# 2020
# ANNUAL REPORT TO STOCKHOLDERS

BLUCORA™

NOTICE OF ANNUAL MEETING

2021 PROXY STATEMENT

ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2020

BLUCORA

**3200 Olympus Boulevard, Suite 100,**
**Dallas, Texas 75019**

March 11, 2021

Dear Fellow Stockholder:

You are cordially invited to attend our 2021 annual meeting of stockholders (including any adjournments, postponements or continuations thereof, the "Annual Meeting") on April 21, 2021 at 3:00 p.m. Central Daylight Time, which will be held in a virtual meeting format only, via a live webcast. Included with this letter are the Notice of Annual Meeting of Stockholders, a proxy statement detailing the business to be conducted at the Annual Meeting and a **BLUE** proxy card.

The matters to be voted on at the Annual Meeting are: (i) the election of 10 directors; (ii) the ratification, on an advisory (non-binding) basis, of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2021; and (iii) the approval, on an advisory (non-binding) basis, of our named executive officer compensation. **Our board of directors (our "Board") recommends that you vote in accordance with our Board's recommendation on each of these proposals using the enclosed BLUE proxy card.** Your vote will be especially important this year because Ancora Catalyst Institutional, LP ("ACI" and, together with its affiliates and associates, "Ancora") has notified us that ACI intends to nominate four candidates for election at the Annual Meeting.

**OUR BOARD DOES NOT ENDORSE ANY OF ANCORA'S NOMINEES AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" OUR BOARD'S NOMINEES BY USING THE ENCLOSED BLUE PROXY CARD AND DISREGARD ANY MATERIALS, AND DO NOT SIGN, RETURN OR VOTE ON ANY WHITE PROXY CARD, SENT TO YOU BY OR ON BEHALF OF ANCORA.** If you have already voted using a proxy card sent to you by Ancora, you can revoke it by: (i) executing and delivering the **BLUE** proxy card, (ii) voting via the Internet using the Internet address on the **BLUE** proxy card, (iii) voting by telephone using the toll-free number on the **BLUE** proxy card or (iv) voting at the Annual Meeting. Only your latest dated proxy will count, and any proxy may be revoked at any time prior to its exercise at the Annual Meeting as described in the accompanying proxy statement.

**IT IS EXTREMELY IMPORTANT THAT YOUR SHARES BE REPRESENTED AND VOTED AT THE ANNUAL MEETING.** Whether or not you plan to attend the Annual Meeting, we encourage you to vote as soon as possible so that your shares are represented. We urge you to vote TODAY by completing, signing and dating the enclosed **BLUE** proxy card and promptly mailing it in the postage pre-paid envelope provided or following the instructions on the enclosed **BLUE** proxy card to vote via the Internet or by telephone. Returning your **BLUE** proxy card will not prevent you from attending the Annual Meeting but will ensure that your vote is counted if you are unable to attend.

If you have any questions or require any assistance, please contact our proxy solicitor:

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, New York 10005
Brokers and Banks Call Collect: (212) 269-5550
All Others Call Toll-Free: (866) 388-7535
Email: BCOR@dfking.com

Sincerely,

Georganne C. Proctor
*Chair of the Board of Directors*

Christopher W. Walters
*President, Chief Executive Officer and Director*

**3200 Olympus Boulevard, Suite 100,**
**Dallas, Texas 75019**

# NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
## To be held on April 21, 2021

**TO THE STOCKHOLDERS:**

Notice is hereby given that the 2021 annual meeting of stockholders (including any adjournments, postponements or continuations thereof, the "Annual Meeting") of Blucora, Inc., a Delaware corporation (the "Company"), will be held on April 21, 2021 at 3:00 p.m. Central Daylight Time for the following purposes:

1. To elect 10 directors to serve on our board of directors (our "Board") until the 2022 annual meeting of stockholders, until their successors are duly elected and qualified or until their earlier death, resignation or removal;
2. To ratify, on an advisory (non-binding) basis, the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2021; and
3. To approve, on an advisory (non-binding) basis, our named executive officer compensation.

These items of business are more fully described in the proxy statement accompanying this Notice. We also will transact any other business that may properly come before the Annual Meeting, but we are not aware of any such additional matters.

Due to the continuing impact of the novel coronavirus (or COVID-19) pandemic and to support the health and well-being of our stockholders and employees, the Annual Meeting will be held in a virtual meeting format only. You will not be able to attend the Annual Meeting in person. You may register to attend the Annual Meeting by accessing www.cesonlineservices.com/bcor21_vm.

Our Board has fixed the close of business on February 24, 2021 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting. Such stockholders are urged to submit an enclosed **BLUE** proxy card, even if their shares were sold after such date.

**YOUR VOTE IS VERY IMPORTANT.** It is important that your voice be heard and your shares be represented at the Annual Meeting whether or not you are able to attend. We urge you to vote TODAY by completing, signing and dating the enclosed **BLUE** proxy card and promptly mailing it in the postage pre-paid envelope provided or following the instructions on the enclosed **BLUE** proxy card to vote via the Internet or by telephone. Please submit a proxy as soon as possible, so that your shares can be voted at the Annual Meeting in accordance with your instructions. Please refer to "Questions and Answers Regarding Voting Procedures and Other Information" on page 9 of the accompanying proxy statement and the instructions on the **BLUE** proxy card. Additionally, we hope that you can attend the Annual Meeting. If you are the beneficial owner of your shares (that is, you hold your shares in "street name" through an intermediary such as a broker, bank or other nominee), you will receive instructions from your broker, bank or other nominee as to how to vote your shares or submit a proxy to have your shares voted. Because of the contested nature of the election, if you do not give instructions to your broker, your broker may not be able to vote your shares with respect to any of the proposals. **We urge you to instruct your broker, bank or other nominee to vote your shares "FOR" each of the proposals listed on the enclosed BLUE proxy card.**

**IMPORTANT**

Ancora Catalyst Institutional, LP ("ACI" and, together with its affiliates and associates, "Ancora") has provided notice to the Company that ACI intends to nominate four director candidates for election at the Annual Meeting. The Company is not responsible for the accuracy of any information provided by or relating to Ancora contained in any proxy solicitation materials filed or disseminated by, or on behalf of, Ancora or any other statements that Ancora or any of its representatives may otherwise make.

**OUR BOARD DOES NOT ENDORSE ANY OF ANCORA'S NOMINEES AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" OUR BOARD'S NOMINEES BY USING THE ENCLOSED BLUE PROXY CARD AND DISREGARD ANY MATERIALS, AND DO NOT SIGN, RETURN OR VOTE ON ANY WHITE PROXY CARD, SENT TO YOU BY OR ON BEHALF OF ANCORA.** If you have already signed any white proxy card provided by or on behalf of Ancora, you have every legal right to change your vote by completing, signing and dating the enclosed **BLUE** proxy card and promptly mailing it in the postage pre-paid envelope provided or following the instructions on the enclosed **BLUE** proxy card to vote via the Internet or by telephone. Only your latest dated proxy will count.

**OUR BOARD UNANIMOUSLY RECOMMENDS VOTING "FOR" THE ELECTION OF OUR BOARD'S NOMINEES UNDER PROPOSAL 1 AND "FOR" PROPOSALS 2 AND 3 USING THE ENCLOSED BLUE PROXY CARD.**

If you have any questions or need any assistance in voting your shares, please contact our proxy solicitor:

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, New York 10005
Brokers and Banks Call Collect: (212) 269-5550
All Others Call Toll-Free: (866) 388-7535
Email: BCOR@dfking.com

**By Order of the Board of Directors,**

Ann J. Bruder
*Chief Legal, Development and Administrative Officer and Secretary*
March 11, 2021

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BLUCORA

# PROXY STATEMENT

# for

# 2021 ANNUAL MEETING OF STOCKHOLDERS OF BLUCORA, INC.

# April 21, 2021

This proxy statement (including all appendices attached hereto, this "Proxy Statement") is furnished in connection with the solicitation of proxies by the Board of Directors (our "Board" or "Board of Directors") of Blucora, Inc., a Delaware corporation (the "Company" or "Blucora"), for use at our 2021 annual meeting of stockholders (including any adjournments, postponements or continuations thereof, the "Annual Meeting"). Unless the context otherwise requires, references in this Proxy Statement to "Blucora," the "Company," "we," "us," "our" and similar terms refer to Blucora, Inc.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON APRIL 21, 2021: THIS PROXY STATEMENT AND THE ACCOMPANYING FORM OF PROXY ARE FIRST BEING SENT OR GIVEN TO THE COMPANY'S SECURITY HOLDERS ON MARCH 11, 2021.**

## PROXY STATEMENT SUMMARY

*This summary is included to provide an introduction and overview of the information contained in this Proxy Statement. This is a summary only and does not contain all of the information we have included in this Proxy Statement. You should refer to the full Proxy Statement for more information about us and the proposals you are being asked to consider. For more complete information regarding our 2020 performance, please review our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the U.S. Securities and Exchange Commission (the "SEC") on February 26, 2021.*

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## Information About the Annual Meeting of Stockholders

Our Board is soliciting proxies for the Annual Meeting.

| | |
|---|---|
| **Time and Date** | 3:00 p.m. Central Daylight Time, on April 21, 2021 |
| **Access*** | The Annual Meeting can be accessed virtually by registering to attend at www.cesonlineservices.com/bcor21_vm |
| **Record Date** | The close of business on February 24, 2021 |
| **Voting** | Each share of Common Stock is entitled to one vote at the Annual Meeting (including one vote for each seat up for election at the Annual Meeting with respect to Proposal 1 – Election of Directors). Cumulative voting is not permitted in the election of directors. |

**YOUR VOTE IS VERY IMPORTANT. Whether or not you plan to attend the Annual Meeting, we encourage you to vote as soon as possible so that your shares are represented. We urge you to vote TODAY by completing, signing and dating the enclosed BLUE proxy card and promptly mailing it in the postage pre-paid envelope provided or following the instructions on the enclosed BLUE proxy card to vote via the Internet or by telephone. Returning your BLUE proxy card will not prevent you from voting at the Annual Meeting but will ensure that your vote is counted if you are unable to attend.**

* *Due to the continuing impact of the novel coronavirus (or COVID-19) pandemic and to support the health and well-being of our stockholders and employees, the Annual Meeting will be held in a virtual meeting format only. You will not be able to attend the Annual Meeting in person. If you plan to participate in the virtual meeting, please see "Questions and Answers about Voting." Stockholders will be able to attend, vote and submit questions (both before, and for a portion of, the meeting) from any location via the Internet.*

## Proposals and Board Recommendations for Voting

| Proposals: | Unanimous Board Recommendation: | For more detail, see page: |
|---|---|---|
| **Proposal 1** - Election of 10 directors | "**FOR**" EACH OF OUR BOARD'S NOMINEES | 41 |
| **Proposal 2** - Ratification, on an advisory (non-binding) basis, of the appointment of Ernst & Young LLP ("EY") as our independent registered public accounting firm for 2021 | **FOR** | 53 |
| **Proposal 3** - Approval, on an advisory (non-binding) basis, of our named executive officer ("NEO") compensation | **FOR** | 54 |

## Proposal 1 - Election of Directors

Our Board is currently comprised of the following 10 directors: Steven Aldrich, Mark A. Ernst, E. Carol Hayles, John MacIlwaine, Tina Perry, Georganne C. Proctor, Karthik Rao, Jana R. Schreuder, Christopher W. Walters and Mary Zappone (collectively, our "Director Nominees"). You are being asked to elect these 10 Director Nominees to serve on our Board until our 2022 annual meeting of stockholders (our "2022 Annual Meeting"), until their successors are duly elected and qualified or until their earlier death, resignation or removal.

Information regarding our Director Nominees is set forth below. For additional information concerning this proposal and our Director Nominees, see "Proposal One—Election of Directors" on page 41, and for additional information regarding our directors, see "Information Regarding our Board of Directors" on page 25.

**OUR BOARD UNANIMOUSLY RECOMMENDS VOTING "FOR" THE ELECTION OF EACH OF OUR BOARD'S NOMINEES ON THE ENCLOSED BLUE PROXY CARD.**

| Name[1] | Age | Director Since | Employment Description | Board Committees | | |
|---|---|---|---|---|---|---|
| | | | | Audit | Compensation | Nominating and Governance |
| **Georganne C. Proctor** *Chair of the Board* | 64 | 2017 | Former CFO of TIAA-CREF | | | x |
| Steven Aldrich | 51 | 2017 | Former Chief Product Officer of GoDaddy Inc. | | | Chair |
| Mark A. Ernst | 62 | 2020 | Managing Partner at Bellevue Capital and Former EVP and COO of Fiserv, Inc. | x | | |
| E. Carol Hayles | 60 | 2018 | Former CFO of CIT Group Inc. | x | x | |
| John MacIlwaine | 51 | 2018 | CEO of Bay1, Inc. and Former VP, General Manager at Braintree | | | |
| Tina Perry | 48 | 2021 | President of Oprah Winfrey Network | | | x |
| Karthik Rao | 47 | 2020 | COO of Nielsen Global Media | | x | |
| Jana R. Schreuder | 62 | 2020 | Former EVP and COO of Northern Trust | | Chair | |
| Christopher W. Walters | 46 | 2014 | President and CEO of Blucora | | | |
| Mary S. Zappone | 56 | 2015 | CEO of Brace Industrial Group | Chair | | x |

(1) All directors are independent in accordance with Nasdaq listing rules except Christopher W. Walters, the President and CEO of the Company.

## Proposal 2 - Auditor Ratification

We are asking you to ratify, on an advisory (non-binding) basis, the appointment of Ernst & Young LLP ("EY") as our independent registered public accounting firm for 2021. Although a stockholder vote for this appointment is not required by law and is not binding on us, our Audit Committee will take your vote on this proposal into consideration when appointing or making changes to our independent registered public accounting firm in the future.

For additional information concerning this proposal, see "Proposal Two—Ratification, on an Advisory (Non-Binding) Basis, of the Appointment of our Independent Registered Public Accounting Firm" on page 53, and for information concerning the fees we paid to EY during 2020 and 2019, see "Fees Paid to Independent Registered Public Accounting Firm for 2020 and 2019" on page 57.

## Proposal 3 - Advisory Vote on Executive Compensation

We are asking you to approve, on an advisory (non-binding) basis, our NEO compensation for 2020, as disclosed in "Compensation Discussion and Analysis" and the accompanying compensation tables and related narrative discussion beginning on page 62. We believe that our NEO compensation program described throughout our "Compensation Discussion and Analysis" reflects an overall pay-for-performance culture that aligns the interests of our executives with those of our stockholders. Our compensation programs are designed to provide a competitive level of compensation to attract, motivate and retain talented and experienced executives and to reward our NEOs for the achievement of short- and long-term strategic and operational goals and increased total stockholder return, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking. In addition, we have implemented a number of executive compensation best practices and policies over the last few years that we believe reflect sound governance and promote the long-term interests of our stockholders.

For additional information concerning this proposal, see "Proposal Three—Approval, on an Advisory (Non-Binding) Basis, of Our NEO Compensation" beginning on page 54. In addition, please see the information set forth in "Compensation Discussion and Analysis" and the accompanying compensation tables and related narrative discussion beginning on page 62, including the highlights of our 2020 executive compensation information included under "Executive Summary."

## Board and Corporate Governance Highlights

We are committed to sound corporate governance in order to promote the long-term interests of our stockholders, strengthen Board and management accountability and build public trust in our Company. Our governance framework is described throughout this Proxy Statement and includes the following highlights:

| Board and Corporate Governance Highlights | |
|---|---|
| • 9 of 10 Directors are Independent | • All Board Committees Comprised Entirely of Independent Directors |
| • Annual Director Elections | • Risk Oversight by Full Board and Committees |
| • 60% Gender and/or Racial or Ethnic Diversity on Board | • Three Female Directors in Board Leadership Positions |
| • Majority Voting for Directors in Uncontested Elections with Resignation Policy | • Disclosure of Board Skills Matrix |
| • Regular Board and Committee Meetings, Including Regularly Scheduled Executive Sessions | • Rigorous Stock Ownership Requirements for Directors and Executive Officers |
| • Annual Board and Committee Self-Evaluations | • Restrictive Insider Trading Policy |
| • Separate Chair and Chief Executive Officer, with Independent Chair | • Hedging and Pledging Prohibitions |
| • Stockholders Can Call Special Meetings | • Code of Ethics and Conduct Administered by Our Board |

In addition, we believe that many of our compensation practices reflect sound corporate governance. See "Our Executive Compensation Practices" on page 66 for additional information.

## Board Skills, Background and Core Competencies

Our Nominating and Governance Committee regularly evaluates the skills, qualifications and competencies identified as important for directors to provide effective oversight to our Company. See the section "Information Regarding Our Board of Directors—Board Skills, Background and Core Competencies" on page 26 for additional information.

## Board Diversity and Inclusion

We are committed to fostering an environment of diversity and inclusion, including among our Board members. See the section "Information Regarding Our Board of Directors—Board Diversity and Inclusion" on page 28 for additional information.

## Financial and Business Information

We are a leading provider of integrated tax-focused wealth management services and software, assisting consumers, small business owners, tax professionals, financial professionals and certified public accounting firms in achieving better long-term outcomes via holistic, tax-advantaged solutions. Our mission is to empower people to improve their financial wellness through data and technology-driven solutions. We conduct our operations through two primary businesses: (i) our Wealth Management business and (ii) our Tax Preparation business.

| 2020 Financial and Business Highlights |
|---|
| **For the 2020 fiscal year we achieved growth in several key metrics we use to measure our financial performance and achieved several strategic milestones. In 2020, we:** |
| • Increased total revenue by 5% year-over-year, to $755 million, including the addition of HKFS on July 1; |
| • Recorded 23rd consecutive year of segment revenue growth at TaxAct, excluding SimpleTax;[(1)] |
| • Completed the acquisition of HKFS, now rebranded as Avantax Planning Partners, adding a historically fast growing, highly profitable registered investment advisor and its fee-based advisory assets to the Company's Wealth Management business; |
| • Increased advisory assets 29% year-over-year, including the addition of approximately $5.0 billion in Avantax Planning Partner assets; |
| • Increased total client assets 17% to $83.0 billion, with $35.6 billion or 42.9% in advisory assets; |
| • Completed a corporate reorganization, resulting in an almost entirely new executive leadership team, repositioning the Company to capitalize on the potential of our businesses; and |
| • Further strengthened our Board with the appointments of Karthik Rao, Jana Schreuder and Mark Ernst |

(1) Non-GAAP financial measure. See Appendix A—Non-GAAP Reconciliations for a description of this non-GAAP measure and a reconciliation of this measure to Tax Preparation segment revenue, the most directly comparable GAAP financial measure.

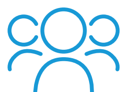
## Stockholder Engagement

Our Board and management value the perspectives of investors, and the Company has a robust stockholder engagement program in place. During 2020, we engaged with many of our investors. These meetings focused on a number of topics, including the following: Board and executive team composition, corporate governance disclosures, our COVID-19 response, our diversity initiatives, environmental, social and governance ("ESG") issues and related disclosures and executive compensation. The perspectives provided by our stockholders have informed several recent, key changes, including the addition of four new independent directors with specific skills highly relevant to our business and enhancements to our governance and social and environmental responsibility disclosures. For additional information concerning the Company's stockholder engagement program, see "Stockholder Engagement" on page 5.

## Commitment to Sustainability

At Blucora, we believe that we have a responsibility to the communities and the environment in which we operate and that the effective management of ESG issues will help drive the long-term growth of our business. To that end, Blucora is committed to developing environmentally and socially conscious solutions for our employees, communities, customers and investors.

In 2020, we assembled an ESG team, which, together with our senior leadership, is responsible for evolving our ESG strategy and monitoring our ESG initiatives. Our Board recognizes the importance of these responsibilities and oversees Blucora's ESG initiatives. The ESG team is currently undertaking an initial materiality assessment and engaging with internal and external stakeholders on ESG topics to help further inform our future direction and priorities. Our areas of focus include human capital, social impact, environmental sustainability, corporate governance and COVID-19 response.



*Human Capital.* Blucora fosters an inclusive and diverse work environment and a culture of learning and innovation that aims to enable our employees to achieve and contribute. We invest approximately $100,000 per year in order to provide employees access to thousands of on-demand courses to enhance their skills. We also reimburse up to $5,000 per employee per calendar year for professional development activities. In addition to fostering employee skills growth, we modify our benefits plans on an ongoing basis to maintain competitive packages that reflect the needs of our workforce – including competitive medical, health and vision benefits, new parent paid leave, a 401(k)-match program, dependent care flexible spending account, survivor benefits, disability coverage, a $30 monthly fitness subsidy and an Employee Assistance Program. We are committed to pay equity and regularly review our compensation model to ensure fair and inclusive pay practices across our business.

To promote employee engagement and cross-functional diversity and inclusion initiatives, in 2020 we established a Diversity and Inclusion Council ("D&I Council"), which is responsible for proposing and monitoring diversity and inclusion initiatives. The D&I Council is sponsored by two members of our executive leadership team and the executive leadership team provides regular reports on diversity and inclusion initiatives to the Nominating and Governance Committee. In 2020, we convened diversity and inclusion townhalls and encouraged our employees to participate in our women's networking group. We also continued our Women's and Diversity Initiative for Avantax Wealth Management advisors to focus on recruiting and developing female and diverse talent.

Our commitment to diversity is further highlighted by the diversity of our employee base and our Board:

- 67% of our independent directors are either female and/or racially or ethnically diverse;
- three female directors hold Board leadership positions;
- 63% of our executive leadership team members reporting to our Chief Executive Officer were either female or racially or ethnically diverse;
- as of December 31, 2020, 42% of our employee base, including 34% of our senior leadership team, was female; and
- as of December 31, 2020, 34% of our employee base was comprised of individuals with ethnically or racially diverse backgrounds.

To further reinforce our guiding principles and showcase the valued contributions of our employees, we have recently launched the Blucora Employee Spotlight Recognition Program (the "Recognition Program"). As part of the Recognition Program, we have introduced the *Recognize App*, an online social employee recognition platform, which allows peer-to-peer recognition, celebrates employee birthdays and service anniversaries and enables "*Spotlight*" award nominations for employees exemplifying our guiding principles. From the pool of employees nominated through the *Recognize App*, four employees are chosen by their peers each quarter to receive a "*Spotlight*" award. Following a vote by their peers at the end of each year, four of these quarterly award winners are selected to receive an annual "*Spotlight*" award, which includes special recognition by our executive team at an employee town hall meeting, a $5,000 cash award, and a trophy. Through these initiatives, we have delivered over 7,400 recognitions and awards to our employees from March 2020 to February 2021.

