	November 5, 2014	10.2	
10.17*	Employment Agreement between Blucora, Inc. and Mark Finkelstein, dated September 30, 2014	10-Q	November 5, 2014	10.3	
10.18*	Employment Agreement between Blucora, Inc., InfoSpace LLC, and Peter Mansour, dated October 6, 2014	10-Q	November 5, 2014	10.4	
10.19*	Amended and Restated Employment Agreement between William J. Ruckelshaus and Company December 31, 2012	10-K	March 8, 2013	10.19	
10.20*	Employment Agreement between JoAnn Kintzel, TaxACT, Inc., and Company dated January 31, 2015	8-K	February 4, 2015	10.10	
10.21*	Employment Agreement, effective as of May 3, 2012, between the Company and George Allen	10-Q	August 1, 2012	10.1	
10.22†	Google Services Agreement and Order Form by and between Google Inc. and InfoSpace Sales LLC dated April 1, 2014	8-K/A	August 27, 2014	10.1	
10.23†	Amendment Number One to Amended and Restated Google Inc. Services Agreement between Infospace LLC and Google, Inc. dated April 1, 2014	10-Q	August 7, 2014	10.1	
10.24†	Amendment Number Two to Amended and Restated Google Inc. Services Agreement between Infospace LLC and Google, Inc. dated October 1, 2014				X
10.25†	Yahoo Publisher Network Contract #1-23975446 dated January 31, 2011 by and between Yahoo! Inc. and its subsidiary Yahoo! Sarl and InfoSpace Sales LLC	10-Q/A	August 30, 2011	10.2	
10.26	Amendment No. 1 to the Yahoo Publisher Network Contract #1-23975446 dated January 14, 2013	10-K	March 8, 2013	10.1	
10.27	Securities Purchase Agreement between Company and Cambridge Information Group I LLC, dated August 23, 2011	8-K	August 23, 2011	10.1	
10.28	Stockholder Agreement between Company and Cambridge Information Group I LLC, dated August 23, 2011	8-K	August 23, 2011	10.3	
10.29	Credit Agreement among TaxACT, Inc., as Borrower, TaxACT Holdings, Inc., as a Guarantor, and Wells Fargo Bank, N.A., as administrative agent and a lender, BMO Harris Bank, N.A., Silicon Valley Bank, Bank of America, N.A., and RBS Citizens, N.A., each as lenders, dated August 30, 2013	8-K	September 6, 2013	10.1	
10.30	Credit Agreement among Monoprice, Inc., as Borrower, Monoprice Holdings, Inc., as a Guarantor, and Bank of Montreal, as administrative agent and a lender, Bank of America, N.A., and Wells Fargo Bank, N.A., each as lenders, dated November 22, 2013	8-K	November 27, 2013	10.1	
10.31	First Amendment to Credit Agreement among Monoprice, Inc., as Borrower, Monoprice Holdings, Inc., as a Guarantor, and Bank of Montreal, as administrative agent and a lender, Bank of America, N.A., and Wells Fargo Bank, N.A., each as lenders, dated December 9, 2014				X
10.32	Lease Agreement between Monoprice, Inc. and Sixth and Rochester, LLC, dated June 2, 2009	10-Q	November 5, 2013	10.3	

Exhibit Number	Exhibit Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
10.33	First Amendment to Lease Agreement between Monoprice, Inc. and Sixth and Rochester, LLC, dated August 25, 2009	10-Q	November 5, 2013	10.4	
10.34	Second Amendment to Lease Agreement between Monoprice, Inc. and Sixth and Rochester, LLC, dated September 23, 2009	10-Q	November 5, 2013	10.5	
10.35	Third Amendment to Lease Agreement between Monoprice, Inc. and Sixth and Rochester, LLC, dated October 16, 2009	10-Q	November 5, 2013	10.6	
10.36	Fourth Amendment to Lease Agreement between Monoprice, Inc. and Sixth and Rochester, LLC, dated November 20, 2014				X
10.37*	Nonemployee Director Compensation Policy, effective as of January 1, 2014	10-K	February 27, 2014	10.42	
14.1	Code of Business Conduct and Ethics, as amended on August 14, 2014	8-K	August 15, 2014	14.1	
21.1	Subsidiaries of the registrant				X
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm				X
24.1	Power of Attorney (contained on the signature page hereto)				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-K for the fiscal year ended December 31, 2014, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements				X

* Indicates a management contract or compensatory plan or arrangement.

† Confidential treatment has been requested for portions of this exhibit. These portions have been omitted from these exhibits to this Annual Report on Form 10-K and submitted separately to the Securities and Exchange Commission.

BLUCORA™

DIRECTORS

John E. Cunningham IV
Chairman of the Board

William J. Ruckelshaus
Director, President, and
Chief Executive Officer

David H.S. Chung

Lance G. Dunn

Steven W. Hooper

Elizabeth J. Huebner

Andrew M. Snyder

Christopher W. Walters

Mary S. Zappone

EXECUTIVE OFFICERS

William J. Ruckelshaus
President and Chief Executive Officer

George M. Allen
Executive Vice President, Corporate Development

Brett J. Clark-Bolt
Executive Vice President, Human Resources

Eric M. Emans
Chief Financial Officer and Treasurer

Mark A. Finkelstein
Chief Legal and Administrative Officer

Nathan W. Garnett
General Counsel and Secretary

JoAnn Z. Kintzel
President of TaxACT, Inc.

Bernard W. Luthi
President of Monoprice, Inc.

Peter M. Mansour
President of InfoSpace LLC

STOCKHOLDER INFORMATION

Investor Information
To request copies of Blucora's Annual Report on Form 10-K or other financial information, or to contact Investor Relations, please call 866.438.4677 or visit our corporate Web site at www.blucora.com

Securities
Blucora common stock is traded on the NASDAQ Global Select market under the symbol "BCOR".

Independent Registered Public Accounting Firm
Ernst & Young LLP
999 Third Avenue, Suite 3500
Seattle, WA 98104

Transfer Agent
Computershare Shareowner Services LLC
480 Washington Boulevard
Jersey City, NJ 07310-1900
888.581.9372

Corporate Headquarters
Blucora, Inc.
10900 NE 8th St., Suite 800
Bellevue, WA 98004
425.201.6100
www.blucora.com

This annual report to stockholders contains forward-looking statements, including statements regarding Blucora's expectations regarding its business, financial results, and prospects. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected, including general economic, industry and market sector conditions; changes in our relationships with our customers; the progress and costs of the development of our products and services; the timing and extent of market acceptance of those products and services; our dependence on companies to distribute our products and services; the ability to successfully integrate acquired businesses; the successful execution of the Company's strategic initiatives, marketing strategies, and restructuring plans; and the condition of our cash investments. A more detailed description of factors that could affect actual results include, but are not limited to, those discussed in the section entitled "Risk Factors" in Blucora's most recent Annual Report on Form 10-K filed with the Securities Exchange Commission and included in this annual report to stockholders.

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