*Social Impact.* Blucora is focused on addressing issues that are important to our business and our communities. Through our Wealth Management and Tax Preparation businesses, we address a large and underserved market of consumers for whom taxes are a significant expense, but who have traditionally not had access to effective, long-term tax planning strategies and tools. We also strengthen our communities by supporting causes that help customers in need manage their financial lives and build our local neighborhoods. Specifically:

- during 2020, we donated copies of our TaxAct software to lower income taxpayers through our participation in the Free File Alliance, which is a nonprofit coalition of industry-leading tax software companies partnered with the Internal Revenue Service to help millions of Americans prepare and e-file their federal tax returns for free;
- we partnered with Feeding America, America's largest domestic hunger-relief organization, to donate 10 meals on behalf of every filer who used any of our 2019 Online Editions to file a federal 1040 return between April 1, 2020 and April 30, 2020 to Feeding America's COVID-19 Response Fund, resulting in the donation of 500,000 meals;
- following the devastating derecho in Iowa on August 10, 2020, we donated $100,000 to the Greater Cedar Rapids Community Foundation's Disaster Recovery Fund and provided volunteers to deliver generators, food, water and other needed supplies to the people of Cedar Rapids; and
- we match employee donations to eligible charitable organizations or educational institutions up to $250 per employee per calendar year.

*Environmental Sustainability.* Blucora is committed to improving the environmental footprint of our operations. We are striving to minimize our environmental impact by reducing our waste sent to landfills, purchasing environmentally responsible products and reducing internal paper usage. From 2017 to 2020, we furnished our proxy statements to our stockholders electronically to reduce the environmental impact of our annual meeting. We have adopted eSignature capabilities to allow our clients and employees to electronically review and sign documents. Additionally, we completed all 3.2 million consumer and 2.1 million professionally prepared tax returns electronically in 2020 to help eliminate paper usage associated with tax returns. In addition, in 2020, we relocated our corporate headquarters to a new LEED certified building that includes:

- high efficiency electrical equipment, including all LED lights;
- occupancy sensors, which reduce electrical needs when areas are unoccupied;
- recycle bins for office paper material and recycle dumpsters for recyclable office waste;
- high efficiency water systems and hands-free faucets and toilets, which limit water usage;
- water refill stations, which reduce plastic waste; and
- HVAC system with MERV 13 air filters, which remove virus level particles.

Additionally, in conjunction with the relocation of our corporate headquarters, we launched a paperless workplace initiative, focused on eliminating a significant portion of our printer usage and paper waste.

*Corporate Governance.* At Blucora, we believe that delivering sustainable, long-term growth depends on strong governance at every level of our business. Our Board operates with transparency and integrity as it oversees corporate governance practices that align with the interests of our stockholders. Highlights of our Board's corporate governance practices include:

- 9 of 10 directors are independent;
- directors stand for election annually;
- the chair of our Board is independent, and each Board committee is comprised entirely of independent directors;
- our Board and Board committee meetings regularly include executive sessions;
- our Board and Board committees conduct annual rigorous self-evaluations; and
- our Board represents a balance of tenure among its members, as well as breadth of in-depth knowledge of our business and newer members who bring valuable additional attributes and skills.

Our legal, compliance and enterprise risk management teams oversee compliance with applicable laws and regulations and coordinate with subject-matter experts throughout the business to identify, monitor and mitigate risk. These teams maintain testing programs, regularly report to executive leadership and our Board and communicate with regulators.

We maintain a Code of Ethics and Conduct (our "Code of Conduct") that requires our directors, officers and employees to act in a manner that reflects the values of ethics, integrity, honesty and respect. The Code of Conduct requires compliance with applicable laws and regulations and our internal policies and sets forth our expectations on several topics, including discrimination and harassment, conflicts of interest, confidentiality, fair dealing and use of our assets.

The Nominating and Corporate Governance Committee oversees Blucora's corporate governance practices.

*COVID-19 Response.* In 2020, Blucora moved swiftly to respond to the unprecedented challenges faced by our employees and our communities due to the COVID-19 pandemic. In early March 2020, we formed a COVID-19 response team, overseen by our Board, which was responsible for ensuring our ability to effectively conduct our business and maintaining employee health, safety and morale.

To ensure the health and wellbeing of our employees in the face of a global pandemic, we instituted the following protective measures in 2020:

- instituted a sweeping work-from-home order in early March and provided our employees with the resources necessary to operate in a largely work-form-home environment;
- established safety protocols and procedures for our essential employees who continued to work onsite;
- provided a stipend to all employees to facilitate their purchase of necessary items to successfully work from home for an extended period;
- authorized hazard pay for essential workers;
- implemented a hoteling program to allow a number of employees to work in the office if desired while maintaining safety protocols, including segregating such employees from our essential workers;
- increased available paid time off for employees whose families were impacted by COVID-19 illness or death;
- enhanced our communication programs through daily, initially, and then regular email communications, employee townhalls and a dedicated COVID-19 intranet page to disseminate critical information and create open communication at all levels of our business; and
- instituted programs to promote employee health and emotional wellness, including virtual coffee talks and networking events and group wellness challenges.

We had no employee layoffs in 2020 directly related to the COVID-19 pandemic. We believe that retaining our strong employee team and the continued transformation of our culture will accelerate our business transformation.

During 2020, we also committed to addressing the evolving needs of our clients and our customers. In our Wealth Management business, we designed safety protocols for client-facing financial professionals aimed at protecting the health of our employees, our financial professionals and our clients. In our Tax Preparation business, we increased our customer service resources for the extended duration of the 2020 tax season; we provided our customers with the information needed to collect and properly report stimulus payments; and we updated the TaxAct Free offering to allow taxpayers to report their unemployment compensation at no charge.

# QUESTIONS AND ANSWERS REGARDING VOTING PROCEDURES AND OTHER INFORMATION

## Questions and Answers about the Proxy Materials

### 1. Why am I receiving these proxy materials?

These proxy materials are being furnished to you in connection with the solicitation of proxies by our Board for the Annual Meeting to be held on April 21, 2021 at 3:00 p.m. Central Daylight Time. For more information on the participants in our Board's solicitation, please see "Additional Information Regarding Participants in the Solicitation" beginning on page B-1 of this Proxy Statement.

### 2. What should I do if I receive a proxy card or other proxy materials from Ancora?

Ancora Catalyst Institutional, LP ("ACI" and, together with its affiliates and associates, "Ancora") has notified the Company that ACI intends to nominate four director candidates for election at the Annual Meeting. You may receive proxy solicitation materials from Ancora. The Company is not responsible for the accuracy of any information provided by or relating to Ancora or ACI's nominees contained in proxy materials filed or disseminated by or on behalf of Ancora or any other statements that Ancora may make.

Our Board strongly urges you NOT to sign or return any white proxy card sent to you by Ancora. Voting to "**WITHHOLD**" with respect to any of ACI's nominees on a white proxy card sent to you by Ancora is not the same as voting "**FOR**" our Board's nominees because a vote to "**WITHHOLD**" with respect to any of ACI's nominees on its white proxy card will revoke any **BLUE** proxy card you may have previously submitted. To support our Board's nominees, you should vote "**FOR**" our Board's nominees on the **BLUE** proxy card and disregard, and not return, any white proxy card sent to you by Ancora. If you have previously submitted a proxy card sent to you by Ancora, you can revoke it and vote "**FOR**" our Director Nominees recommended by our Board by signing, dating and returning the enclosed **BLUE** proxy card in the postage-paid envelope provided, or by following the instructions on the **BLUE** proxy card to vote via the Internet or by telephone. Only the latest validly executed proxy that you submit will be counted, and any proxy may be revoked at any time prior to its exercise at the Annual Meeting. If you attend and validly vote at the Annual Meeting, your proxy will not be used.

**Our Board unanimously recommends using the enclosed BLUE proxy card to vote "FOR" each of our Board's nominees. Our Board recommends that you DISREGARD any white proxy cards that you may receive.**

## Questions and Answers about Voting

### 3. Who can vote at the Annual Meeting?

All stockholders who owned shares of our Common Stock as of the close of business on February 24,, 2021 (the "Record Date") are entitled to receive notice of the Annual Meeting and to vote the shares they owned as of the close of business on the Record Date.

As of the close of business on the Record Date, 48,238,718 shares of our Common Stock were outstanding and entitled to vote, and we had 326 stockholders of record. The number of stockholders of record does not include beneficial owners of our Common Stock who hold their shares in "street name."

### 4. How many votes do I have?

Each stockholder is entitled to one vote for each share of Common Stock owned as of the close of business on the Record Date for each matter presented at the Annual Meeting (including one vote for each seat up for election at the Annual Meeting with respect to Proposal 1—Election of Directors). Cumulative voting is not permitted in the election of directors.

### 5. How can I vote my shares?

***Stockholders of Record.*** Stockholders of record as of the Record Date may vote their shares or submit a proxy to have their shares voted by one of the following methods:

- *By Internet* – You may submit your proxy online via the Internet by following the instructions provided on the enclosed **BLUE** proxy card.
- *By Telephone* – You may submit your proxy by touch-tone telephone by calling the toll-free number on the enclosed **BLUE** proxy card.

- *By Mail* – You may submit your proxy by signing, dating and returning your **BLUE** proxy card in the postage-paid envelope provided.
- *At the Virtual Meeting* – In order to attend the Annual Meeting, you must register in advance at www.cesonlineservices.com/bcor21_vm prior to the deadline of April 20, 2021 at 3:00 p.m. Central Daylight Time. Stockholders who attend the Annual Meeting should follow the instructions on the meeting webcast to vote during the meeting. You are encouraged to sign, date and return the **BLUE** proxy card in the postage-paid envelope provided, or vote via the Internet or by telephone, regardless of whether you plan to attend the Annual Meeting.

The Company is incorporated under Delaware law, which specifically permits electronically transmitted proxies, provided that each such proxy contains or is submitted with information from which the inspector of election can determine that such proxy was authorized by the stockholder. The electronic voting procedures provided for the Annual Meeting are designed to authenticate each stockholder by the use of a control number to allow stockholders to vote their shares and to confirm that their instructions have been properly recorded.

If you have any questions or need assistance voting, please contact D.F. King & Co., Inc. ("D.F. King"), our proxy solicitor assisting us in connection with the Annual Meeting. Stockholders may call toll free at (866) 388-7535 or email at BCOR@dfking.com. Brokers and banks may call collect at (212) 269-5550.

***Beneficial Owners.*** If you were the beneficial owner of shares (that is, you held your shares in "street name" through an intermediary such as a broker, bank or other nominee) as of the Record Date, you will receive instructions from your broker, bank or other nominee as to how to vote your shares or submit a proxy to have your shares voted. In most cases, you will be able to do this by mail, via the Internet or by telephone. Alternatively, you may obtain a "legal proxy" from your broker, bank or other nominee and register in advance to attend the Annual Meeting at www.cesonlineservices.com/bcor21_vm prior to the deadline of April 20, 2021 at 3:00 p.m. Central Daylight Time by following the instructions described below.

As discussed below, your broker, bank or other nominee may not be able to vote your shares on any matters at the Annual Meeting unless you provide instructions on how to vote your shares. You should instruct your broker, bank or other nominee how to vote your shares by following the directions provided by your broker, bank or other nominee.

### 6. What is the difference between holding shares as a "stockholder of record" and as a "beneficial owner?"

If your shares are registered directly in your name with our transfer agent, Computershare Shareowner Services LLC (which may be referred to as "Computershare" in the materials you receive), you are considered the "stockholder of record" with respect to those shares, and we have sent this Proxy Statement directly to you.

If you hold your shares in an account with a broker, bank or other nominee, rather than of record directly in your own name, then the broker, bank or other nominee is considered the record holder of that stock. You are considered the beneficial owner of that stock, and your stock is held in "street name." This Proxy Statement has been forwarded to you by your broker, bank or other nominee. As the beneficial owner, you have the right to direct your broker, bank or other nominee regarding how to vote your shares, and you are also invited to attend the Annual Meeting.

Your broker, bank or other nominee has enclosed a voting instruction form for you to use in directing your broker, bank or other nominee as to how to vote your shares. **You must follow these instructions in order for your shares to be voted. Your broker is required to vote those shares in accordance with your instructions. Because of the contested nature of the election, if you do not give instructions to your broker, your broker may not be able to vote your shares with respect to any of the proposals. We urge you to instruct your broker, bank or other nominee, by following the instructions on the enclosed BLUE voting instruction form, to vote your shares in line with our Board's recommendations on the BLUE voting instruction form.**

### 7. What is a proxy?

A proxy is your legal designation of another person to vote the stock you own. That other person is called a proxy. If you designate someone as your proxy in a written document, that document is also called a proxy or a proxy card. Our Board has designated Marc Mehlman and Ann J. Bruder as the Company's proxies for the Annual Meeting.

### 8. How can I revoke my proxy or change my vote?

You can revoke your proxy or change your vote at any time prior to the Annual Meeting. Only your latest dated proxy will count.

If you are a stockholder of record who has properly executed and delivered a proxy, you may revoke your proxy at any time prior to the Annual Meeting by any of the following means:

- dating, signing and submitting a new proxy card bearing a later date;
- voting at a later time via the Internet or by telephone as instructed above (only your latest Internet or telephone proxy will be counted);
- delivering a written notice to our Corporate Secretary prior to the Annual Meeting by any means, including facsimile, stating that your proxy is revoked; or
- attending the virtual Annual Meeting and voting during the meeting (as described below).

Your attendance at the Annual Meeting will not revoke your proxy unless you specifically request it or you vote at the Annual Meeting. If your shares are held in "street name," your broker, bank or other nominee should provide instructions explaining how you may change or revoke your voting instructions. In general, "street name" holders may change their vote at any time prior to 5:00 p.m. Eastern Daylight Time on the day before the Annual Meeting date. In the absence of a revocation, shares represented by proxies will be voted at the Annual Meeting.

If you have previously submitted a white proxy card sent to you by Ancora, you may change your vote by completing and returning the enclosed **BLUE** proxy card in the postage-paid envelope provided, or by voting via the Internet or by telephone by following the instructions on the **BLUE** proxy card. Please note that submitting a white proxy card sent to you by Ancora will revoke votes you have previously made via the Company's **BLUE** proxy card. Voting to "**WITHHOLD**" with respect to any of ACI's nominees on a white proxy card sent to you by Ancora is not the same as voting "**FOR**" our Board's nominees because a vote to "**WITHHOLD**" with respect to any of ACI's nominees on its white proxy card will revoke any **BLUE** proxy you may have previously submitted.

**Whether or not you plan to attend the Annual Meeting, we urge you to sign, date and return the enclosed BLUE proxy card in the postage-paid envelope provided, or vote via the Internet or by telephone as instructed on the BLUE proxy card.**

### 9. How will shares be voted by the BLUE proxy card?

The shares represented by any proxy card that is properly executed and received by the Company prior to or at the Annual Meeting will be voted in accordance with the specifications made on the card. Where a choice has been specified on the **BLUE** proxy card with respect to the proposals, the shares represented by the **BLUE** proxy card will be voted in accordance with the specifications.

If you return a validly executed and dated **BLUE** proxy card without indicating how your shares should be voted on a matter and you do not revoke your proxy, your proxy will be voted: "**FOR**" the election of all 10 Director Nominees recommended by our Board as set forth on the **BLUE** proxy card (Proposal 1); "**FOR**" the ratification, on an advisory (non-binding) basis, of the appointment of our independent registered public accounting firm (Proposal 2); and "**FOR**" the approval, on an advisory (non-binding) basis, of our NEO compensation (Proposal 3).

Our Board is not aware of any matters that are expected to come before the Annual Meeting other than those described in this Proxy Statement. If any other matter is presented at the Annual Meeting upon which a vote may be properly taken, shares represented by all **BLUE** proxy cards received by the Company will be voted with respect thereto at the discretion of the persons named as proxies on the enclosed **BLUE** proxy card.

### 10. What if I receive more than one BLUE proxy card or set of proxy materials from the Company?

If your shares are held in more than one account, you will receive more than one **BLUE** proxy card, and in that case, you can and are urged to vote all of your shares by signing, dating and returning all **BLUE** proxy cards you receive from the Company in the postage-paid envelope provided. If you choose to vote by phone or via the Internet, please vote using each **BLUE** proxy card you receive to ensure that all of your shares are voted. Only your latest dated proxy for each account will count. 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.

If ACI proceeds with its previously announced nominations, the Company will likely conduct multiple mailings prior to the Annual Meeting to ensure stockholders have the Company's latest proxy information and materials to vote. The Company will send you a new **BLUE** proxy card with each mailing, regardless of whether you have previously voted. We encourage you to vote every **BLUE** proxy card you receive. The latest dated proxy you submit will be counted, and, if you wish to vote as recommended by our Board, then you should only submit a **BLUE** proxy card.

If you have any questions or need assistance voting, please contact D.F. King. Stockholders may call toll free at (866) 388-7535 or email at BCOR@dfking.com. Brokers and banks may call collect at (212) 269-5550.

### 11. Will my shares be voted if I do nothing, or if I do not vote for some of the proposals listed on my proxy card?

If your shares are registered in your name, you must sign and return a proxy card in order for your shares to be voted, unless you vote via the Internet or by telephone, or attend and vote at the Annual Meeting. If you provide specific voting instructions, your shares will be voted as you have instructed. If you execute the BLUE proxy card and do not provide voting instructions on any matter, your shares will be voted in accordance with our Board's recommendations on that matter. **We urge you to sign, date and return the enclosed BLUE proxy card in the postage-paid envelope provided, or vote via the Internet or by telephone as instructed on the BLUE proxy card, whether or not you plan to attend the Annual Meeting.**

If your shares are held in "street name" (that is, held for your account by a broker, bank or other nominee), you will receive voting instructions from your broker, bank or other nominee. You must follow these instructions in order for your shares to be voted. Your broker is required to vote those shares in accordance with your instructions. If you do not instruct your broker, bank or other nominee how to vote your shares, then, your broker, bank or other nominee will not be able to vote your shares with respect to Proposal 1 or Proposal 3 or, to the extent that Ancora provides you with a proxy card or voting instruction form, any of the other proposals. If Ancora does not provide you with a proxy card or voting instruction form, your broker, bank or other nominee will be able to vote your shares with respect to Proposal 2. **We urge you to instruct your broker, bank or other nominee, by following the instructions on the enclosed BLUE voting instruction form, to vote your shares in line with our Board's recommendations on the BLUE voting instruction form, whether or not you plan to attend the Annual Meeting.**

### 12. What constitutes a quorum?

A quorum must be present in order for business to be conducted at the Annual Meeting. For purposes of the Annual Meeting, a majority of our outstanding shares of Common Stock entitled to vote, present by means of remote communication or represented by proxy at the Annual Meeting, shall constitute a quorum. In the absence of a quorum, the chair of the meeting may adjourn the Annual Meeting without further notice. Abstentions, withhold votes and broker non-votes (if any) will be counted for purposes of determining whether a quorum is present at the Annual Meeting.

### 13. Is my vote confidential?

Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed within Blucora, to Ancora or to other third parties, except: (i) as necessary to meet applicable legal requirements, (ii) to allow for the tabulation and certification of votes and (iii) to facilitate a proxy solicitation.

## Questions and Answers about the Items to Be Voted on at the Annual Meeting

### 14. What proposals will be voted on at the Annual Meeting?

| | | Our Board's Recommendation | More Information (Page No.) |
|---|---|---|---|
| **Proposal 1** | Election of 10 directors | FOR ALL NOMINEES RECOMMENDED BY OUR BOARD | 41 |
| **Proposal 2** | Ratification, on an advisory (non-binding) basis, of the appointment of EY as our independent registered public accounting firm for 2021 | FOR | 53 |
| **Proposal 3** | Approval, on an advisory (non-binding) basis, of our NEO compensation | FOR | 54 |

**OUR BOARD UNANIMOUSLY RECOMMENDS VOTING "FOR" THE ELECTION OF EACH OF OUR BOARD'S NOMINEES UNDER PROPOSAL 1 AND "FOR" PROPOSALS 2 AND 3 USING THE ENCLOSED BLUE PROXY CARD.**

### 15. What vote is required to approve each of the proposals to be voted on at the Annual Meeting, and what is the effect of abstentions, withhold votes and broker non-votes on each of the proposals?

| | Vote Required for Approval | Effect of Abstentions, Withhold Votes and Broker Non-Votes |
|---|---|---|
| **Proposal 1:**<br>Election of 10 directors | Directors will be elected by a plurality of votes cast, meaning that the 10 nominees receiving the most votes "**FOR**" their election will be elected to our Board. | Abstentions and withhold votes have no effect on the outcome of the election of directors. Broker discretionary voting is not permitted, and broker non-votes have no effect on the outcome of this proposal. |
| **Proposal 2:**<br>Ratification, on an advisory (non-binding) basis, of the appointment of EY as our independent registered public accounting firm for 2021 | The affirmative vote of a majority of shares of our Common Stock present by means of remote communication or represented by proxy at the Annual Meeting and entitled to vote is required to approve the proposal. | An abstention has the same effect as a vote against the proposal. Broker discretionary voting is not permitted if Ancora delivers its proxy materials to your broker, bank or other nominee on your behalf. If Ancora does not provide you with a proxy card or voting instruction form, your broker, bank or other nominee will be able to vote your shares with respect to this proposal, and broker non-votes will not be applicable. Broker non-votes will have no effect on the outcome of this proposal. |
| **Proposal 3:**<br>Approval, on an advisory (non-binding) basis, of our NEO compensation | The affirmative vote of a majority of shares of our Common Stock present by means of remote communication or represented by proxy at the Annual Meeting and entitled to vote is required to approve the proposal. | An abstention has the same effect as a vote against the proposal. Broker discretionary voting is not permitted, and broker non-votes have no effect on the outcome of this proposal. |

### 16. What is a broker non-vote, and will there be any broker non-votes at the Annual Meeting?

Broker non-votes occur when brokers do not have discretionary voting authority to vote certain shares held in "street name" on particular non-routine proposals and the beneficial owner of those shares has not instructed the broker to vote on those proposals. Typically, the ratification of the appointment of registered public accounting firm is considered a routine proposal, and brokers have discretion to vote on such matter even if no instructions are received from the "street name" holder. However, because Ancora has initiated a proxy contest, to the extent that Ancora provides a proxy card or voting instruction form to stockholders who hold their shares in "street name," brokers will not have discretionary voting authority to vote on any of the proposals presented at the Annual Meeting. Broker non-votes are not counted in the tabulations of the votes cast or present at the Annual Meeting and entitled to vote on any of the proposals to be voted on at the Annual Meeting, and therefore will have no effect on the outcome of the proposals.

## Questions and Answers about Attending the Annual Meeting

### 17. How do I attend the Annual Meeting?

Due to the continuing impact of the novel coronavirus (or COVID-19) pandemic and to support the health and well-being of our stockholders and employees, the Annual Meeting will be held in a virtual meeting format only. You will not be able to attend the Annual Meeting in person. As described above, you are entitled to participate in the Annual Meeting if you were a stockholder of record as of the close of business on the Record Date or hold a legal proxy for the meeting provided by your broker, bank or other nominee.

In order to attend, you must register in advance at www.cesonlineservices.com/bcor21_vm prior to the deadline of April 20, 2021 at 3:00 p.m. Central Daylight Time.

***Registering to Attend the Annual Meeting—Stockholders of Record.*** If you were a stockholder of record as of the close of business on the Record Date, you may register to attend the Annual Meeting by accessing www.cesonlineservices.com/bcor21_vmand entering the 11-digit control number provided on your **BLUE** proxy card. On the following screen, you should click on the link titled "Click here to pre-register for the online meeting" at the top of the page.

If you do not have your **BLUE** proxy card, you may still register to attend the Annual Meeting by accessing www.cesonlineservices.com/bcor21_vm, but you will need to provide proof of ownership of shares of Common Stock as of the Record Date during the registration process. Such proof of ownership may include a copy of your proxy card received either from the Company or Ancora or a statement showing your ownership as of the Record Date.

***Registering to Attend the Annual Meeting—Beneficial Owners.*** If you were the beneficial owner of shares (that is, you held your shares in "street name" through an intermediary such as a broker, bank or other nominee) as of the Record Date, you may register to attend the Annual Meeting by accessing www.cesonlineservices.com/bcor21_vm and providing evidence during the registration process that you beneficially owned shares of Common Stock as of the Record Date, which may consist of a copy of the voting instruction form provided by your broker, bank or other nominee, an account statement or a letter or legal proxy from such broker, bank or other nominee.

After registering, our tabulator, Corporate Election Services ("CES"), will send you a confirmation email prior to the Annual Meeting with a link and instructions for entering the virtual Annual Meeting.

Although the meeting webcast will begin at 3:00 p.m. Central Daylight Time on April 21, 2021, we encourage you to access the meeting site prior to the start time to allow ample time to log into the meeting webcast and test your computer system. Accordingly, the Annual Meeting site will first be accessible to registered stockholders beginning at 2:30 p.m. Central Daylight Time on the day of the meeting. All stockholders who register to attend the Annual Meeting will receive an email prior to the Annual Meeting containing the contact details of technical support in the event they encounter difficulties accessing the virtual meeting or during the meeting. Stockholders are encouraged to contact technical support if they encounter any technical difficulties with the meeting webcast. In the event of any technical disruptions that prevent the chair from hosting the Annual Meeting within 30 minutes of the date and time set forth above, the meeting may be adjourned or postponed.

Whether or not you plan to attend the Annual Meeting, we urge you to sign, date and return the enclosed **BLUE** proxy card in the postage-paid envelope provided, or vote via the Internet or by telephone as instructed on the **BLUE** proxy card. Additional information and our proxy materials can also be found at https://voteblucora.com. If you have any difficulty following the registration process, please email BCOR@dfking.com.

### 18. Can I ask questions at the Annual Meeting?

Stockholders as of the close of business on the Record Date who register, attend and participate in the Annual Meeting will have an opportunity to submit questions live via the Internet during a designated portion of the meeting. These stockholders may also submit a question in advance of the Annual Meeting by registering at www.cesonlineservices.com/bcor21_vm and following the instructions provided via email upon completing their registration. In both cases, stockholders must have available their control number provided on their proxy card or voting authorization form.

## Questions and Answers about Miscellaneous Matters

### 19. Who will count the votes and serve as inspector of election?

We have retained CES to assist as master tabulator and First Coast Results, Inc. ("First Coast") to serve as inspector of election. In such capacity, CES and First Coast will count and certify votes at the Annual Meeting.

### 20. How do I find out the results of the vote?

We expect to report preliminary results on a Form 8-K within four business days of the Annual Meeting. We will report final results as certified by the independent inspector of elections as soon as practicable on a Form 8-K. You can access both Form 8-Ks and our other reports we file with the SEC on our website at www.blucora.com or on the SEC's website at www.sec.gov. The information provided on these websites is for informational purposes only and is not incorporated by reference into this Proxy Statement.

### 21. Is a list of registered stockholders available?

The Company's list of stockholders as of the close of business on the Record Date will be available for inspection by the Company's stockholders for at least ten days prior to the Annual Meeting for any purpose germane to the Annual Meeting. If you want to inspect the stockholder list, please call the office of the Corporate Secretary at (972) 870-6400 to schedule an appointment during ordinary business hours. The stockholder list will also be open to the examination of any stockholder during the Annual Meeting at www.cesonlineservices.com/bcor21_vm, accessible using the Stockholder List link located under the Meeting Links section of the virtual meeting website.

### 22. Do I have any dissenters' or appraisal rights with respect to any of the matters to be voted on at the Annual Meeting?

No. Delaware law does not provide stockholders any dissenters' or appraisal rights with respect to the matters to be voted on at the Annual Meeting.

### 23. What is "householding" and how does it affect me?

The Company has adopted a procedure approved by the SEC 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 receive individual copies. We believe 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. We also believe householding reduces the environmental impact of the Annual Meeting by reducing the number of duplicate documents that are printed. 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 the Company if you hold your stock directly by mail at Blucora, Inc., c/o Corporate Secretary, 3200 Olympus Boulevard, Suite 100, Dallas, Texas 75019, by phone at (972) 870-6400 or by email at IR@Blucora.com. Alternatively, if you hold your stock in a brokerage account, please contact your broker. If you participate in householding and wish to receive a separate copy of our proxy materials, or if you do not wish to participate in householding and prefer to receive separate copies of these documents in the future, please contact the Company or your broker.

We hereby undertake to deliver promptly, upon written or oral request, a copy of the proxy materials to a stockholder at a shared address to which a single copy of the proxy materials was delivered. Street name holders can request information about householding from their brokers, banks or other stockholders of record.

### 24. Whom do I contact if I have questions about the Annual Meeting?

If you have any questions or require any assistance with voting your shares, please contact our proxy solicitor:

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, New York 10005
Brokers and Banks Call Collect: (212) 269-5550
All Others Call Toll-Free: (866) 388-7535
Email: BCOR@dfking.com

## BACKGROUND TO THE SOLICITATION

On January 7, 2020, the Company announced it had entered into an agreement to acquire HKFS, a CPA-focused, (captive) registered investment advisor ("RIA"), and that the Company's Chief Financial Officer had resigned from the Company effective January 31, 2020.

On January 16, 2020, the Company announced the departure of its President and Chief Executive Officer, and on January 30, 2020, the Company announced the appointment of Chris Walters as the Company's President and Chief Executive Officer.

The next month, following an extensive search and vetting process that had been underway prior to the executive departures, the Board appointed two new independent directors, Mark A. Ernst and Jana R. Schreuder, as part of its ongoing board refreshment program and commitment to strong governance.

In March 2020, the Board considered the Company's strategy and, in particular, which businesses were critical to the Company's portfolio. Following this review, and in light of the downturn in the market due to the onset of the COVID-19 crisis, the Board determined to proceed with the HKFS acquisition but only if the Company could obtain meaningfully improved terms.

By April 2020, under its new leadership, the Company announced it had negotiated a significantly reduced purchase price for HKFS. That same month, Marc Mehlman was appointed Chief Financial Officer, and the Company announced a series of additional organizational and operational changes aimed at maximizing efficiencies in each of the businesses, while driving further revenue growth and better positioning Blucora to operate more effectively through the COVID-19 crisis. While addressing these unprecedented challenges, including a delayed and extended tax season, the new management team also focused on repositioning both the Company's Tax Preparation and Wealth Management business segments for greater sustainable growth, which included moving forward with enhanced plans to realize the significant synergy potential between the two business units.

On May 21, 2020, the Company held its annual meeting of stockholders. Each of the Company's nominees was overwhelmingly reelected, and the Company's say-on-pay proposal was approved by 93.6% of the votes cast at the meeting.

In May and June 2020, at the direction of the Board, the Company undertook an in-depth review of the Company's strategy, financing options and configuration, with the assistance of two separate independent financial advisors. During this time, members of the Company's senior management team met separately with representatives of each of these financial advisors on multiple occasions to discuss the Company's businesses and financial projections and provide other information regarding the Company's financial model and plan to enable each of the financial advisors to render independent advice to the Board with respect to the Company's strategy, growth options and configuration. Following this review, and having considered various alternatives, the Board determined that it was in the best interests of the Company and its stockholders to proceed towards closing the HKFS transaction and to finance the acquisition with traditional bank financing.

In July 2020, the Board, with the advice of counsel, adopted the Company's Amended and Restated Bylaws (our "Bylaws"), which had not been amended since 2017. The changes to our Bylaws added procedural mechanics for stockholders to call special meetings, enhanced procedural mechanics in connection with stockholder nominations, clarified the powers of the Chair of the Board, permitted special Board meetings to be held with less than 24 hours' notice, clarified that only non-employee directors are eligible to receive compensation and made additional updates and clarifications aimed at ensuring good governance and order.

In August 2020, following an additional extensive search and vetting process, an additional new independent director, Karthik Rao, was appointed to the Board to address an identified need for expertise in data and analytics that inform marketing decisions and to further diversify the Board.

Due to the COVID-19 pandemic, the Board determined to split its annual strategic review session into sessions—one in September and one in November—in lieu of its annual week-long off-site strategic review session. In September 2020, the Board reviewed with management the strategy with respect to each of the Company's businesses and the Company's configuration and alternatives, with the assistance of one of the Company's independent financial advisors. The Board provided the management team with direction with respect to the Company's strategy and asked for further analyses to be provided at its November 2020 meeting.

Also in September 2020, the Board began its search for a tenth director and outlined a process for identifying and vetting candidates and retained an independent search consultant in connection therewith. The search ultimately led to the appointment of Tina Perry to the Board on February 27, 2021.

In October 2020, the Board's Nominating and Corporate Governance Committee (the "Nom/Gov Committee") began interviewing candidates for a tenth director.

In November 2020, the Board continued the strategic review session that had commenced in September 2020. Over the course of three days, the Board conducted a comprehensive review of the Company's businesses, configuration and alternatives, with the assistance of one of the Company's independent financial advisors. The Board asked for further input and advice to be provided at future meetings.

Based on information provided to us by Ancora, on or about November 16, 2020, affiliates of Ancora began purchasing shares of Common Stock and became Company stockholders.

On December 10, 2020, Connor Sweeny, Ancora's Assistant Vice President and Alternatives Analyst, contacted the Company's investor relations office to request a telephone call with management.

On December 14, 2020, Mr. Mehlman and Ann Bruder, the Company's Chief Legal, Development and Administrative Officer and Secretary, with a representative from the Company's investor relations office present, had a telephone call with Mr. Sweeney and James Chadwick, Ancora's Managing Director and Portfolio Manager, Alternative Investments, during which Mr. Mehlman and Ms. Bruder answered questions posed by the Ancora representatives and discussed the Company's business and strategy. During this call, Mr. Sweeney and Mr. Chadwick focused on potentially separating the Company's tax, RIA and broker-dealer businesses and stated that Ancora was looking to accumulate a "substantial position" in the Common Stock. Ms. Bruder noted that the provisions in Article 4 of our Charter (the "Tax Asset Preservation Provision"), prohibit any transfer resulting in any person's becoming a "Five Percent Shareholder" (as defined in Treasury Regulation Section 1.382-2T(g)(1) with certain exceptions). The Tax Asset Preservation Provision is intended to ensure that the Company preserves full and unlimited use of its net operating loss tax assets, which are a substantial and valuable asset of the Company.

On December 16, 2020, in response to a request from Mr. Sweeney, Ms. Bruder, with Messrs. Mehlman and a representative from the Company's investor relations office present, had a follow-up conversation with Messrs. Sweeney and Chadwick regarding the Tax Asset Preservation Provision.

On December 29, 2020, Mr. Sweeney sent an email to the Company's investor relations office requesting a telephone call between Mr. Walters and representatives of Ancora. Later that day, the Company's investor relations office responded to Mr. Sweeney stating that the Company could not have a call at the time because the Company was in its quiet period and requesting a list of questions so that the Company could direct the Ancora representatives to what had been publicly disclosed on those points.

Late in the afternoon on December 31, 2020, Fredrick D. DiSanto, Chairman and Chief Executive Officer of Ancora, sent an email to Messrs. Walters, Mehlman and a representative from the Company's investor relations office stating that Ancora had been accumulating "a fairly significant position" in the Company, describing Ancora as a "fairly hands on investor, often times taking seats on the board of our portfolio companies," and stating that the Ancora representatives would "strongly prefer to speak to Chris Walters before potentially nominating directors" for election to the Board at the Annual Meeting. Mr. DiSanto noted that Ancora managed a "fairly significant" RIA in Cleveland, Ohio and had "a lot of experience both managing these types of operations but also acquiring (and even selling) them."

On January 1, 2021, a representative from the Company's investor relations office responded to Mr. DiSanto's request, offering a telephonic meeting on January 7, 2021 but cautioning that the Company was in its quiet period and noting that, for that reason, the Company would be limited in terms of what could be discussed.

On January 5, 2021, Mr. Walters issued his first annual letter to stockholders in which he emphasized the significant progress made in 2020 toward repositioning the Company for future success and described the Company's strategic priorities. Mr. Walters noted that 2021 would be the first full year that the Company's new leadership team would together execute on the Company's long-term growth strategy. Mr. Walters also reiterated that the acquisition of HKFS (which is now known as Avantax Planning Partners) would enable the Company to pursue a substantially increased addressable market and further unlock synergies between its business lines.

On January 7, 2021, Mr. Walters, Mr. Mehlman, Ms. Bruder and a representative from the Company's investor relations office had a telephone call with Messrs. DiSanto, Chadwick and Sweeney. During the call, the Ancora representatives complimented the Company's "RIA business" and stated that the Company should sell the Tax Preparation business and use the proceeds to invest in the Company's "RIA business."

On January 12, 2021, Mr. Sweeney corresponded with a representative from the Company's investor relations office asking if there were any agreements in place with certain specified stockholders that Ancora believed beneficially owned more than 5% of the outstanding shares of Common Stock, permitting such stockholders to exceed the 5% ownership threshold specified in the Tax Asset Preservation Provision.

On January 14, 2021, the Company's investor relations office sent a response email to Mr. Sweeney stating that the Company does not, as a matter of policy, comment on communications with specific stockholders but that, to the best of the Company's knowledge, all of the Company's stockholders were in compliance with the Tax Asset Preservation Provision.

On January 15, 2021, the Internal Revenue Service announced the postponement of the beginning of the upcoming tax season, indicating that it would begin to process 2020 tax returns on February 12, 2021.

On Sunday, January 17, 2021, Ms. Bruder received a letter (the "January 17 Letter") from Ancora's legal counsel requesting, on behalf of Ancora, by no later than January 22, 2021, (i) a copy of the director and officer questionnaire, and the representation and agreement, referenced in our Bylaws and (ii) copies of all Company policies and guidelines applicable to directors (collectively, the "Policies"). In addition, Ancora's legal counsel stated that any director nominee proposed by Ancora would only consent to being named in Ancora's proxy statement and form of proxy, not the Company's proxy statement and form of proxy (as required by our Bylaws). Ancora's legal counsel then requested that the Company agree to exempt Ancora from complying with the Bylaw requirement that each proposed director nominee execute a written consent to being named as a nominee in the Company's proxy statement and form of proxy (the "Nominee Consent Requirement").

On January 21, 2021, the window for the submission of stockholder notices of intention to nominate directors for election to the Board opened under our Bylaws.

Also on January 21, 2021, Mr. Sweeney contacted the Company's investor relations office, requesting another telephone call between Mr. Walters and representatives of Ancora. The following day, the Company's investor relations office responded that the Company would set up a call, requested an agenda, and reminded Mr. Sweeney that the Company was in its quiet period.

On January 22, 2021, Sidley Austin LLP, outside legal counsel to the Company ("Sidley"), sent a letter to Ancora's legal counsel confirming, on behalf of the Company, that a copy of the director and officer questionnaire and representation and agreement would be provided to Ancora within the timeframe provided under our Bylaws. Sidley further noted that our Bylaws provide that the Company will deliver, upon the request of a Proposed Nominee (as defined in our Bylaws), all Policies that are not publicly disclosed and that the Company would provide such Policies upon the request of any such Proposed Nominee. Sidley also indicated that the Company declined to exempt Ancora from the Nominee Consent Requirement at that time and that the Company reserved its right to enforce all advance notice requirements under our Bylaws.

On January 25, 2021, Ancora's legal counsel sent a letter to Sidley demanding, on behalf of Ancora, that if the Company did not exempt Ancora from the Nominee Consent Requirement, then the Company agree to "the use of a universal proxy card in connection with the Annual Meeting no later than January 29, 2021." Ancora's legal counsel further demanded that if the Company would not agree to the use of a universal proxy card, the Company "immediately confirm" that it would not use the consent provided by any of Ancora's proposed director nominees in accordance with our Bylaws and would not include any such proposed director nominee on the Company's proxy card.

Also on January 25, 2021, Ms. Bruder, in her capacity as Secretary of the Company, received a letter from ACI demanding, among other things, a complete record or list of the stockholders of the Company, all Policies and a copy of our Bylaws no later than February 1, 2021 (the "Books and Records Demand").

On January 26, 2021, Messrs. DiSanto and Chadwick sent a letter to the Board, expressing Ancora's view that the Board "should immediately explore strategic alternatives for the TaxAct business." The letter further stated that "the net proceeds of the sale of the TaxAct business should be used to pay-off [sic] current debt and implement a large share buy-back with the remaining net proceeds." The letter noted that Ancora has "deep expertise managing RIA assets and [has] been highly successful doing so over the past 15 years." The letter also stated that Ancora "will be seeking representation on the Board."

Over the next several days, the Company's investor relations office engaged with Mr. Sweeney to coordinate a virtual meeting between representatives of Ancora and members of the Company's executive management team, ultimately arranging for a virtual meeting on February 3, 2021.

On January 27, 2021, Sidley sent Ancora's legal counsel copies of the director and officer questionnaire and representation and agreement in accordance with our Bylaws.

On January 28, 2021, Ancora's outside legal counsel sent a letter, on behalf of Ancora, to Ms. Bruder objecting to the requirement under our Bylaws that any stockholder submitting notice of intention to nominate candidates for election as directors provide a copy of the prospectus, offering memorandum or similar document, if any, provided to investors or potential investors in such stockholder and indicating that "Ancora will only provide [such information] if the Company affirmatively agrees to keep such information confidential by entering into the non-disclosure agreement attached [to the

letter]" (the "Ancora NDA"). The letter indicated that Ancora would "only provide the information," and thereby comply with the Company's advance notice requirements applicable to all stockholders, if the Company agreed to enter into the Ancora NDA. Ancora's legal counsel requested that the Company "execute the NDA as soon as possible, but in any event no later than on Monday, February 1, 2021."

Also on January 28, 2021, Ms. Bruder received a letter from Mr. DiSanto requesting that the Company provide to him, in his capacity as a "Proposed Nominee" (as defined in our Bylaws), with copies of all Policies by no later than February 4, 2021.

On January 29, 2021, Sidley sent a letter to Ancora's legal counsel, stating that Ancora's legal counsel's demand for the Company to accept the use of a universal proxy card or confirm that the Company will not use any consent provided by any of Ancora's proposed director nominees in accordance with our Bylaws was "both unreasonable and premature." The letter noted that the deadline for stockholders to submit nomination notices in connection with the Annual Meeting was over three weeks away and that Ancora had yet to notify the Company that it would be submitting a notice of nomination of directors for election at the Annual Meeting or how many nominees it would put forth. The letter indicated that proceeding as suggested by Ancora's legal counsel would put the Company "in the untenable position of agreeing to place any number of Ancora nominees on the proxy card, without any idea who they are, much less any details about their skills, experiences or reputations." The letter further stated that our Bylaws are "customary and proper and intended to ensure a clear set of requirements that apply to all stockholders so as to facilitate an orderly stockholder meeting and election process."

On February 1, 2021, Sidley, on behalf of the Company, responded to the Books and Records Demand, stating that the Company would make available to Ancora the information referred to in the Books and Records Demand, subject to entry into an appropriate confidentiality agreement, as is customary for the distribution of such information in order to protect, among other things, the confidential personal information of the Company's stockholders.

Between February 1, 2021 and February 4, 2021, Ancora's and the Company's legal counsel negotiated a non-disclosure agreement (the "Books and Records NDA") covering the information referred to in the Books and Records Demand.

Also on February 1, 2021, Sidley sent a letter to Ancora's legal counsel in response to Ancora's request that the Company enter into the Ancora NDA. Sidley notified Ancora's legal counsel that the Company was considering the Ancora NDA and would provide comments.

On February 1 and 2, 2021, at the direction of the Board and as a continuation of the Board's November review of the Company's strategy, growth options and configuration, two independent financial advisors were separately requested to advise the Board with respect to various matters, including alternatives to the Company's current strategy and capital allocation. The financial advisors were asked to prepare advice and presentations for the Board's next regularly scheduled meeting, which was to take place on February 26, 2021. Over the course of the month, members of the Company's senior management team met separately with representatives of each the financial advisors on multiple occasions to discuss the Company's businesses and financial projections and provide other information regarding the Company's financial model and plan to enable each of the financial advisors to render independent advice to the Board with respect to the Company's businesses, configuration and strategic alternatives.

On February 3, 2021, Mr. Walters, Mr. Mehlman, Ms. Bruder and a representative from the Company's investor relations team had a virtual meeting with Messrs. DiSanto, Chadwick and Sweeney from Ancora. During the meeting, the Ancora representatives:

- emphasized how well they believed they knew the RIA space by virtue of Ancora's own RIA business;
- praised the RIA portion of the Company's Wealth Management business, calling it a "diamond in the rough," and indicated that Ancora did not have any issues with the Company's management team;
- seemed not to understand that the Company also operated an independent broker dealer or that it represented the larger portion of the Company's Wealth Management business;
- reiterated their belief that the Company should sell its tax business and focus its resources solely on the RIA portion of the Company's Wealth Management business;
- indicated that Ancora was looking for "a few Board seats;"
- stated that Mr. DiSanto would be one of Ancora's proposed nominees;
- described two other candidates that Ancora intended to nominate for election to the Board at the Annual Meeting (without providing names); and
- stated that they typically seek to increase stock compensation for executives and employees at companies in which they are involved.

On February 4, 2021, Sidley, on behalf of the Company, sent a letter to Mr. DiSanto enclosing copies of the non-publicly disclosed Policies and directing Mr. DiSanto to the Company's website for the publicly disclosed Policies. The letter indicated that such Policies were being provided solely on the basis of, and in reliance on, his representation that he is a "Proposed Nominee" under our Bylaws.

Also on February 4, 2021, the Company and Ancora executed the Books and Records NDA, and, on behalf of the Company, Sidley produced documents in response to the Books and Records Demand.

On February 5, 2021, Mr. Walters sent an email to Mr. DiSanto requesting the names and biographies or resumes of Ancora's proposed candidates for election to the Board at the Annual Meeting.

Later that day, Mr. DiSanto sent Mr. Walters an email with the names and brief biographical information regarding three of Ancora's proposed candidates for election to the Board: Mr. DiSanto, Cindy Schulze Flynn and Robert D. MacKinlay. Mr. DiSanto indicated that Ancora was "still waiting on final confirmation on [Ancora's] 4th" candidate for election to the Board at the Annual Meeting. The Company observed that the written descriptions of Ms. Flynn's and Mr. MacKinlay's backgrounds differed substantially from how they had been verbally described by Mr. DiSanto.

On February 9, 2021, Mr. Walters sent an email to Mr. DiSanto inquiring as to when Ancora would be able to provide information with respect to its fourth candidate for election to the Board at the Annual Meeting.

On February 10, 2021, Ancora delivered a letter (the "Nomination Notice") to the Company indicating its intent to nominate Mr. DiSanto, Ms. Schulze Flynn, Mr. MacKinlay and Kimberly Smith Spacek (collectively, the "Ancora Nominees") for election to the Board at the Annual Meeting.

On February 12, 2021, Steven Aldrich, Chair of the Nom/Gov Committee, sent emails, via the Corporate Secretary, to each of the Ancora Nominees, requesting their availability to meet with members of Nom/Gov Committee to discuss their backgrounds and potential contributions to the Board.

The same day, Mr. DiSanto responded to Mr. Aldrich's email by copying his assistant "to arrange a convenient time to discuss a board seat." Less than three hours later, Mr. DiSanto sent a second email, this time to Mr. Walters, stating that he would make Ancora's "independent candidates available for interviews when there is a framework or understanding as to how we will avoid a contested election."

On February 15, 2021, Mr. Walters responded to Mr. DiSanto stating that he would be happy to arrange a virtual meeting with Mr. DiSanto and indicated that, given that the Company was still in its quiet period, the conversation would not involve discussions relating to the Company's business.

Also on February 15, 2021, Mr. Aldrich, sent an email, via the Corporate Secretary, to Mr. DiSanto, which reiterated the Nom/Gov Committee's interest in interviewing the Ancora Nominees. In the email, Mr. Aldrich indicated that Mr. Walters had forwarded Mr. DiSanto's February 12 message and asked what Mr. DiSanto meant when he indicated that he would make his candidates available only when there is a "framework or understanding" with the Company (*i.e.*, whether his candidates would only be made available after the Board had agreed to appoint some or all of them to the Board). Referring to the process for identifying a tenth director that the Board began in September 2020, Mr. Aldrich further noted that the Board was engaging in "an ongoing Board refreshment process" and requested that Mr. DiSanto explain why the Nom/Gov Committee could not immediately consider the Ancora Nominees for positions on the Board.

On February 16, 2021, on behalf of the Company, Sidley sent a letter to Mr. DiSanto in response to the Nomination Notice, stating that the Nomination Notice was incomplete, deficient and defective in several respects, including that the Nominee Consent Requirement and the Investment Disclosure Requirement had not been satisfied. The letter enclosed an executed non-disclosure agreement (the "Investment Materials NDA") even though, as noted in the letter, our Bylaws did not contemplate a requirement that the Company execute a non-disclosure agreement in order to receive the relevant materials under the Investment Disclosure Requirement.

Also on February 16, 2021, Mr. Walters and Ms. Bruder had a virtual meeting with Mr. DiSanto. During the meeting, Mr. DiSanto stated that Ancora was looking to add Mr. DiSanto plus one or two of the other Ancora Nominees to the Board. Mr. DiSanto stated, "If [Mr. Walters and Mr. DiSanto] agree on the people first, the other Board members can meet them, but the other members can't be a veto to what [Mr. Walters and Mr. DiSanto] choose." Mr. DiSanto did not indicate which members of the Board that Ancora was looking to replace but said that he would happy to discuss his views with Mr. Aldrich after Mr. Walters and Mr. DiSanto decide which of the Ancora Nominees to seat on the Board. Mr. DiSanto noted that the Company had "bright people" on the Board. He also stated that any resolution would require that the Company form a Board strategic review committee, comprised of three members including two Ancora Nominees.

On February 17, 2021, the Company announced its financial results for the fourth quarter and full year ended December 31, 2020. Among other things, the Company noted that its total revenue had increased by 5% year-over-year, including the addition of HKFS on July 1, and that it had recorded the 23rd consecutive year of segment revenue growth at TaxAct, excluding the sale of SimpleTax.(1)

Also on February 17, 2021, Mr. DiSanto sent an email to Mr. Walters stating, "I was clear in what it will take to get this settled."

During the evening on February 18, 2021, ACI delivered a letter (the "Nomination Supplement") to the Company to supplement the Nomination Notice, which included the consents of the Proposed Nominees to being named as a nominee in the Company's proxy statement and form of proxy but stated that such consents had been delivered "on the express condition that the Company agrees to use a universal proxy card." The Nomination Supplement also included redacted copies of the materials required under the Investment Disclosure Requirement. Although ACI also delivered a countersigned copy of the Investment Materials NDA, the cover letter stated, "ANY DISSEMINATION, PUBLICATION OR OTHER DISTRIBUTION OF THE PPMs, ANY PORTION THEREOF OR ANY INFORMATION CONTAINED THEREIN, INCLUDING, WITHOUT LIMITATION, ANY SUMMARIES, REPORTS, ABSRACTS [sic], AND/OR CONCLUSIONS BASED ON ANY OF THE INFORMATION CONTAINED THEREIN, WITHOUT THE EXPRESS PRIOR WRITTEN CONSENT OF THE NOMINATING STOCKHOLDER AND THE OTHER STOCKHOLDER ASSOCIATED PERSONS WILL BE PROSECUTED TO THE FULL EXTENT OF THE LAW."

The morning of February 20, 2021, Sidley sent a letter to Mr. DiSanto in response to the Nomination Supplement, stating that the Nomination Notice remained incomplete and deficient (the "Second Deficiency Notice") and noting that Ancora's efforts to "condition" the Company's receipt of information on various terms that had not ever been discussed, much less agreed to. The letter noted that the parties had executed the Investment Materials NDA but that Ancora was unilaterally and improperly imposing entirely different, inconsistent and additional terms. The letter made clear that the Company did not agree to any of the additional unilateral "conditions" that Ancora had sought to impose and requested that ACI confirm that (i) each Proposed Nominee's executed written consent to being named as a nominee in the Company's proxy statement and form of proxy was being provided to the Company clear of any conditions in satisfaction of the Bylaw requirements and (ii) the terms of the NDA, and not ACI's cover letter, would govern with respect to the materials provided in response to the Investment Disclosure Requirement. The Board had not, and did not, reject the Nomination Notice, and the letter did not indicate otherwise.

Ancora did not acknowledge receipt of the Second Deficiency Notice and did not further supplement its Nomination Notice prior to 5:00 Central Time, which was the deadline for the submission of stockholder notices of intention to nominate directors for election to the Board under our Bylaws.

On February 21, 2021, Ms. Bruder sent Mr. DiSanto a letter, requesting that he confirm two points: that Ancora's assets do not exceed its liabilities by at least $37,382,000 and that Ancora's gross revenues derived from RIA and broker-dealer services as reported for 2020 do not exceed $3,738,200. This information was requested by the Company to confirm that Mr. DiSanto's service on the Board would not violate the Clayton Antitrust Act of 1914 (the "Clayton Act") or other applicable antitrust laws, given that, as described in the Nomination Notice, Mr. DiSanto serves as the "Chairman and Chief Executive Officer of Ancora Holdings, Inc., the direct and indirect parent of Ancora Alternatives, Ancora Advisors, and certain other registered investment advisors" and that Ancora also has a broker-dealer, Inverness Securities LLC. The letter noted that, under our Bylaws, the deadline for providing such additional information was February 26, 2021.

Also on February 21, 2021, Mr. Walters sent an email to Mr. DiSanto stating that Mr. Aldrich had contacted Mr. DiSanto at the Board's behest and in a good faith effort to get to know the Ancora Nominees and determine how they would augment the Board's composition and that the Board had asked Mr. Walters to renew Mr. Aldrich's request for the Ancora Nominees to be interviewed by the Nom/Gov Committee, and for such nominees to participate in the Board's director evaluation and nomination process. Mr. Walters stated that the Board remained committed to working constructively with all of its stockholders, including Ancora, and that the Board was not in a position to agree to add Mr. DiSanto (or anyone else) to the Board whom they have never met or interviewed. Mr. Walters indicated that he was hopeful that once Mr. DiSanto and the other Ancora Nominees are willing to meet with the Nom/Gov Committee, the parties could find a mutually agreeable path forward.

The next afternoon, Mr. DiSanto responded to Mr. Walters stating that the Board's desire to undertake a process to evaluate the Ancora Nominees "seems disingenuous." Mr. DiSanto also stated that any interviews of the Ancora Nominees would be "subject to the execution of an appropriate non-disclosure agreement to keep all discussions confidential and out of the public domain if we cannot reach a resolution." Later that day, Mr. Walters responded to Mr. DiSanto suggesting another telephone call with Mr. DiSanto.

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(1) Non-GAAP financial measure. See Appendix A—Non-GAAP Reconciliations for a description of this non-GAAP measure and a reconciliation of this measure to Tax Preparation segment revenue, the most directly comparable GAAP financial measure.

Also on February 22, 2021, Ms. Bruder sent a letter to Ancora Holdings, Inc. ("Ancora Holdings") requesting that, for purposes of ensuring compliance with the Tax Asset Preservation Provision, Ancora Holdings certify, on behalf of itself and its affiliates, that it is not acting under any formal or informal understanding with another person to make a coordinated acquisition of the securities of the Company. The letter requested that Ancora respond no later than Friday, February 26, 2021.

On February 23, 2021, Mr. DiSanto responded to Mr. Walters' request for a telephone call stating that he would "be in board meetings for the next day or so" and "would like to catch up on how to bring this situation to a positive resolution for all parties." Although Mr. Walters responded proposing times for later that day, Mr. DiSanto indicated that he was not available until the following afternoon.

On February 24, 2021, Mr. Walters and Ms. Bruder had a telephone call with Mr. DiSanto, during which Mr. DiSanto again stated his demand that the Company agree to appoint Mr. DiSanto and at least one other Ancora Nominee to the Board. In particular, Mr. DiSanto stated that he had to be one of the candidates added to the Board, that "if that's a non-starter, then we fight" and that the Board can meet the Ancora Nominees "just not until after I get two seats." When Mr. Walters noted that there may be an antitrust issue if Mr. DiSanto were to serve on the Board, Mr. DiSanto was incredulous and stated, "We have two investment people in Ohio!" and his view that Ancora does not compete with the Company. Mr. Walters again invited Mr. DiSanto to make the Ancora Nominees available to participate in the Board's director evaluation and nomination process, which had been underway since the fall of 2020, and Mr. DiSanto said that he would not talk to the Chair of the Nom/Gov Committee until the parties settled, reiterating his statement from earlier in the month that the Company must agree to the nominees before such nominees would be made available to meet members of the Board. In addition, Mr. Walters proposed during the telephone call that the parties agree to the addition of one highly qualified independent director selected by the Company, who would be appointed immediately, and one additional independent director to be added to the Board, with Ancora's meaningful participation in the process, within six months. Mr. Walters described the candidate that the Board had identified through its extensive search process as "a stellar candidate" who is a woman with significant turnaround experience, experience in media and technology and a diverse background, and Mr. DiSanto immediately rejected this proposal, reiterated the candidate's identifying characteristics and stated "You cannot give her my seat!" However, Mr. DiSanto then requested that Mr. Walters follow up by describing the proposal in writing. After Mr. Walters suggested that as a next step, the parties connect their attorneys to discuss the antitrust matters, Mr. DiSanto indicated that Ancora might have already filed a suit against the Company and that he was not sure he could stop it.

The same afternoon, ACI filed a complaint against the Company and each member of the Board in the U.S. District Court for the District of Delaware (the "Complaint") alleging, among other things, that the Company is "refusing to waive or otherwise relax" certain requirements under its Bylaws for the submission of stockholder notices applicable to all stockholders. The Complaint requested, among other things, that the court (i) enjoin the Company from enforcing against ACI certain requirements under our Bylaws for the submission of stockholder notices, (ii) enjoin the Company from including the Ancora Nominees on its proxy card to be used in conjunction with the Annual Meeting, (iii) declare that all members of the Board have breached their fiduciary duties by adopting and/or enforcing the Nominee Consent Requirement and the Investment Disclosure Requirement and that such requirements violate Rule 14a-4(d)(4) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (iv) declare that Mr. DiSanto is not prohibited from serving as a director of the Company under the Clayton Act and (v) declare that the Nomination Notice is valid.

That evening, Sidley sent a letter to Ancora's counsel, stating that the Complaint appeared to seek relief on the premise that the Company had rejected the Nomination Notice. The letter stated, "While we believe that Ancora's notice is deficient in multiple respects for all of the reasons previously explained, it was not the case that the Company – and most importantly, the . . . Board – has reached a final determination to reject the notice."

In addition, Mr. Walters sent an email to Mr. DiSanto in response to Mr. DiSanto's request during the call that day for Mr. Walters to describe his proposal in writing. Mr. Walters again stated that a "reasonable solution would be the appointment of two new directors," one of whom would be an accomplished executive with relevant experience that the Company had already identified. The Company would commit to finding another new director with "meaningful participation in the process" by Ancora, and the Company would continue to consider each of the Ancora Nominees, other candidates that Ancora wished to suggest and other candidates proposed by other stockholders. In exchange, the Company would request only that ACI withdraw the Nomination Notice. Mr. Walters assured Mr. DiSanto that he could bring this proposal to the Board "for approval in the near term."

On February 25, 2021, a prominent business media outlet released an article addressing Ancora's perspectives on the Company and publicly disclosed the fact that Ancora had delivered the Nomination Notice to the Company.

Later that morning, Ancora issued a press release announcing its nomination of the Ancora Nominees and released an open letter to the stockholders of the Company in which Ancora shared its perspectives on the Company.

Also on February 25, 2021, Ancora's counsel sent a letter to Sidley, stating that if the Board concludes not to reject the Nomination Notice, they "would be happy to discuss withdrawing some or all of [their] client's claims."

On February 26, 2021, Mr. DiSanto sent an email to Mr. Walters in which he stated that Mr. Walters's February 25 proposal did "not represent sufficient change that we believe is necessary to move Blucora in the right direction." Mr. DiSanto attached to the email a non-binding term sheet, contemplating, inter alia:

- the immediate appointment of three new independent directors to the Board, one of whom would be selected by the Company (subject to Ancora's consent), one of whom would be Mr. DiSanto (pending resolution of Clayton Act issues) and one of whom would be selected from the other Ancora Nominees;
- the resignation of three (unnamed) existing directors so that the size of the Board would not exceed nine members for approximately one year;
- the establishment of a Board special strategic review committee, comprised of the three new directors and two directors selected by the Company, to explore and make a recommendation to the Board "with respect to the potential divestiture of the TaxAct business;"
- the announcement of the Board's conclusions on the strategic review by a specified date in 2021; and
- that Ancora would be subject to customary standstill restrictions and voting obligations to expire 30 days before the expiration of the nomination window for the 2022 annual meeting of stockholders of the Company.

Also on February 26, 2021, Mr. DiSanto sent a letter to the Company responding to the Company's February 21, 2021 request for additional information under our Bylaws, and he confirmed that (i) Ancora's assets exceed its liabilities by at least $37,382,000 according to its most recently prepared balance sheet and (ii) Ancora's gross revenues derived from RIA and broker-dealer services as reported for 2020 exceed $3,738,200.

Also on February 26, 2021, Ancora Holdings sent a letter to the Company responding to the Company's February 22, 2021 request, certifying, on behalf of itself and its affiliates, that Ancora was not acting under any formal or informal understanding with another person to make a coordinated acquisition of the securities of the Company.

Also on February 26, 2021, the Board held a regularly scheduled meeting. During the meeting, the Board reviewed the performance of the business and configuration of the Company. The Board received preliminary input and advice from two of the Company's independent financial advisors, separately, on matters relating to business configuration, strategic alternatives and capital allocation. The Board directed management to undertake additional work and engage further with the financial advisors to refine and enhance the analyses for further consideration by the Board.

In addition, during the February 26 meeting, the Board considered the Nomination Notice, and it was the consensus of the Board that, despite the fact that Ancora had knowingly submitted a nomination notice that failed to satisfy all of the Bylaw requirements, the Board would not reject the Nomination Notice. Later that day, Sidley sent a letter to Ancora's counsel communicating the same.

Also on February 26, 2021, Ms. Bruder sent a letter to Mr. DiSanto requesting that Ancora Holdings certify, on behalf of itself and its affiliates, that neither Ancora Holdings nor any of its affiliates has communicated with or solicited business information of the Company from any former officer or employee of the Company, or agents speaking on their behalf, potentially in violation of such officer's or employee's non-disclosure obligations under the terms of their respective employment and separation agreements.

Finally, on February 26, 2021, Ancora filed its preliminary proxy statement with the SEC and further supplemented the Nomination Notice, including to reflect the disclosure of information set forth in such preliminary proxy statement.

Effective February 27, 2021, after the culmination of the director search process started in September 2020, the Board appointed Tina Perry as an additional, new independent director. In line with the Board's customary practice, Ms. Perry was appointed following a vetting process over the course of several months, which included meetings with each member of the Board and key members of management as well as interviews by an outside executive search firm and extensive background and reference checks.

On March 1, 2021, Mr. Walters sent an email to Mr. DiSanto indicating that Mr. DiSanto's February 26 proposal was unacceptable to the Board.

Also on March 1, 2021, the Company announced the appointment of Ms. Perry to the Board and filed its preliminary proxy statement with the SEC.

Also on March 1, 2021, Ancora's legal counsel contacted Sidley stating that they would be sending a draft stipulation agreement with a view to dismissing the Complaint.

On March 2, 2021, Ancora launched a website to provide information to stockholders regarding its campaign against the Company. Contrary to earlier statements made by Ancora representatives praising Company management, Ancora's website stated that Ancora believes that significant leadership changes are needed to the Company's management team.

On March 4, 2021, during a podcast interview of Mr. Chadwick, Mr. Chadwick stated that the Company's RIA business had growth potential and noted Mr. DiSanto's familiarity and experience with the RIA industry by virtue of overseeing Ancora's RIA business. Mr. Chadwick also noted in the podcast that Ancora had been in discussions with former executives of the Company.

Also on March 4, 2021, Mr. DiSanto sent a letter to Ms. Bruder stating that, to his knowledge, neither he nor Ancora Holdings had "knowingly asked any former officer or employee of the Company to violate any…confidentiality agreements with the Company."

On March 5, 2021, Ancora's legal counsel sent Sidley a draft stipulation agreement and notice of dismissal, and Sidley responded to the drafts.

On March 8, 2021, Ancora filed an amended preliminary version of its proxy statement with the SEC and further supplemented the Nomination Notice to reflect the disclosure of information set forth in such amended preliminary proxy statement.

On March 10, 2021, Ancora filed its definitive proxy statement with the SEC.

On March 11, 2021, the Company filed this definitive proxy statement with the SEC.

# INFORMATION REGARDING OUR BOARD OF DIRECTORS

## Director Information

Our Board is currently comprised of 10 members, including nine independent directors and one executive director. Our Board's committee structure currently consists of three principal committees that are all comprised of independent directors: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. Our Board may also establish other ad hoc or sub-committees, the composition, number and membership of which our Board may revise from time to time, as appropriate.

The following table lists each of our current directors and sets forth the information about each of the committees of our Board:

**Directors and Board Committees as of March 1, 2021**

*(M = Committee Member; C = Committee Chair)*

| Director Name | Audit Committee | Compensation Committee | Nominating and Governance Committee |
|---|---|---|---|
| **Independent Directors** | | | |
| Georganne C. Proctor, *Chair of the Board*[1] | | | M |
| Steven Aldrich[2] | | | C |
| Mark Ernst[3] | M | | |
| E. Carol Hayles[4] | M | M | |
| John MacIlwaine[5] | | | |
| Tina Perry[6] | | | M |
| Karthik Rao[7] | | M | |
| Jana R. Schreuder[8] | | C | |
| Mary S. Zappone | C | | M |
| **Executive Directors** | | | |
| Christopher W. Walters, *Chief Executive Officer*[9] | | | |

(1) On January 30, 2020, in connection with his appointment as President and CEO, Mr. Walters resigned as a member and Chair of the Compensation Committee given his non-independent status. In connection with Mr. Walters's resignation from the Compensation Committee on January 30, 2020, Ms. Proctor was appointed as a member of the Compensation Committee, where she served until March 1, 2020.

(2) Mr. Aldrich served as a member of the Compensation Committee in 2020 until August 28, 2020.

(3) Mr. Ernst was appointed as a member of our Board and as a member of the Audit Committee, effective March 1, 2020.

(4) On January 30, 2020, following the resignation of Mr. Walters as a member and Chair of the Compensation Committee, Ms. Hayles was appointed as the Chair of the Compensation Committee. Ms. Hayles served as Chair of the Compensation Committee until February 27, 2021.

(5) Mr. MacIlwaine served as a member of the Audit Committee in 2020 until December 10, 2020.

(6) Ms. Perry was appointed as a member of our Board and as a member of the Nominating and Governance Committee, effective February 27, 2021.

(7) Mr. Rao was appointed as a member of our Board and as a member of the Compensation Committee, effective August 28, 2020.

(8) Ms. Schreuder was appointed as a member of our Board and as a member of the Compensation Committee, effective March 1, 2020. Effective February 27, 2021, Ms. Schreuder was appointed as the Chair of the Compensation Committee.

(9) On January 30, 2020, in connection with his appointment as President and CEO, Mr. Walters resigned as a member and Chair of the Compensation Committee given his non-independent status. Mr. Walters continues to serve as an executive director.

## Board Skills, Background and Core Competencies

In recruiting and selecting Board candidates, the Nominating and Governance Committee takes into account the size of our Board and considers a skills matrix. This skills matrix helps the Nominating and Governance Committee determine whether a particular Board member or candidate possesses the skills and experiences that the Nominating and Governance Committee believes are important for the Company's current and future business needs. The Nominating and Governance Committee also considers whether the candidate should be selected so that our Board maintains its diverse composition, with diversity reflecting gender, age, race, ethnicity, background, professional experience and perspectives.

**Key Skills and Experience**

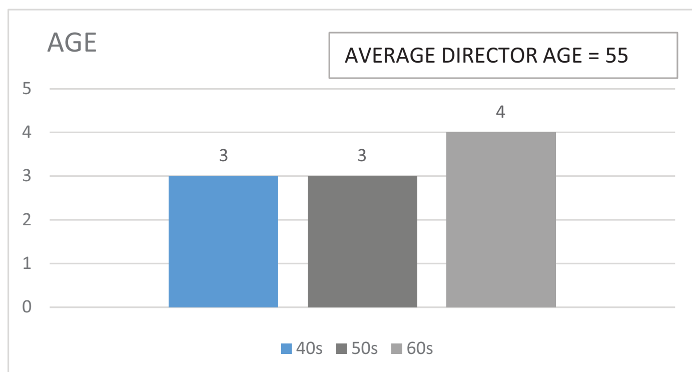
| | Industry | | Strategic | | | | | | Leadership | |
|---|---|---|---|---|---|---|---|---|---|---|
| Director | Wealth Management | Tax | Digital / Technology / Software | Strategy / Turnaround | Audit / Finance / Risk | Sales / Marketing | Legal / Regulatory | Human Capital | Public Company Board | Executive Leadership |
| Georganne Proctor | ✓ | | | | ✓ | | ✓ | | ✓ | ✓ |
| Steven Aldrich | | ✓ | ✓ | | | ✓ | | ✓ | ✓ | ✓ |
| E. Carol Hayles | | | | ✓ | ✓ | | ✓ | | ✓ | ✓ |
| John MacIlwaine | ✓ | | ✓ | ✓ | ✓ | | | | | ✓ |
| Christopher Walters | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ |
| Mary Zappone | | | | ✓ | ✓ | | | | | ✓ |
| Joined Our Board in 2020 | | | | | | | | | | |
| Mark Ernst | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Karthik Rao | | | ✓ | ✓ | | ✓ | | ✓ | | ✓ |
| Jana Schreuder | ✓ | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ |
| Joined Our Board in 2021 | | | | | | | | | | |
| Tina Perry | | | | ✓ | | ✓ | ✓ | ✓ | | ✓ |

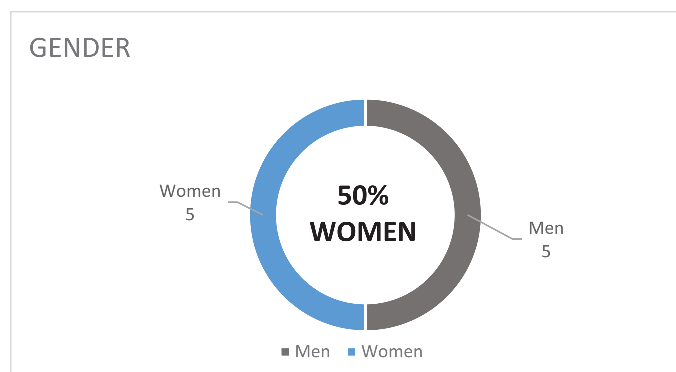
| Skill | Description of Skill and Explanation of Its Importance |
|---|---|
| **Wealth Management** | Through a registered broker-dealer, registered investment advisor and insurance agency subsidiaries, Avantax Wealth Management operates the largest U.S. tax-focused independent broker-dealer, providing tax-smart wealth management solutions to financial advisors and their clients nationwide. Wealth management is one of our two business segments, so it is important for our Board to have directors who understand the demand drivers of that business, its sales channels, the competitive landscape in the wealth management sector and other issues affecting the Company. |
| **Tax** | TaxAct is a leading provider of digital tax preparation solutions, enabling the filing of more than 68 million federal consumer tax returns since 2000. The market for tax preparation services is competitive and constantly evolving, and success in that market requires a deep understanding of consumer preferences as well as the ability to implement technology-enabled solutions to user challenges. Tax preparation is our second-largest business, and the majority of our wealth management financial professionals are also tax professionals. Therefore it is important for our Board to have directors who understand its unique dynamics. |
| **Digital / Technology / Software** | We are a digital- and technology-focused company. Our TaxAct products compete directly with other digital do-it-yourself solutions, and the tax preparation sector is characterized by intense competition in which customer experience as well as software features and functionality are key differentiating factors. Our wealth management financial professionals and their customers also value simple and easy to use technology solutions. It is important for our Board to have directors with experience developing technology and software solutions with a focus on quality and ease of use. |
| **Strategy / Turnaround** | We believe the Company has strong business fundamentals and a unique set of capabilities and offerings that differentiate us from our competitors. We believe that we can maximize our competitive advantage to create lasting value for our stockholders, both in the near- and longer-term, by successfully executing on our strategic plan. It is important for our Board to have directors who have experience developing, delivering and directing corporate strategy. Further, it is important to have Board members who have experience transforming organizations and culture and improving processes, services and products with an aim of restoring and enhancing value. |

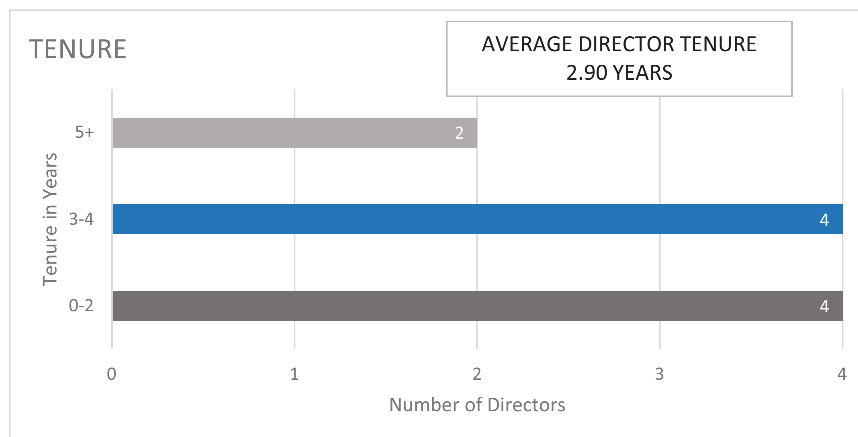
| Skill | Description of Skill and Explanation of Its Importance |
|---|---|
| **Audit / Finance / Risk** | As a public company, we are subject to various auditing, accounting and financial reporting obligations. Our Audit Committee's responsibilities include reviewing the Company's financial statements, financial reporting and internal controls, as well as overseeing the independent auditor. The Company is also subject to various forms of risk, including, without limitation, cybersecurity risk, liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and compliance risk and reputational risk. It is important for our Board to have directors who are financial experts and who understand financial reporting, capital allocation, capital markets and other financial concepts, as well as effective risk management practices. |
| **Sales / Marketing** | Although we believe that our competitive prices and the usability of our digital tools is foundational, engaging current and new potential customers to build familiarity is an important driver of business outcomes. We use a variety of approaches to engage current and potential customers including television, radio, search, social and display advertising as well as email communication to promote our products. It is important for our Board to have directors with experience in media as well as marketing products and services. These perspectives inform the most creative and cost-effective approaches to driving revenue growth. |
| **Legal / Regulatory** | In addition to public company regulation under SEC and Nasdaq Global Select Market rules, we are subject to a variety of additional financial industry regulations. Our Wealth Management business is subject to oversight by the SEC, FINRA, the Department of Labor, state securities and insurance regulators and other regulatory authorities. Our Tax Preparation business is subject to federal and state government requirements, including, without limitation, regulations related to the electronic filings of tax returns and the use and disclosure of customer information. It is important for our Board to have directors who have successfully led other regulated businesses, know how to effectively communicate with regulators and understand the role of regulatory compliance in minimizing business risk. |
| **Human Capital** | Building a high-performing organization requires a rigorous and complete talent acquisition and retention process throughout the entire business. We strive to foster a diverse and inclusive organizational culture where our employees share the same values. We recognize the importance of an effective culture and continuously work towards providing an inclusive and open workplace, where opinions of all are welcomed and encouraged. It is important for our Board to have directors who have direct experience stewarding an enterprise talent agenda, leading transformative cultural initiatives and implementing policies and programs that drive diverse thinking. |
| **Public Company Board Experience** | Our Board is responsible for overseeing the successful execution of our strategy and affects the fundamental operation of the Company. It is important for our Board to have directors who understand the fiduciary obligations of public company directors and who have experience shaping a company's priorities and structure. |
| **Executive Leadership** | One of the core considerations of our Nominating and Governance Committee in examining director candidates is that the director should have an established track record of professional accomplishment in the candidate's chosen field. Our Board is comprised of highly qualified directors with a diverse range of complementary skill sets, but the common thread is that each of our directors has experience leading large, complex organizations and teams. Blucora is a company with hundreds of geographically dispersed employees and an array of other important stakeholders, including stockholders, customers, partners, regulators and communities. It is important for our Board to have directors who have experience dealing with a similar range of stakeholders and managing the challenges associated with operating a large organization. |

## Board Diversity and Inclusion

We are committed to fostering an environment of diversity and inclusion, including among our Board members. Therefore, in considering director nominees, the Nominating and Governance Committee considers candidates who represent a mix of backgrounds and a diversity of gender, age, race, ethnicity, background, professional experience and perspectives that enhance the quality of the deliberations and decisions of our Board, in the context of the perceived needs of the structure of our Board at that point in time. Five of our 10 Board members are women; two of our 10 Board members are racially or ethnically diverse; and the age of our Board members ranges from 46 to 63. Notably, three of our Board leadership positions, including the Chair of the Board, are currently held by female directors.




## Board Oversight

Our Board is responsible for ensuring that our overall business strategy is designed to create long-term, sustainable value and growth for our stockholders. Our Board recognizes that we operate within industries that are highly competitive and rapidly evolving and that our business must be capable of quickly adapting to meet the needs of our customers and clients. As a result, our Board maintains an active oversight role in helping management formulate, plan and implement Blucora's strategy. While our Board is not responsible for the day-to-day management of the Company, our Board recognizes the importance of ongoing engagement, and accordingly our Board regularly reviews the alignment of our performance with our strategy. Our Board significantly increased the number of its meetings in 2020 to closely monitor the various business and personnel impacts of the COVID-19 outbreak and implement policies and processes to steer the Company through this ongoing health situation. See the section "Information Regarding Our Board of Directors—Independence, Committee and Other Board Information—Risk Management" on page 33 for additional information.

## Ongoing Board Refreshment

We believe that the Company benefits when there is a mix of experienced directors with a deep understanding of our businesses and directors with a fresh perspective. To this end, our Board maintains an ongoing refreshment program to seek out highly qualified candidates, particularly with diverse backgrounds, skills and experiences that align with our long-term strategy. Since 2016, seven legacy directors have departed, and our Board has appointed six new directors who bring valuable skills and experiences in support of the Company's long-term strategy. Below is a summary of the changes to our Board that have occurred since the beginning of 2020.

In January 2020, John S. Clendening departed his role as President, CEO and director.

Effective March 1, 2020, our Board appointed Mark A. Ernst and Jana R. Schreuder as independent directors, increasing the number of independent directors from five to seven as part of our Board's commitment to strong governance. Our Board determined that the business experience brought by Mr. Ernst and Ms. Schreuder, when combined with that of the rest of our Board, would enhance our Board's ability to help guide the Company as it navigated the next phase of its growth. Mr. Ernst is an accomplished financial services executive and brings substantial expertise in tax preparation, one of our core businesses, including as having served as Chairman, President and Chief Executive Officer and Chief Operating Officer of H&R Block, Inc. Recently retired from her role as Executive Vice President and Chief Operating Officer of Northern Trust Corporation, Ms. Schreuder has extensive experience in wealth management and applying digital and technological innovations to drive growth. Mr. Ernst was appointed as a member of the Audit Committee, and Ms. Schreuder was appointed as a member of the Compensation Committee.

Effective August 28, 2020, our Board appointed Karthik Rao as an independent director. Our Board determined that Mr. Rao's deep expertise in data analytics as applied to consumer-focused marketing campaigns would enhance our Board's ability to oversee our long-term strategy. Mr. Rao was appointed as a member of the Compensation Committee.

Effective February 27, 2021, our Board appointed Tina Perry as an independent director. Our Board determined that Ms. Perry's extensive experience driving strategic transformations of large, complex organizations would contribute to our Board's oversight of strategy and human capital. Ms. Perry was appointed as a member of the Nominating and Governance Committee.

We conduct a thorough onboarding process for new directors, and we believe that an intensive orientation is critical to their ability to contribute meaningfully to Board discussions and deliberations. As part of this program, new directors are invited to visit the Company's headquarters and meet directly with a range of senior executives to gain an in-depth understanding of the business. New directors are also provided with a comprehensive set of materials to serve as a primer on the Company's business strategy, financial performance and other key matters. Additionally, new directors are encouraged to sit in on committee meetings during their first year as they familiarize themselves with the functions of our Board. Participation in the onboarding program is not limited to our new directors. We also invite incumbent directors to participate in new director onboarding activities as an additional way to provide ongoing training and updates to members of our Board. We endeavor to provide all directors with opportunities for continuing education and hands-on experience with our business, including through meetings with emerging leadership talent beyond our executive officers. In 2020, due to the impact of the COVID-19 pandemic, the onboarding process for our new directors, Mr. Ernst, Ms. Schreuder and Mr. Rao, was conducted virtually via a live webcast. This virtual onboarding was conducted in a series of meetings and provided these new directors with more than 40 hours of content regarding the Company's business, strategy and financial performance, including sessions covering the regulatory framework for our businesses, our corporate policies and procedures, regulations applicable to public company directors, our cultural transformation initiatives and our diversity and inclusion initiatives. Ms. Perry has only recently joined our Board, and her onboarding and orientation are ongoing.

Our Board has determined that a board of 10 directors is appropriate for the Company at this time, providing for an appropriate and diverse mix of skills and experiences and a balance of new and experienced perspectives.

## Independence, Committee and Other Board Information

### Independence

Nasdaq rules require that a majority of the members of our Board be independent directors. Our Board recently undertook its annual review of director independence in accordance with the applicable Nasdaq rules. 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, our Board is required to make a subjective determination as to each independent director that no relationships exist that, in the opinion of our Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

In making such determinations, our Board considered transactions and relationships between each non-employee director and the Company, if any, that would require disclosure pursuant to Item 404 of Regulation S-K under the Securities Act of 1933, as amended (the "Securities Act"). Our Board also considered other transactions or relationships, if any, that do not rise to the level of requiring disclosure, including a sales contract, dated as of February 6, 2020, by and between TaxAct, Inc. and The Nielsen Company (US), LLC, as Mr. Rao currently serves as the Chief Operating Officer of The Nielsen Company (US), LLC.

Based on its review, our Board has affirmatively determined that each of our directors, excluding Mr. Walters, is independent under Nasdaq rules. Mr. Walters is not considered independent because he is an employee of the Company, although prior to his appointment as President and CEO on January 30, 2020, Mr. Walters was considered independent for the duration of his prior Board and committee service under Nasdaq rules.

Each of the members of the Audit Committee, Compensation Committee and Nominating and Governance Committee is independent under Nasdaq rules. Our Board has also affirmatively determined that each of the members of the Audit Committee qualifies as independent under the audit committee independence rules established by the SEC and meets Nasdaq's financial knowledge requirements set forth in the Nasdaq rules. In addition, each member of the Compensation Committee qualifies as a "non-employee director" under the SEC rules.

There are no family relationships between any of our directors, our Director Nominees or our executive officers.

## Meeting Attendance and Executive Sessions

In 2020, each director attended at least 75% of the aggregate number of meetings of our Board and committees thereof, if any, on which such director served during the period for which he or she was a director or committee member. During 2020, our Board held 25 meetings, representing a significant increase in the number of meetings as compared to 2019, in order to address the ongoing COVID-19 pandemic, and the independent members of our Board met regularly in executive session with the Chair of the Board, or the respective chair of such committee, presiding over these executive sessions. For additional information about the number of meetings held by each Board committee in 2020, see "Committees of Our Board."

Our Board has not adopted a formal policy regarding directors' attendance at the annual meetings of stockholders. In 2020, all of our Board members attended the 2020 annual meeting of stockholders.

## Committees of Our Board

Our Board's committee structure currently consists of three principal committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. Our Board has adopted a written charter for each of its committees, and a brief description of the composition and the primary responsibilities of our committees is set forth in the following sections.

| Audit Committee | Duties and Responsibilities | Meetings in 2020: 8 |
|---|---|---|
| Mary S. Zappone *(Chair)*<br>Mark A. Ernst<br>E. Carol Hayles | • Providing independent and objective oversight and review of the Company's auditing, accounting and financial reporting processes;<br>• Reviewing and approving the appointment, compensation, oversight and retention of the independent registered public accounting firm;<br>• Selecting, overseeing, evaluating, funding (including pre-approval of all services, whether audit and non-audit) and promoting the continuing independence of independent registered public accounting firm;<br>• Monitoring the adequacy and effectiveness of accounting and financial controls, including internal control over financial reporting;<br>• Reviewing the audited financial statements and quarterly unaudited financial information and discussing them with management and the independent registered public accounting firm;<br>• Overseeing policies and processes relating to compliance, legal and regulatory risks that could have a significant impact on the Company's financial statements;<br>• Establishing procedures for receiving and reviewing accounting-related complaints and concerns by whistle blowers;<br>• Reviewing and monitoring compliance with risk management and investment policies;<br>• Reviewing and pre-approving related person transactions; and<br>• Reviewing and monitoring compliance with our Code of Conduct and recommending changes to our Code of Conduct to our Board as appropriate. | |

Our Board has determined that each Audit Committee member has the necessary level of financial literacy required to enable him or her to serve effectively on the Audit Committee. Our Board has further determined that each Audit Committee member qualifies as an "audit committee financial expert" in accordance with SEC rules and satisfies the professional experience requirements under Nasdaq rules. 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 Audit Committee and our Board and such designation does not affect the duties, obligations or liability of any other member of the Audit Committee or our Board. None of the members of the Audit Committee currently serve on the audit committees of more than two other public companies.

Under our 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 Audit Committee's duties. The Audit Committee may also form subcommittees and delegate its authority to those subcommittees as it deems appropriate.

| Compensation Committee | Duties and Responsibilities | Meetings in 2020: 8 |
|---|---|---|
| Jana R. Schreuder *(Chair)*<br>E. Carol Hayles<br>Karthik Rao | • Reviewing and overseeing the Company's overall compensation philosophy;<br>• Overseeing the development and implementation of our compensation programs, policies and practices aligned with the Company's business strategy;<br>• Overseeing and making recommendations to our Board with respect to the adoption, amendment or termination of incentive compensation, equity-based and other executive and director compensation and benefit plans, policies and practices;<br>• Evaluating the performance of, and reviewing and approving (or recommending to our Board) the compensation of, our CEO and other executive officers;<br>• Reviewing and making recommendations to management regarding general compensation goals and guidelines for employees and criteria by which employee bonuses are determined;<br>• Selecting, overseeing, evaluating, funding and promoting the continuing independence of independent compensation consultant;<br>• Reviewing the Company's compensation policies and practices for all employees;<br>• Reviewing and approving proposals regarding the advisory votes on executive compensation and the frequency of such votes to be included in the Company's annual proxy statement;<br>• Reviewing issues concerning legal compliance and maintenance of the Company's employee benefit plans;<br>• Reviewing the Company's incentive compensation arrangements to determine whether they encourage excessive risk-taking and reviewing and discussing the relationship between risk management policies and practices and compensation; and<br>• Acting as administrator of our stock and cash incentive 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 Compensation 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 NEOs is contained in "Compensation Discussion and Analysis" below.

| Nominating and Governance Committee | Duties and Responsibilities | Meetings in 2020: 8 |
|---|---|---|
| Steven Aldrich *(Chair)*<br>Tina Perry (effective February 27, 2021)<br>Georganne C. Proctor<br>Mary S. Zappone | • Assisting our Board by identifying prospective director nominees to fill vacancies and recommending to our Board the director nominees for the next annual meeting of stockholders;<br>• Reviewing and recommending to our Board, any appropriate changes to our Corporate Governance Guidelines and our Director Nomination Policy;<br>• Reviewing proposed changes to the Company's charter and bylaws and making recommendations for any such changes to our Board;<br>• Evaluating the performance and effectiveness of the committees and our Board;<br>• Evaluating Board and committee size, composition and structure and recommending changes to our Board;<br>• Recommending to our Board any changes to non-employee director compensation;<br>• Administering and applying the stock ownership guidelines adopted by our Board that are applicable to all non-employee directors;<br>• Overseeing director orientation and education;<br>• Monitoring compliance with independence standards by the directors;<br>• Overseeing succession planning for our Board, the CEO and other senior management;<br>• Overseeing the Company's corporate culture and diversity, equity and inclusion programs;<br>• Monitoring and periodically reporting to our Board, any significant developments in the law and practice of corporate governance; and<br>• Considering stockholder nominees for election to our Board as described below under "Director Nomination Process and Qualification Overview of Directors." | |

Under the terms of the Nominating and Governance Committee Charter, the Nominating and Governance Committee is authorized to engage independent advisors, at the Company's expense, to advise the Committee on any matters within the scope of the Nominating and Governance Committee's duties. The Nominating and Governance Committee may also form subcommittees and delegate its authority to those subcommittees as it deems appropriate.

## Leadership Structure

The leadership structure of our Board consists of the independent Chair, Georganne C. Proctor and the chairs of each of the principal committees of our Board. Our Bylaws require that the Chair position be held by an independent director. Our Board believes that the current leadership structure is appropriate for the Company because it balances the operational and day-to-day management leadership of the Chief Executive Officer with the independent oversight provided by the independent Chair of the Board, who coordinates closely with the independent chairs of each of the principal committees of our Board. This structure ensures that oversight of risk management and the Company's management is distributed among multiple independent directors. Our Board currently believes that this distribution of oversight is the best method of ensuring optimal Company performance and risk management.

## Board Evaluation Process

Our Board recognizes that a rigorous evaluation process is an essential component of strong corporate governance practices and promoting ongoing Board effectiveness. Consistent with best practice, our Corporate Governance Guidelines and each of the committees' charters, the Nominating and Governance Committee oversees the annual evaluation of the performance of our Board and the committees, with the independent Chair maintaining a substantial role in facilitating discussion among our Board and the committees. In addition, our Board engages an external evaluator to facilitate our Board and committee evaluation process at least once every three years.

As part of our Board evaluation process, our Board reviews the following:

- Performance of our Board, including areas where our Board feels it functions effectively and areas where our Board believes it can improve;
- Overall composition of our Board, including director tenure, board leadership, diversity and individual skill sets;
- General board best practices, including oversight responsibilities;
- Culture to promote candid discussion within our Board and with senior management;
- Focus on risk management and strategic matters, including evaluation of transactions, emerging technologies and challengers, regulatory and legal developments, market factors and other risks facing the Company; and
- Ability to ensure the Company is positioned for future success and serves the best interests of our stockholders.

Additionally, our Board reviews matters including its relationship with management, its meeting schedule and the structure, compensation, culture and roles and responsibilities of our Board. The committees are evaluated on matters including their meeting schedule, membership composition, culture, relationship with management and roles and responsibilities. Our Board and committee evaluation framework and process is conducted and reviewed annually, and provides valuable insight as our Board and Nominating and Governance Committee evaluate the director selection process and succession planning, including the identification and optimization of current directors' (or potential directors') skills and experiences that would enable our Board to enhance its effectiveness.

As part of the two-part annual evaluation process involving the full Board evaluation and committee evaluations, our Board responds to a comprehensive written questionnaire designed to provide a holistic evaluation of the performance of our Board and each committee in light of the current needs of our Board and the Company. To protect anonymity and the integrity of the evaluation process, responses to our Board and committee surveys are collected through a third-party platform on an anonymous basis, and the third-party platform compiles each completed evaluation into a report, which is then provided to the Chair of the Board and each committee chair. Each report, including evaluation results and specific areas of focus for each committee and our Board itself, is then presented to each committee and then to our full Board, in executive session to encourage candid discussion and feedback and specific areas are discussed where our Board and each committee would like to focus to enhance its effectiveness. After receiving feedback from the Chair on any action items resulting from our Board discussion, the Chair of the Board and the Nominating and Governance Committee utilize the results of the evaluations and discussions when developing workplans, formulating succession plans and preparing board candidate evaluations for the upcoming year and thereafter. The Chair of the Board also conducts separate, one-on-one discussions with each director to collect additional feedback or perspectives that were not captured as part of the aforementioned two-part evaluation process.

In connection with its 2020 evaluation, our Board conducted an assessment of whether our Board had an appropriate committee composition and appropriate delegation to fulfill responsibilities efficiently, as well as an evaluation of our Board's interactions with and succession plans for certain executives. The 2020 evaluation process further informed our Board regarding succession planning and Board and committee composition, including enhancement of director skills, experience and qualifications through director education and Board and committee appointments to meet the current and anticipated needs of the business.

## Risk Management

Our Board, directly and through its various committees, has oversight responsibility for managing risk, and management is responsible for the Company's day-to-day enterprise risk management activities. Our Board regularly receives reports from senior management on areas of our material risk, including our credit, liquidity, operational, cybersecurity, compliance and legal and regulatory risks, and regularly devotes time during its meetings to review and discuss our most significant risks, management's responses to those risks and the mitigation of those risks. On a periodic basis, the status of various enterprise risks, along with their associated mitigation plans, is presented to our Board and/or Audit Committee. Recent risks that our Board and/or Audit Committee have focused on include cybersecurity risks as well as market impacts and other risks driven by the COVID-19 outbreak, the derecho in Iowa on August 10, 2020 and the Internal Revenue Service's errors in disbursing Economic Impact Payments and its subsequent disparate treatment of our Tax Preparation business.

In fulfilling its oversight role, our Board generally focuses on the adequacy of the Company's risk management and mitigation processes. Our Board engages with the Company's Chief Executive Officer, Chief Financial Officer and Chief Legal, Development and Administrative Officer, along with other members of management, to determine the Company's risk tolerance and endeavors to ensure that management identifies, evaluates and properly manages and mitigates the overall risk profile of the Company. Our Board also directly oversees the Company's policies and processes relating to cybersecurity risks.

In addition to the discussion and oversight of risk at the Board level, our Board's standing committees also focus on risk exposure as part of their ongoing responsibilities:

| Committee of Our Board | Areas of Risk Oversight |
|---|---|
| **Audit Committee** | • Oversees and discusses with management our policies and practices with respect to risk assessment and risk management, including management's process for the identification, evaluation and mitigation of enterprise risks. |
| | • Responsible for the oversight of the Company's policies and processes relating to compliance, legal and regulatory risks. |
| | • Reviews major financial risk exposures and the steps management has taken to monitor and control such exposures. |
| **Compensation Committee** | • Oversees the management of risks relating to our executive and non-executive compensation plans and arrangements, including assessments of the relationship among the Company's risk management policies and practices, corporate strategy and compensation policies and practices. |
| | • Conducts an annual risk assessment related to our compensation programs. |
| **Nominating and Governance Committee** | • Responsible for reviewing the Company's corporate governance policies and practices and making recommendations to our Board that take into account the management of governance-related risk. |
| | • Oversees the director nomination process, succession planning and our Board and committee self-evaluation process. |

While each committee oversees certain risks and the management of such risks, our entire Board is regularly informed through management reports about such risks as well as through committee reports, which include activities of the applicable committee, the significant issues it has discussed and the actions taken by that committee. In addition, our Board believes that each of our Chair and Chief Executive Officer, respectively, provide the appropriate leadership to help ensure effective risk oversight along with our Board and its committees.

## Complaint and Reporting Procedures for Accounting and Auditing Matters

Each of our Financial Information Integrity Policy (the "Financial Information Policy") and our Code of Conduct provides for (1) the receipt, retention and treatment of complaints, reports and concerns regarding accounting and auditing matters and (2) the confidential, anonymous submission of complaints, reports and concerns by employees regarding questionable accounting or auditing matters, in each case relating to the Company and its subsidiaries. Complaints may be made through the Company's internal whistleblower hotline or whistleblower website, each operated by an independent third

party. Complaints received are logged and communicated to the Audit Committee, and then, under the direction and oversight of the Audit Committee, the review and investigation may be delegated to members of management, including the Chief Legal Officer, as appropriate. In accordance with applicable law, the Financial Information Policy, our Code of Conduct and other procedures we use to address complaints prohibit us from taking adverse action against any person submitting a good faith complaint, report or concern. A copy of our Code of Conduct is available on the Company's website at www.blucora.com/governance.

## Corporate Website

The Company's corporate website, located at www.blucora.com, contains information regarding the Company, including information regarding our directors and executive officers and corporate governance documents, such as our Restated Certificate of Incorporation, as amended (our "Charter"), our Bylaws, our Board committee charters, our written policy governing director nominations (our "Director Nomination Policy"), our Code of Conduct (which is applicable to all employees, executive officers and members of our Board) and the governance guidelines adopted by our Board (our "Corporate Governance Guidelines"). The Company uses the corporate website to provide current information to investors, including information on recent developments and upcoming events. 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 (972) 870-6400.

# Director Nomination Process and Qualification Overview of Directors

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

## Director Qualifications

In addition to each director's individual qualifications, including his or her knowledge, skills and experience mentioned below, the Company believes that each of our directors possesses high ethical standards, acts with integrity and exercises careful judgment. Collectively, our directors are knowledgeable and experienced in business, governmental and civic endeavors, further qualifying them for service as members of our Board. Each director nominee is evaluated in accordance with the qualifications set forth in our Corporate Governance Guidelines, our Director Nomination Policy and the other characteristics that we value as part of our corporate culture. We require that directors possess integrity and values and be committed to representing the long-term interests of our stockholders at large. They must also have an inquisitive and objective perspective, practical wisdom, mature judgment and sufficient personal resources such that any director compensation to be received from the Company would not be sufficiently meaningful to impact their judgment in reviewing matters coming before our Board. Finally, they must be able to work compatibly with the other members of our Board and otherwise have the experience and skills necessary to enable them to serve as productive members of our Board. Directors also must be willing to devote sufficient time to carrying out their fiduciary duties and other responsibilities effectively and should be committed to serving on our Board for an extended period of time.

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

- Commitment to our long-term business success consistent with the highest standards of responsibility and ethics;
- A willingness to make, and the financial capability of making, the required investment in our Common Stock in the amount and within the timeframe specified in our stock ownership guidelines for non-employee directors (the "Director Stock Ownership Guidelines");
- The time to conscientiously prepare for, attend and participate in Board and applicable committee meetings;
- No personal or professional commitments that would limit or interfere with the candidate's ability to properly discharge, or which would otherwise conflict with, the candidate's obligations to the Company and its stockholders;
- An established record of professional accomplishment in the candidate's chosen field; and
- No material personal, financial or professional interest of the candidate or any of the candidate's family members, affiliates or associates in any of our competitors that, in the judgment of our Board, would limit or interfere with the candidate's ability to properly discharge, or that would otherwise conflict with, the candidate's obligations to the Company and its stockholders.

In connection with the director nominations for the Annual Meeting, the Nominating and Governance Committee also considered, among other things, each Director Nominee's: (i) knowledge of corporate governance issues coupled with an appreciation of their practical application; (ii) service as a director or executive of a publicly traded company and other board experience; (iii) experience in the financial services or technology sectors; (iv) finance and accounting expertise, including audit, internal controls, risk management and cybersecurity experience; (v) experience in and knowledge of risk assessment and management; (vi) knowledge in the areas of laws and regulations related to regulatory and other key industry issues; (vii) strategic planning skills; (viii) experience in transactional, strategic, financial or corporate matters; (ix) experience in strategic transformations and (x) human capital management.

We believe that each Director Nominee brings a strong and unique background and set of skills to our Board, giving our Board as a whole competence and experience in a wide variety of areas, including market expertise, marketing, technology, risk management, strategic planning, legal, corporate governance and board service, executive management, regulatory and policy development, accounting and finance and operations. For information concerning each Director Nominee's various qualifications, attributes, skills and experience considered important by our Board in determining that such Director Nominee should serve as a director, as well as each Director Nominee's principal occupation, directorships and additional biographical information, please read "Proposal 1—Election of Directors—Director Nominee Information and Qualifications" beginning on page 41.

## Identification of Candidates and Diversity

The Nominating and Governance Committee annually reviews the composition of our Board as a whole and recommends, if necessary, measures to be taken so that our Board reflects the appropriate balance of knowledge, experience, skills, expertise and diversity required for our Board as a whole and contains at least the minimum number of independent directors required by applicable laws and regulations. The Nominating and Governance Committee identifies director nominees in various ways. In identifying and evaluating director nominees, the Nominating and Governance Committee actively seeks individuals who satisfy its criteria for membership on our Board and the Nominating and Governance Committee may solicit ideas regarding possible Board candidates from and consult with members of our Board, Company management, stockholders, advisors to the Company and other individuals likely to possess an understanding of the Company's business and knowledge of suitable candidates, including 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.

In making its recommendations, the Nominating and Governance Committee assesses the requisite skills and qualifications of director nominees and the composition of our Board as a whole in the context of our Board's criteria and needs. Such assessments are consistent with our Board's criteria for membership, including: (i) not less than a majority of directors shall satisfy the Nasdaq independence requirements; (ii) all directors shall possess strong judgment, character, expertise, skills and knowledge useful to the oversight of the Company; (iii) business, governmental, civic or other relevant experience; and (iv) the extent to which the interplay of the director nominee's qualifications and diversity of cultural background, gender, experience and viewpoints with those of other Board members will complement those of other Board members and build a Board that is effective, in light of the Company's business and structure. The Nominating and Governance Committee does not assign specific weights to particular criteria, and no particular criterion is necessarily applicable to all director nominees. In accordance with our Director Nomination Policy, the Nominating and Governance Committee will consider diversity criteria in the context of the perceived needs of our Board as a whole and seek to achieve a diversity of backgrounds and perspectives on our Board, with diversity being broadly construed to mean not only diversity with respect to gender, ethnicity and sexual orientation but also a variety of personal and professional experiences, education, opinions, perspectives and backgrounds. In addition, pursuant to the Nominating and Governance Committee Charter, in its efforts to recruit director candidates, the Nominating and Governance Committee will specifically direct any individuals assisting with recruitment to seek out potential candidates with diversity characteristics, including gender and racial diversity, to ensure that the Nominating and Governance Committee has considered a full array of qualified candidates.

The Nominating and Governance Committee is committed to fostering an environment of diversity and inclusion, including among our Board members and is asked to assess whether our Board is appropriately diverse as part of the annual evaluation of our Board. See the section "Board Skills, Background and Core Competencies" for additional information. In addition to the range of personal and professional experiences, education, opinion, perspectives and background currently represented on our Board, 60% of our Director Nominees at the Annual Meeting are female and/or racially or ethnically diverse, and three of the five female nominees currently serve in a Board leadership position, including as Chair of the Board, which we believe evidences the Nominating and Governing Committee's continued commitment to diversity.

## Director Selection Process

The Nominating and Governance Committee generally re-nominates incumbent directors who continue to satisfy the Nominating and Governance Committee's criteria for membership on our Board, continue to make important contributions to our Board and consent to continue their service on our Board. However, the Nominating and Governance Committee regularly considers the needs of the Company and our Board with respect to directors and if appropriate, the Committee will nominate new directors who best fit those needs.

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

In addition, pursuant to our Director Nomination Policy, any stockholder may recommend a director candidate for nomination 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 Director Nomination Policy. The Committee will evaluate such recommended candidates using the same criteria that it uses to evaluate other candidates. The notice should be sent to the following address:

Nominating and Governance Committee
Blucora, Inc.
c/o Corporate Secretary
3200 Olympus Boulevard, Suite 100
Dallas, Texas 75019

The Nominating and Governance Committee did not receive any recommendations for director candidates for the Annual Meeting from any stockholder.

Stockholders who instead desire to nominate one or more persons for election as a director at an annual meeting of stockholders must comply with the deadlines and other requirements set forth in our Bylaws. ACI, an affiliate of Ancora, has notified the Company that it intends to nominate four director candidates for election at the Annual Meeting.

**OUR BOARD DOES NOT ENDORSE ANY OF ANCORA'S NOMINEES AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" OUR BOARD'S NOMINEES BY USING THE ENCLOSED BLUE PROXY CARD AND DISREGARD ANY MATERIALS, AND DO NOT SIGN, RETURN OR VOTE ON ANY WHITE PROXY CARD, SENT TO YOU BY OR ON BEHALF OF ANCORA.**

## Non-Employee Director Compensation

Non-employee director compensation is overseen by the Nominating and Governance Committee and consists of equity grants and annual cash retainers for Board, committee and chair service. The combination of cash and equity compensation is intended to provide incentives for non-employee directors to continue to serve on our Board, to align the interests of our Board and stockholders and to attract new non-employee directors with outstanding qualifications.

## 2020 Non-Employee Director Compensation

Our Nominating and Governance Committee has periodically engaged one of the Compensation Committee's independent compensation consultants, Meridian Compensation Partners, LLC ("Meridian"), to review director compensation. In December 2018, Meridian conducted a benchmarking analysis of Blucora's non-employee director compensation program as compared to the same compensation peer group used for executive compensation. As a result of this benchmarking analysis, the annual cash retainers paid to our non-employee directors were revised in order to better align our Board's total compensation with the median of its peers. These changes became effective at the 2019 annual meeting of stockholders. The value of the annual equity grant made to the independent Chair of the Board was also increased as a result of this review.

The following table sets forth the annual cash retainers in effect during 2020:

| Group | Annual Retainer Paid to All Non-Employee Directors (including Chair) | Annual Chair Retainer |
|---|---|---|
| Board of Directors | $ 50,000 | $ 50,000 |
| Audit Committee | $ 10,000 | $ 25,000 |
| Compensation Committee | $ 7,500 | $ 15,000 |
| Nominating and Governance Committee | $ 5,000 | $ 12,250 |

In 2020, we granted the following equity awards to our directors: (i) an initial grant of time-based restricted stock units ("RSUs") to all newly elected or appointed non-employee directors, (ii) an annual grant of time-based RSUs to all non-employee directors, including all newly elected or appointed directors and (iii) an additional annual grant of time-based RSUs to the Chair of the Board. The number of RSUs granted was based on a set dollar amount, with the specific number of RSUs granted based on the price of our Common Stock on the date of the grant.

The following table sets forth our equity grants made to directors during 2020 (in dollars):

| Initial and Annual Equity Awards | $ Value of Award |
|---|---|
| Initial equity grants to all newly elected or appointed non-employee directors[1] | $150,000 |
| Annual equity grants to all non-employee directors, including newly elected or appointed directors[2] | $125,000 |
| Additional annual equity grant to Chair of the Board[2] | $ 50,000 |

(1) Initial equity grants vest in three equal annual installments beginning on the first anniversary of the applicable election or appointment date.

(2) Annual grants are made on the date of the annual meeting of stockholders and vest in full on the earlier of the first anniversary of the grant date or the date of the Company's next annual meeting of stockholders, provided that the grantee continues to be a member of our Board on such date. In the case of a newly appointed director who was not appointed on the date of the annual meeting of stockholders, a pro rata portion of the annual grant amount was awarded based on the date of appointment.

The Company reimburses all directors for expenses incurred in connection with 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 fiscal year 2020 compensation paid or awarded to each non-employee director that served during any part of 2020 pursuant to the director compensation program described above. Effective January 30, 2020, Mr. Walters was appointed as our President and CEO. Upon such appointment, Mr. Walters resigned from his positions as a member and Chair of the Compensation Committee in accordance with Nasdaq rules and no longer receives compensation for his services as a director. Any annual retainer fees he received for serving as a director in January 2020 are shown in the Summary Compensation Table below. John Clendening did not receive compensation for his services as a director during 2020 prior to his departure since he was also serving as our President and CEO at such time. See "Compensation of Named Executive Officers—Summary Compensation Table" beginning on page 86 for information concerning the compensation paid to Messrs. Walters and Clendening during 2020.

| Current Directors[1] | Annual Retainer Fees (Earned or Paid in Cash) | Stock Awards[2][3] | Total |
|---|---|---|---|
| Steven Aldrich | $ 67,875 | $125,000 | $ 192,875 |
| Mark Ernst | $ 49,950 | $303,375 | $ 353,325 |
| E. Carol Hayles | $ 75,668 | $125,000 | $ 200,668 |
| John MacIlwaine | $ 60,000 | $125,000 | $ 185,000 |
| Georganne C. Proctor | $106,271 | $175,000 | $ 281,271 |
| Karthik Rao | $ 19,694 | $241,500 | $ 261,194 |
| Jana Schreuder | $ 47,868 | $303,375 | $ 351,243 |
| Mary S. Zappone | $ 80,584 | $125,000 | $ 205,584 |

(1) Certain directors elected to defer all or a portion of their retainer fees and stock awards for 2020. See "Deferral of Board Annual Retainers and Equity Awards" below. Ms. Perry joined our Board effective February 27, 2021 and, therefore, is not included in this table.

(2) The dollar amount for stock awards (which consist of RSUs) is the grant date fair value computed in accordance with Accounting Standards Board Accounting Standards Codification Topic 718, Compensation - Stock Compensation ("ASC Topic 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 awards granted in 2020 are discussed in "Note 12: 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, 2020.

(3) The vesting for initial RSU grants and annual RSU grants is described above.

All director equity grants that were made in 2020 were awarded under the Company's 2018 Long-Term Incentive Plan (the "2018 Plan"). Stock awards consist of RSUs, with each RSU representing the right to receive one share of our Common Stock upon vesting. The following table sets forth information concerning the aggregate number of equity awards outstanding for each of our non-employee directors as of December 31, 2020.

| Directors as of December 31, 2020[1] | Aggregate Number of Unvested RSUs[2] | Aggregate Number of Options[3] | |
|---|---|---|---|
| | | Unvested | Vested and Unexercised |
| Steven Aldrich | 11,061 | — | — |
| Mark Ernst | 21,311 | — | — |
| E. Carol Hayles | 12,330 | — | — |
| John MacIlwaine | 12,330 | — | — |
| Georganne C. Proctor | 15,486 | — | — |
| Karthik Rao | 20,157 | — | — |
| Jana Schreuder | 21,311 | — | — |
| Mary S. Zappone | 11,061 | — | 28,822 |

(1) Effective January 30, 2020, Mr. Walters was appointed as our President and CEO, while continuing as a member of our Board as an employee director. Upon such appointment, Mr. Walters resigned from his positions as a member and Chair of the Compensation Committee in accordance with Nasdaq rules. As an NEO for 2020, Mr. Walter's outstanding equity (including such awards as were received while serving on our Board) are reflected in the Outstanding Equity Awards at Fiscal Year End table on page 89.

(2) Does not reflect vested shares that the director has elected to defer under the terms of the Director Deferral Plan as shown below.

(3) Prior to May 2017, equity grants made to non-employee directors consisted of options and RSUs.

## Director Stock Ownership Guidelines

Our Board has adopted stock ownership guidelines that are applicable to all non-employee directors, and the Nominating and Governance Committee is responsible for administering and applying these guidelines. Our Director Stock Ownership Guidelines require that all non-employee directors acquire and hold shares of our Common Stock equal in market value to at least five times (5x) the value of the annual retainer paid to non-employee directors (excluding the additional retainers for the Chair of the Board, committee members and the chairs of our Board's committees). As described above, the amount of this retainer was $50,000 for 2020, and accordingly, non-employee directors were expected to hold shares with a market value of at least $250,000.

Under the Director Stock Ownership Guidelines, the non-employee directors who were members of our Board on January 1, 2018 were expected to attain the minimum ownership amount by no later than June 1, 2020. Non-employee directors who joined our Board after January 1, 2018 are expected to attain the minimum ownership amount within five years after the date of their initial appointment or election to our Board. As of December 31, 2020, all of our non-employee directors were in compliance with the applicable ownership guidelines or otherwise expected to achieve the requisite ownership levels within the requisite timeframe.

## Deferral of Board Annual Retainers and Equity Awards

On January 1, 2019, the Company implemented the Blucora Director Tax-Smart Deferral Plan (as amended and restated, the "Director Deferral Plan"). The Director Deferral Plan is a non-qualified deferred compensation arrangement that allows each of the Company's non-employee directors to defer a portion of their annual retainers and annual equity awards. Participants may elect to defer at least 5%, and up to 100%, of their annual retainers and at least 20% (rounded to the nearest whole share of Common Stock), and up to 100%, of their annual equity grants, respectively, to the Director Deferral Plan. Participants direct the investment of their accounts, at market rates, among the available investment options, which are selected our Board (or a committee thereof) in its sole discretion. The Director Deferral Plan offers automatic lump sum distributions upon death or disability. Each participant may elect to receive lump sum or installment distributions upon separation from service or on such other dates certain that a participant may elect. Such elections are made at the time such participant elects to defer compensation for a specific year. Participant distributions payable upon separation from service will be delayed for six months. The assets of the Director Deferral Plan are held in a rabbi trust. In 2020, four of our directors elected to participate in the Director Deferral Plan while they were non-employee directors of the Company. The following table reflects information regarding each participating director in the Director Deferral Plan for 2020.

| Name | ANNUAL CASH RETAINER<br>Director Contributions in Last Fiscal Year ($) | Registrant Contributions in Last Fiscal Year ($) | Aggregate Earnings in Last Fiscal Year ($) | Aggregate Withdrawals/ Distributions in Last Fiscal Year ($) | Aggregate Balance at Last Fiscal Year-End ($) | EQUITY<br>RSUs (#)[1] |
|---|---|---|---|---|---|---|
| Steven Aldrich[2] | — | — | — | — | — | 15,033 |
| E. Carol Hayles[3] | $75,668 | — | $12,321 | — | $155,945 | 15,033 |
| Georganne C. Proctor[4] | — | — | — | — | — | 20,946 |
| Christopher W. Walters[5] | — | — | — | — | — | 3,972 |

(1) Reflects the total number of RSUs that the director has elected to defer under the Director Deferral Plan as of December 31, 2020.

(2) As of December 31, 2020, 3,972 of the RSUs that Mr. Aldrich has elected to defer under the Director Deferral Plan had vested and 11,061 had not yet vested.

(3) As of December 31, 2020, 3,972 of the RSUs that Ms. Hayles has elected to defer under the Director Deferral Plan had vested and 11,061 had not yet vested.

(4) As of December 31, 2020, 5,460 of the RSUs that Ms. Proctor has elected to defer under the Director Deferral Plan had vested and 15,486 had not yet vested.

(5) Reflects 3,972 deferred and vested RSUs granted to Mr. Walters for his service as a Board member that were deferred by Mr. Walters prior to his appointment on January 30, 2020 as the Company's President and CEO.

## Retirement Benefits from Blucora

The non-employee directors of our Board are not provided health, retirement or pension benefits.

## Stockholder Engagement

## Ongoing Engagement

We believe it is important to have regular and meaningful engagement with our stockholders and understand their perspectives on corporate governance, executive compensation and other issues that are important to them. We welcome the opportunity to engage with our investors to obtain their insights and feedback on matters of mutual interest. Our Board's and management's commitment to understanding the interests and perspectives of our stockholders is a key component of our corporate governance strategy and compensation philosophy.

The Company has a robust stockholder engagement program in place that is designed to have several touchpoints throughout the year in order to create multiple opportunities to solicit feedback:

| Season | Engagement Focus |
|---|---|
| **Spring** | The Company releases its proxy statement with respect to its upcoming annual meeting and extends invitations to its largest institutional investors to discuss their perspectives, including the matters to be voted on at the upcoming annual meeting. |
| **Summer** | Management reports to our Board on the results of the annual meeting and investor feedback generally, which helps identify the key topics on which to engage stockholders through the end of the year. |
| **Summer/Fall/Winter** | Our Board and management determine key topics on which to engage stockholders based on Board discussions and begin engagement. |

In addition, throughout the year, we participate in investor conferences and other formal events, as well as meet with analysts to share our perspectives and to solicit their feedback on our performance. Feedback received from these events and meetings is provided to our Board on an ongoing basis.

## 2020 Stockholder Engagement Outcomes

During 2020, we engaged with many of our investors, resulting in substantive engagements. These meetings focused on a number of topics, including the following: Board and executive team composition, corporate governance disclosures, our COVID-19 response, the Board's oversight of ESG topics including human capital management and diversity and inclusion, sustainability-related disclosures and executive compensation.

Our Board carefully considers feedback from stockholders, and we have incorporated the feedback received during these discussions into our governance practices and disclosures. Some of the actions we have recently taken that have been informed by stockholder feedback include:

- ✓ Addition of three new independent directors in 2020 with specific skills highly relevant to our business, including tax preparation, wealth management, digital marketing and data analytics;
- ✓ Commencement of a search for a fourth new director, which resulted in the February 2021 appointment of Ms. Perry, who has turnaround and transformation experience;
- ✓ Enhancements to our governance disclosures, including director skills, director onboarding, stockholder engagement and the Company's COVID-19 response; and
- ✓ Enhancements to our social and environmental responsibility disclosures, including regarding the Company's diversity and inclusion program.

## Communication with Our Board

We believe communication between our Board and our stockholders and other stakeholders is an important part of corporate governance. Stockholders and other stakeholders who wish to communicate with our Board, or with any individual member of our Board, may do so by sending such communication in writing to the following address with a request to forward the communication to the intended recipient:

Blucora, Inc.
3200 Olympus Boulevard, Suite 100
Dallas, Texas 75019
Attention: Corporate Secretary

The Corporate Secretary will generally forward communications to the intended recipient. However, the Corporate Secretary reserves the right not to forward any material that is inappropriate. Spam junk mail, mass mailings, service complaints, service inquiries, new service suggestions, resumes and other forms of job inquiries, surveys, business solicitations and advertisements or requests for donations and sponsorships will not be forwarded. In addition, employees may communicate with our Board through, among other processes, the Company's internal whistleblower hotline process administered under our Code of Conduct.

## Leadership Changes

In January 2020, we announced the departures of our President and Chief Executive Officer and of our Chief Financial Officer. Effective January 30, 2020, our Board appointed Christopher W. Walters, who has served on our Board since 2014, as President and Chief Executive Officer, with Mr. Walters continuing to serve on our Board. After considering and interviewing candidates selected with the assistance of an executive search firm, our Board chose Mr. Walters to lead the Company because of his digital marketing expertise, his turnaround experience and his deep knowledge of the Company and its management team. Our Board believed Mr. Walters's background and experience would help drive the next phase of the Company's growth, while creating stockholder value and fostering a strong culture and work environment for our employees. Moreover, given his familiarity with the Company and its management team, our Board was confident that Mr. Walters would be well-positioned to quickly update and immediately implement the Company's strategy and achieve results.

In April 2020, our Board appointed Marc Mehlman as Chief Financial Officer, and the Company announced a series of additional organizational changes that resulted in a comprehensively refreshed senior leadership team. The Company also began to implement operational changes that were aimed at maximizing efficiencies at each of the businesses, while driving further revenue growth and better positioning Blucora to operate more effectively through the COVID-19 crisis.

Due to ongoing arbitration proceedings brought by our former President and Chief Executive Officer against the Company, Mr. Clendening has declined to return a completed questionnaire containing information needed by the Company to prepare this Proxy Statement.

# PROPOSAL ONE
# ELECTION OF DIRECTORS

## Introduction

Each member of our Board is up for election at each annual meeting of stockholders and, if elected, will hold office for a one-year term expiring at the next annual meeting. Directors hold office until their successor is duly elected and qualified or until their earlier death, resignation or removal. If a director retires, resigns or is otherwise unable to serve before the end of his or her one-year term, our Board may appoint a director to fill the remainder of such term, reduce the size of our Board or leave the position vacant.

Our Bylaws provide that an election is considered "contested," and will be held under a plurality vote standard, if the Secretary of the Company receives a notice that a stockholder has nominated a person for election to our Board in compliance with the advance notice requirements for stockholder nominees set forth in our Bylaws, and such nomination has not been withdrawn by such stockholder on or prior to the tenth day preceding the date on which the Company first delivered the notice of the annual meeting to stockholders.

On February 10, 2021, ACI provided notice to the Secretary of the Company that ACI intends to nominate four director candidates for election at the Annual Meeting, and this notice was not withdrawn prior to the time mentioned in the immediately preceding paragraph. As a result, the election of directors at the Annual Meeting will be conducted under a plurality vote standard.

**OUR BOARD DOES NOT ENDORSE ANY OF ANCORA'S NOMINEES AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" OUR BOARD'S NOMINEES BY USING THE ENCLOSED BLUE PROXY CARD AND DISREGARD ANY MATERIALS, AND DO NOT SIGN, RETURN OR VOTE ON ANY WHITE PROXY CARD, SENT TO YOU BY OR ON BEHALF OF ANCORA.**

## Director Nominee Information and Qualifications

The 10 directors identified below have been nominated by our Board, at the recommendation of the Nominating and Governance Committee, for election at the Annual Meeting to serve for a one-year term ending at our 2022 Annual Meeting, until their successors are duly elected and qualified, or until their earlier death, resignation or removal. The Nominating and Governance Committee and our Board believe that each of our Director Nominees brings a strong and distinct set of perspectives, experiences and skills to Blucora. The Nominating and Governance Committee and our Board believe that if our Board is comprised of these nominees, our Board will be effective and well-functioning and have an optimal balance of experience, leadership, competencies, qualifications and skills in areas of importance to Blucora and the Company's stockholders.

Our Board has affirmatively determined that each of our Director Nominees, excluding Mr. Walters who also serves as our President and Chief Executive Officer, qualifies as an independent director under Nasdaq listing rules. None of our Director Nominees is being elected pursuant to any arrangement or understanding between any Director Nominee and any other person or persons. For further information on the process for director nominations and criteria for selection of Board nominees, see "Information Regarding Our Board of Directors—Director Nomination Process and Qualification Overview of Directors" beginning on page 34.

**OUR BOARD UNANIMOUSLY RECOMMENDS VOTING "FOR" THE ELECTION OF EACH OF OUR BOARD'S NOMINEES ON THE ENCLOSED BLUE PROXY CARD.**

| Name of Director Nominee | Age | Position(s) with Blucora | Director Since |
|---|---|---|---|
| Georganne C. Proctor | 64 | Chair of the Board | 2017 |
| Steven Aldrich | 51 | Director | 2017 |
| Mark A. Ernst | 62 | Director | 2020 |
| E. Carol Hayles | 60 | Director | 2018 |
| John MacIlwaine | 51 | Director | 2018 |
| Tina Perry | 48 | Director | 2021 |
| Karthik Rao | 47 | Director | 2020 |
| Jana R. Schreuder | 62 | Director | 2020 |
| Christopher W. Walters | 46 | Director, President and CEO | 2014 |
| Mary S. Zappone | 56 | Director | 2015 |

## Georganne C. Proctor

**Former CFO of TIAA-CREF**

**Chair of the Board**

**Director Since**: 2017

**Age**: 64

**Independent**: Yes

**Standing Board Committees**:
Nominating and Governance Committee

**Outside Public Company Directorships**:
Sculptor Capital Management, Inc. (2011–Present)
Redwood Trust, Inc. (2006–Present)
SunEdison, Inc. (2013–2017)
Kaiser Aluminum Corporation (2006-2009)
Bechtel Group, Inc. (1999–2002)

### *Executive Experience:*

Ms. Proctor has served as a director since 2017 and as Chair since July 2019. Ms. Proctor is the former Chief Financial Officer of TIAA-CREF, a national financial services organization, a position she held from 2006 to 2010. From 2003 to 2005, Ms. Proctor was Executive Vice President, Finance of Golden West Financial Corporation. She served as Chief Financial Officer of Bechtel Group, Inc. from 1997 to 2002 and as a director of Bechtel from 1999 to 2002. Since 2006, Ms. Proctor has been a director of Redwood Trust, Inc., a NYSE listed company, where she currently is chair of the compensation committee and a member of the audit committee. From 2013 until 2017, she was a director of SunEdison, Inc., which was listed on the NYSE. From 2006 to 2009, she served on the board of directors of Kaiser Aluminum Corporation, a Nasdaq listed company, where she was also a member of the audit committee and compensation committee. Since 2011, Ms. Proctor has also served on the board of directors of Sculptor Capital Management Inc. (formerly named Och-Ziff Capital Management Group), a NYSE listed company, where she is the chair of the audit committee. Ms. Proctor holds a B.S. in Business Management from the University of South Dakota and an M.B.A. from California State University at Hayward.

### *Relevant Skills and Qualifications:*

✓ **Wealth Management**
✓ **Audit / Finance / Risk**
✓ **Legal / Regulatory**
✓ **Public Company Board Experience**
✓ **Executive Leadership**

Ms. Proctor has experience in the wealth management and financial institutions sectors, having served in senior leadership roles for two large financial services firms.

She also has significant financial and accounting experience and has worked closely with boards and board committees throughout her career, including as a chief financial officer. This experience provides her with a thorough understanding of capital allocation considerations, public company reporting obligations, Sarbanes-Oxley compliance and planning and treasury and liquidity management.

Furthermore, her service on the audit and compensation committees of other public companies gives her a strong background in the oversight of financial and corporate governance matters. Ms. Proctor's extensive experience, particularly as an executive and board member within the financial sector, allows her to provide valuable guidance and knowledge to our Board and enable her to lead effectively in her capacity as Chair. Ms. Proctor also currently serves as a member of the Nominating and Governance Committee, where she contributes significantly to the oversight responsibilities on matters relating to board and corporate governance.

## *Steven Aldrich*

**Former Chief Product Officer, GoDaddy Inc.**

**Director Since**: 2017

**Age**: 51

**Independent**: Yes

**Standing Board Committees**:
Nominating and Governance Committee (Chair)

**Outside Public Company Directorships**:
Xero Ltd. (2020–Present)

### *Executive Experience:*

Mr. Aldrich has served on the board of directors and People and Remuneration Committee of Xero Limited (ASX: XRO), a leader in cloud accounting focused on small businesses, since October 2020. Mr. Aldrich has also served as the Chair at Oakland Roots Sports Club, a professional soccer team, since March 2019. Mr. Aldrich previously served as the Chief Product Officer at GoDaddy, Inc., a cloud-based solutions provider and domain registrar, from January 2016 through February 2019 and as Senior Vice President, Business Applications beginning in July 2012. Before joining GoDaddy in 2012, Mr. Aldrich served in various senior management roles at Intuit, Inc., a business and financial software company, from 1996 through 2008, including Vice President of Strategy and Innovation for the small business division. Mr. Aldrich also served as Chief Executive Officer of Outright Inc., an online bookkeeping and accounting service, from 2011 to 2012, when it was acquired by GoDaddy and as Chief Executive Officer of Posit Science Corporation, a software and services company, from 2008 to 2011. Mr. Aldrich currently serves as President of the Board of the Bay Area Glass Institute, a non-profit organization, and as a member of the Board of Directors of Ruby Receptionists, Inc., a live virtual receptionist and chat company. Mr. Aldrich holds a Bachelor of Arts in Physics from the University of North Carolina and an M.B.A. from Stanford University.

### *Relevant Skills and Qualifications:*

✓ **Tax**
✓ **Digital / Technology / Software**
✓ **Sales / Marketing**
✓ **Human Capital**
✓ **Public Company Board Experience**
✓ **Executive Leadership**

Mr. Aldrich brings extensive product management experience from his years of serving in executive management positions at technology companies focused on serving consumers and small businesses. He has significant experience in operations, strategy, company growth and management and has been a senior executive of consumer and small business software-as-a-service businesses.

Mr. Aldrich also brings to our Board substantive knowledge about a variety of issues related to the Company's business, including innovation and product development related to business software and currently serves as the Chair of the Nominating and Governance Committee, where he contributes significantly to the oversight responsibilities on matters relating to board and corporate governance.

## *Mark A. Ernst*

**Managing Partner at Bellevue Capital LLC**

**Former Executive Vice President and Chief Operating Officer, Fiserv, Inc.**

**Director Since**: 2020

**Age**: 62

**Independent**: Yes

**Standing Board Committees**:
Audit Committee

**Outside Public Company Directorships**:
Great Plains Energy Incorporated (2000–2008)
Knight Ridder, Inc. (2004–2006)
SAIA, Inc. (2001–2004)

### *Executive Experience:*

Mr. Ernst currently serves as the Managing Partner at Bellevue Capital, LLC, a private investment firm, a role he has held since May 2018 as well as during 2008. Prior to joining Bellevue, Mr. Ernst served as Executive Vice President and Chief Operating Officer at Fiserv, Inc., a financial services technology company, from January 2011 to April 2018, where he had oversight responsibility for the major operating businesses and support organizations of the enterprise, with focus on enterprise-wide quality improvement and product management efforts. Mr. Ernst previously served as Deputy Commissioner at the Internal Revenue Service from January 2009 to November 2010. Mr. Ernst served in various executive roles at H&R Block, Inc., including as Chairman, President and Chief Executive Officer from 2001 to 2007 and as Chief Operating Officer from 1998 until 2000. Prior to joining H&R Block, Mr. Ernst served in various executive roles at American Express Company. Mr. Ernst currently serves as the Chairman of the board of directors of the Financial Health Network, a consumer-focused financial services advocacy organization, and is a director and officer of the Ernst Family Foundation. He previously served on the boards of Great Plains Energy Incorporated (formerly: GXP), Knight-Ridder Inc. (formerly: KRI) and SAIA, Inc. (Nasdaq: SAIA). Mr. Ernst received Bachelor's degrees in finance and accounting from Drake University, where he is a member of the Board of Trustees, and an M.B.A. from the University of Chicago Booth School of Business, where he has served on its Advisory Board.

### *Relevant Skills and Qualifications:*

✓ **Wealth Management**
✓ **Tax**
✓ **Digital / Technology / Software**
✓ **Strategy / Turnaround**
✓ **Audit / Finance / Risk**
✓ **Sales / Marketing**
✓ **Legal / Regulatory**
✓ **Public Company Board Experience**
✓ **Executive Leadership**

Mr. Ernst brings extensive relevant industry and executive leadership experience and knowledge to our Board, having spent over 30 years in the financial services industry, including in the tax preparation business, as well as operational, capital allocation and strategy development experience. Mr. Ernst also has significant experience leading merger and acquisition processes.

Mr. Ernst has also overseen financial and accounting matters, including during his service as a public company Chief Executive Officer and as the audit committee chair of a public company board, which qualifies him as an "audit committee financial expert."

Mr. Ernst's extensive familiarity with the wealth management and technology sectors, coupled with his experience serving on various public company boards, allows him to provide valuable insight and experience to bolster our Board's and the Audit Committee's oversight of the Company's audit and risk management functions.

## *E. Carol Hayles*

**Former CFO, CIT Group, Inc.**

**Director Since**: 2018

**Age**: 60

**Independent**: Yes

**Standing Board Committees**:
Compensation Committee
Audit Committee

**Outside Public Company Directorships**:
eBay Inc. (2020–Present)
Webster Financial Corporation (2018–Present)

### *Executive Experience:*

Ms. Hayles is the former Chief Financial Officer of CIT Group Inc., a U.S. bank and global lending and leasing business, a position she held from November 2015 to May 2017. From July 2010 to November 2015, Ms. Hayles was the Controller and Principal Accounting Officer of CIT Group Inc. and was responsible for all financial and regulatory reporting. Prior to joining CIT Group Inc., Ms. Hayles worked at Citigroup Inc. for 24 years in various financial roles, most recently as Deputy Controller, and she began her career at PricewaterhouseCoopers in Toronto, Canada. Ms. Hayles has been a director of Webster Financial Corporation, a NYSE listed company, since 2018, and eBay Inc., a Nasdaq listed company, since 2020. She was a Canadian Chartered Accountant from 1985 to 2009, and she received her BBA from York University in Toronto.

### *Relevant Skills and Qualifications:*

✓ **Strategy / Turnaround**
✓ **Audit / Finance / Risk**
✓ **Legal / Regulatory**
✓ **Public Company Board Experience**
✓ **Executive Leadership**

As a former executive with over 30 years' experience in the financial services industry, Ms. Hayles has significant executive leadership experience, as well as experience in the areas of capital allocation, operations, regulatory compliance, strategy and mergers and acquisitions.

Ms. Hayles also has extensive financial and accounting experience, including as the chief financial officer of a large financial institution and chair of a public company audit committee, which qualifies her as an "audit committee financial expert."

Ms. Hayles currently serves as a member of the Compensation Committee, where she contributes significantly to the compensation strategy of the Company, and as a member of the Audit Committee, where she contributes extensively to the oversight and integrity of our financial statements, internal controls, risk management and ethics and compliance functions.

## *John MacIlwaine*

**Chief Executive Officer of Bay1, Inc.**

**Director Since**: 2018

**Age**: 51

**Independent**: Yes

**Standing Board Committees**: None

**Outside Public Company Directorships**: None

### *Executive Experience:*

Mr. MacIlwaine currently serves as the Chief Executive Officer of Bay1, Inc., a corporation specializing in digital payments. Mr. MacIlwaine served as VP, General Manager at Braintree, a subsidiary of PayPal, Inc. that provides mobile and web payment systems for e-commerce companies, until April 2020. Prior to joining Braintree, he served as Chief Technology Officer of LendingClub Corporation, which operates an online lending marketplace platform, from August 2012 to January 2017. From December 2011 to July 2012, Mr. MacIlwaine served as the Chief Information Officer at Green Dot Corporation, a provider of prepaid financial services. From April 2007 to November 2011, Mr. MacIlwaine served as head of global development at Visa, Inc., a credit card processing company, where he led program management and information services, including web application development, data warehousing, business intelligence and mobile development. Mr. MacIlwaine holds a B.S.E. in computer engineering from the University of Michigan.

### *Relevant Skills and Qualifications:*

✓ **Wealth Management**
✓ **Digital / Technology / Software**
✓ **Strategy / Turnaround**
✓ **Audit / Finance / Risk**
✓ **Executive Leadership**

Mr. MacIlwaine has extensive information technology and financial technology experience from his years of serving in executive management positions in the financial services sector, including with building tools for consumers and protecting sensitive financial data. He has extensive and unique experience in information technology, cybersecurity, operations, strategy, company growth and management.

Mr. MacIlwaine is a former member of the Audit Committee, where he contributed significantly to the review and evaluation of our enterprise risk assessment and risk management goals, particularly in the areas of information technology and cybersecurity.

## *Tina Perry*

**President of Oprah Winfrey Network**

**Director Since**: 2021

**Age**: 48

**Independent**: Yes

**Standing Board Committees**:
Nominating and Governance Committee

**Outside Public Company Directorships**:
None

### *Executive Experience:*

Ms. Perry is the President of OWN: Oprah Winfrey Network, a leading cable channel and media company, where she oversees all operations and creative areas and reports to OWN Chairman and Chief Executive Officer, Oprah Winfrey, and OWN's board of directors. Before being named President in January 2019, Ms. Perry served as Executive Vice President of Business and Legal Affairs for OWN from 2014 to December 2018. Her previous professional experience includes managing business and legal affairs for VH1 and MTV at Viacom from 2004 to 2009 and working as an associate at Cravath, Swaine & Moore LLP in New York, where she focused on corporate matters. Ms. Perry also serves on the OWN Board of Directors, the Paley Center for Media's Los Angeles Board of Governors and the Board of Directors of The Friends of Saban Community Clinic. Additionally, she sits on the California Institute of the Arts Board of Trustees and Stanford University's Cantor Arts Center Advisory Board and vice chair and founding member of The Mistake Room, a non-profit global platform for contemporary art and ideas. Ms. Perry holds a J.D. degree from Harvard Law School, a Master of Science in Comparative Social Policy from the University of Oxford and graduated with Honors from Stanford University.

### *Relevant Skills and Qualifications:*

✓ **Strategy / Turnaround**
✓ **Sales / Marketing**
✓ **Legal / Regulatory**
✓ **Human Capital**
✓ **Executive Leadership**

Ms. Perry has extensive experience driving strategic transformations of large, complex organizations, having been the driving force behind OWN's evolution and transformation into one of the leading media platforms in the United States. As head of the network's operations and creative areas, she has led the expansion into digital media and overseen the network's issue-focused OWN Spotlight programming, which has expanded the reach of the network and enhanced audience engagement. She also brings significant experience in legal, risk and regulatory matters following a career as Executive Vice President, Business and Legal Affairs at OWN, senior counsel for VH1 and MTV at Viacom and as an associate at a leading corporate law firm, Cravath, Swaine & Moore LLP.

Ms. Perry's experience successfully leading turnaround initiatives, fostering healthy organizational cultures and driving growth allow her to contribute significantly to our Board's oversight of strategy and human capital. Ms. Perry serves as a member of the Nominating and Governance Committee, where she is expected to contribute significantly to the oversight responsibilities on matters relating to board and corporate governance.

## *Karthik Rao*

**COO for Nielsen Global Media**

**Director Since**: 2020

**Age**: 47

**Independent**: Yes

**Standing Board Committees**: Compensation Committee

**Outside Public Company Directorships**: None

### *Executive Experience:*

Mr. Rao currently serves as the Chief Operating Officer for Nielsen Global Media, a global provider of data, information and technology to the media and advertising industries, a role he has held since February 2020. Prior to this role, Mr. Rao has held a variety of executive positions within the Nielsen Corporation, a measurement and data analytics company, spanning the United States, Middle East and Asia for Nielsen's Connect and Media businesses where he most recently held the title of Chief Product & Technology Officer for Nielsen Global Media from January 2019 to February 2020. Mr. Rao served as the President of Nielson Portfolio and the Chief Executive Officer of Gracenote, an entertainment data and technology provider, from January 2017 to December 2018. He has also served as the President of Nielsen's Expanded Verticals business from December 2015 to December 2016 and EVP of Nielsen's Digital Enablement from September 2014 to November 2015. Mr. Rao serves on the Diversity Council at Nielsen as the Executive Sponsor of the Asian American Employee Resource Group. Mr. Rao has served as a board member for OpenSlate, a global source of brand safety and contextual analytics for digital video content, since 2019. He also has served as a member of the board for NCSolutions since 2019. Mr. Rao holds a B.A. and an M.A. in Economics from Loyola College, Chennai, India and a M.B.A. in marketing from Illinois State University.

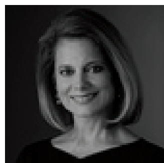
### *Relevant Skills and Qualifications:*

✓ **Digital / Technology / Software**
✓ **Strategy / Turnaround**
✓ **Sales / Marketing**
✓ **Human Capital**
✓ **Executive Leadership**

Mr. Rao has extensive experience in leading technology-driven transformations and leveraging data strategically to support growth. His career in marketing, strategy and analytics has provided him deep insight into consumer behavior. He also is committed to talent development and has led internal employee resource groups.

Our Board believes that Mr. Rao's background in driving product innovation and his deep marketing expertise is highly relevant to our core consumer-facing business and make him a valuable member of our Board. Mr. Rao currently serves as a member of the Compensation Committee, where he contributes significantly to the compensation strategy of the Company.

## *Jana R. Schreuder*



**Former EVP and COO of Northern Trust, Inc.**

**Director Since**: 2020

**Age**: 62

**Independent**: Yes

**Standing Board Committees**:
Compensation Committee (Chair)

**Outside Public Company Directorships**:
The Bank of N.T. Butterfield & Son Limited (2020–Present)
LifePoint Health (2016–2018)

### *Executive Experience:*

Ms. Schreuder is the former Executive Vice President and Chief Operating Officer of Northern Trust Corporation, a financial services company, a position that she held from 2014 to 2018. Ms. Schreuder joined Northern Trust in 1980 and during her tenure held multiple roles as a member of the management team, including service as the President of Wealth Management from 2011 to 2014, as President of Operations & Technology from 2006 to 2011 and as Chief Risk Officer from 2005 to 2006. Since 2008, Ms. Schreuder has served as a member of the board, including her current service as chair of the compensation committee, of Entrust Datacard Group, a privately held hardware and software information security company. From 2016 to 2018, Ms. Schreuder was a member of the board of directors of LifePoint Health, Inc., a rural U.S. healthcare provider which was acquired by affiliates of Apollo Global Management in 2018. Ms. Schreuder is currently a member of the board of directors of The Bank of N.T. Butterfield & Son Limited, a provider of banking, trust and wealth management services in Bermuda, the Cayman Islands and the Channel Islands. Ms. Schreuder also currently serves on the Global Pricing & Membership Committee of Women Corporate Directors and is a member in the New York City Chapter. Ms. Schreuder received her Bachelor of Business Administration degree from Southern Methodist University and a Masters of Management from Northwestern University Kellogg Graduate School of Management.

### *Relevant Skills and Qualifications:*

- ✓ **Wealth Management**
- ✓ **Strategy / Turnaround**
- ✓ **Audit / Finance / Risk**
- ✓ **Legal / Regulatory**
- ✓ **Human Capital**
- ✓ **Public Company Board Experience**
- ✓ **Executive Leadership**

Ms. Schreuder has extensive technology, operations and wealth management experience from her years of serving in executive management positions at Northern Trust Corporation, which provides her with unique experience in technology, product development, operations, strategy, company growth, capital allocation and management.

Ms. Schreuder also has significant experience with wealth management and financial products and has recently obtained a Directorship Certification from the National Association of Corporate Directors.

Ms. Schreuder currently serves as the Chair of the Compensation Committee, where her extensive experience and industry familiarity provides valuable contributions on matters relating to executive compensation and compensation strategy.

## *Christopher W. Walters*

**President, CEO and Director of Blucora, Inc.**

**Director Since**: 2014

**Age**: 46

**Independent**: No

**Standing Board Committees**: None

**Outside Public Company Directorships**: None

### *Executive Experience:*

Mr. Walters has served as our President and Chief Executive Officer since January 30, 2020 and as a member of our Board since 2014. Prior to being appointed President and Chief Executive Officer, Mr. Walters served as a Senior Partner at Activate, Inc., which is a strategy consulting firm serving technology, internet, media, entertainment and sports businesses that he joined in 2019. From 2015 through 2018, Mr. Walters served as the Chief Executive Officer of Encompass Digital Media, Inc., a global technology services business supporting hundreds of leading media companies. Previously, Mr. Walters served as the Chief Operating Officer of The Weather Company, a weather focused media and information services company, from 2012 to 2014. Prior to joining The Weather Company, he served in a variety of leadership roles at Bloomberg L.P. between 2008 and early 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, technology, information services and sport businesses as well as investors in these sectors. Mr. Walters holds a Bachelor of Science from the University of Vermont and an M.B.A. from the University of Chicago.

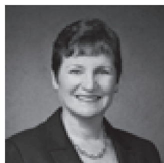
### *Relevant Skills and Qualifications:*

✓ **Wealth Management**
✓ **Tax**
✓ **Digital / Technology / Software**
✓ **Strategy / Turnaround**
✓ **Audit / Finance / Risk**
✓ **Sales / Marketing**
✓ **Legal / Regulatory**
✓ **Executive Leadership**

Mr. Walters has extensive operational and executive management experience from his work as an executive and an advisor to a variety of companies where he has provided leadership and advice in areas of strategy, operations, technology, sales and marketing, including work with technology businesses that are highly relevant to the Company's current operations.

Our Board believes Mr. Walters's experience and knowledge, coupled with his familiarity and oversight of the Company's historical strategic initiatives, provides valuable guidance to our Board and the Company as a technology-enabled, tax-smart financial solutions company while it seeks to meet its strategic growth initiatives.

## *Mary S. Zappone*



**CEO, Brace Industrial Group**

**Director Since**: 2015

**Age**: 56

**Independent**: Yes

**Standing Board Committees**:
Audit Committee (Chair)
Nominating and Governance Committee

**Outside Public Company Directorships**:
None

### *Executive Experience:*

Ms. Zappone has extensive experience as an executive, including serving as Chief Executive Officer of Brace Industrial Group, Inc., an industrial services company, since 2017. Prior to joining Brace in October 2017, she served as President and Chief Executive Officer of Service Champ, a specialty distributor of consumable automotive aftermarket maintenance parts and accessories, from November 2015 to September 2017. Prior to joining Service Champ, she served as President and Chief Executive Officer of RecoverCare LLC, a supplier of healthcare equipment, from May 2011 to February 2015. 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, she has also held other senior-level positions at Tyco International plc, General Electric Company and Exxon Mobil Corporation and worked at McKinsey & Company, where she advised companies in improving operating performance, capital investment and merger and acquisition strategies. Ms. Zappone also serves as a director of Alsco Inc. (formerly known as Steiner). She received a B.S. in Chemical Engineering from Johns Hopkins University and an M.B.A. in Finance at Columbia Business School.

### *Relevant Skills and Qualifications:*

✓ **Strategy / Turnaround**
✓ **Audit / Finance / Risk**
✓ **Executive Leadership**

Ms. Zappone has significant executive leadership experience, including in the areas of operations, capital allocation, strategy, people management, business development and company growth and expansion, as a result of her career as an executive and advisor, including high-level roles at companies that are renowned for their operational excellence.

Additionally, Ms. Zappone has significant knowledge of accounting, capital structures, finance, financial reporting, strategic planning and forecasting and her extensive financial and accounting experience qualifies her as an “audit committee financial expert.”

Ms. Zappone currently serves as the Chair of the Audit Committee, where she contributes significantly to the oversight of the integrity of our financial statements, internal controls, risk management and ethics and compliance functions. Ms. Zappone also serves as a member of the Nominating and Governance Committee, where she contributes significantly to the oversight responsibilities on matters relating to board and corporate governance.

## Additional Information

Our Board currently consists of 10 members. The number of directors may be increased or decreased from time to time by our Board, provided that a reduction in the number of directors may not shorten the term of an incumbent, and our Board may only be composed of not less than six nor more than fifteen directors. Any vacancy occurring on our Board may be filled only by the affirmative vote of a majority of the directors, and any director elected by our Board shall be appointed for a term continuing until the next annual election of directors.

Our Director Nominees have consented to serve as nominees and to be named in this Proxy Statement, and they have agreed to serve as directors if elected by the stockholders. In the event that any Director Nominee 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 our present Board to fill the vacancy. Alternatively, our Board may reduce the size of our Board or maintain such vacancy. It is not expected that any of our Director Nominees will be unable or will decline to serve as a director.

## Vote Required

*Directors will be elected by a plurality of the votes cast, meaning that the 10 nominees receiving the most votes "**FOR**" their election will be elected to our Board. Abstentions and withhold votes have no effect on the outcome of the election of directors. Broker discretionary voting is not permitted, and broker non-votes have no effect on the outcome of the election of directors.*

***OUR BOARD UNANIMOUSLY RECOMMENDS VOTING "FOR" THE ELECTION OF EACH OF OUR DIRECTOR NOMINEES ON THE ENCLOSED BLUE PROXY CARD.***

# PROPOSAL TWO
# RATIFICATION, ON AN ADVISORY (NON-BINDING) BASIS, OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of our Board has appointed Ernst & Young LLP as the Company's independent registered public accounting firm for 2021. Stockholder ratification of the appointment of EY is not required by our Bylaws or other applicable legal requirements. However, our Board considers it desirable for stockholders to pass upon the selection of auditors as a matter of good corporate practice. We are submitting this proposal to our stockholders on an advisory (non-binding) basis, and the outcome of the vote will not be binding on the Company. In the event that the appointment of EY as our independent registered public accounting firm is not ratified by our stockholders at the Annual Meeting, the appointment of EY as our independent registered public accounting firm will be reconsidered by the Audit Committee. Even if the selection is ratified, the Audit Committee in its sole discretion may direct the appointment of a different accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of the Company and its stockholders.

The Audit Committee initially appointed EY as the Company's independent registered public accounting firm in March 2012. Representatives of EY are expected to be present at the Annual 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.

## Vote Required

*This proposal to ratify, on an advisory (non-binding) basis, the appointment of EY as our independent registered public accounting firm for 2021 requires the affirmative vote of a majority of shares of our Common Stock present by means of remote communication or represented by proxy at the Annual Meeting and entitled to vote. An abstention has the same effect as a vote against this proposal. Broker discretionary voting is not permitted if Ancora delivers its proxy materials to your broker, bank or other nominee on your behalf. If Ancora does not deliver its proxy materials to your broker, bank or other nominee on your behalf, your broker, bank or other nominee will be able to vote your shares with respect to this proposal. Broker non-votes will have no effect on the outcome of this proposal.*

***OUR BOARD UNANIMOUSLY RECOMMENDS VOTING "FOR" THE RATIFICATION, ON AN ADVISORY (NON-BINDING) BASIS, OF THE APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2021 ON THE BLUE PROXY CARD.***

# PROPOSAL THREE
# APPROVAL, ON AN ADVISORY (NON-BINDING) BASIS, OF OUR NEO COMPENSATION

## What You Are Being Asked to Approve

We hold advisory (non-binding) votes on the compensation of our NEOs, which are commonly referred to as "say-on-pay" votes, at every annual meeting of stockholders. Our Board values the opinions of our stockholders and believes an annual advisory (non-binding) vote allows our stockholders to provide us with their input on our executive compensation program. We conducted an advisory vote on the frequency of the say-on-pay vote at our 2017 annual meeting of stockholders. Following the recommendation of our stockholders, we will continue to hold our say-on-pay vote on an annual basis. We received very strong approval of our say-on-pay vote at our 2020 annual meeting of stockholders, with 93.7% of our stockholders who voted at the meeting voting for the approval of our compensation framework for our NEOs.

Pursuant to Section 14A(a)(1) of the Exchange Act, we are asking you to approve, on an advisory (non-binding) basis, our NEO compensation for 2020, as disclosed in the "Compensation Discussion and Analysis" section beginning on page 62 and the accompanying compensation tables and related narrative discussion. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the compensation philosophy, policies and practices described in this Proxy Statement. The next stockholder advisory vote to approve executive compensation will be held at our 2022 Annual Meeting.

## Our Compensation Program

We believe that our NEO compensation program described throughout the "Compensation Discussion and Analysis" section of this Proxy Statement aligns the interests of our executives with those of our stockholders. Our compensation program is intended to attract, retain and motivate top-talent executives as leaders and compensate executive officers appropriately for their contribution to the attainment of our financial, operational and strategic objectives. In addition, we believe it is important to strongly align their interests with our stockholders' interests by emphasizing incentive-based compensation and to discourage excessive or inappropriate risk taking.

## Resolution for Advisory Vote to Approve Executive Compensation

Our Board and its committees value the opinions of our stockholders and will carefully consider the outcome of the advisory (non-binding) vote to approve our NEO compensation. However, because this vote is advisory, it is not binding on our Board or its committees. Our Board recommends that our stockholders vote "**FOR**" the following non-binding resolution at the Annual Meeting:

> "RESOLVED, that the compensation of our named executive officers, as disclosed in the proxy statement for our 2021 Annual Meeting of Stockholders pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the compensation tables and the narrative discussion, is hereby APPROVED on an advisory basis."

## Vote Required

*This proposal to approve, on an advisory (non-binding) basis, our NEO compensation requires the affirmative vote of a majority of shares of our Common Stock present by means of remote communication or represented by proxy at the Annual Meeting and entitled to vote. An abstention has the same effect as a vote against this proposal. Broker discretionary voting is not permitted, and broker non-votes have no effect on the outcome of this proposal.*

***OUR BOARD UNANIMOUSLY RECOMMENDS VOTING "FOR" THE APPROVAL, ON AN ADVISORY (NON-BINDING) BASIS, OF OUR NEO COMPENSATION ON THE BLUE PROXY CARD***

# AUDIT COMMITTEE REPORT

## Audit Committee Members

Each member of the Audit Committee is an independent director as defined in the Nasdaq rules, meets the independence criteria in the applicable SEC rules and meets the financial knowledge requirements set forth in the Nasdaq rules. Our Board has determined that Ms. Zappone, Mr. Ernst and Ms. Hayles are "audit committee financial experts" under SEC rules and meet the financial sophistication and professional experience requirements set forth in the Nasdaq rules. The Audit Committee has directed the preparation of this report and has approved its content and submission to the stockholders.

## Principal Purposes and Responsibilities of the Audit Committee

The principal purposes of the Audit Committee are to:

- assist our Board in oversight and monitoring of (i) the Company's accounting and financial reporting processes and audits of the Company's financial statements, (ii) the integrity of the Company's financial statements, (iii) the Company's enterprise risk management and compliance with legal and regulatory requirements, (iv) the Company's independent registered public accounting firm's qualifications, independence and performance, (v) the Company's internal audit function, internal accounting and financial controls, disclosure controls and procedures and internal control over financial reporting and (iv) compliance with our Code of Conduct;
- prepare the report that the rules of the SEC require to be included in the Company's annual proxy statement;
- provide our Board with the results of its monitoring and recommendations derived from such monitoring; and
- provide our Board such additional information and materials as it may deem necessary to make our Board aware of significant financial and compliance matters that require the attention of our Board.

The role and responsibilities of the Audit Committee are fully set forth in the Audit Committee's written charter which was approved by our Board and is available on the Company's website at www.blucora.com/governance.

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, which for 2020 was 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. 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 2020, the Audit Committee:

- Discussed the overall scope and plans for audits with EY;
- Met and held discussions with EY, 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 EY'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;
- Discussed with EY the matters required to be discussed by the applicable requirements of the PCAOB;
- Reviewed and discussed the unaudited and audited financial statements with management and EY, including EY's opinion on the audited financial statements; and
- Received the written disclosures and letter from EY 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 EY its independence. The Audit Committee has received reports from EY and Company management relating to services provided by EY and associated fees. In this regard, the Audit Committee has considered whether or not the provision of non-audit services by EY for the year 2020 is compatible with maintaining the independence of the firm.

In connection with the evaluation, appointment and retention of the independent registered public accounting firm, each year the Audit Committee reviews and evaluates the qualifications, performance and independence of the independent registered public accounting firm and lead partner, including consideration of input from management. In doing so, the Audit Committee considers various factors including, but not limited to: quality of services provided; technical expertise and knowledge of the industry and Blucora's business and operations; effective communication; objectivity; independence; and the potential impact of changing independent registered public accounting firms. Based on this evaluation, the Audit Committee has retained EY as our independent registered public accounting firm for 2021. The Audit Committee and our Board believe that it is in the best interests of the Company and our stockholders to continue retention of EY to serve as our independent registered public accounting firm. Although the Audit Committee has the sole authority to appoint the independent registered public accounting firm, the Audit Committee recommends that our Board request that the stockholders ratify the appointment of the independent registered public accounting firm each year.

Based on the reviews and discussions referred to above, the Audit Committee recommended to our Board that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC.

**Audit Committee of the Board of Directors**

*Mary S. Zappone, Chair*
*E. Carol Hayles*
*Mark A. Ernst*

# FEES PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2020 AND 2019

## Professional Accountant Fees

The aggregate fees billed by the Company's current independent registered public accounting firm, EY, to the Company and its subsidiaries during 2020 and 2019 were as follows:

| | 2020[1] | 2019[2] |
|---|---|---|
| **Audit Fees.** Fees for professional services necessary to perform the annual audit of the Company's consolidated financial statements and internal control over financial reporting, review interim financial statements, review SEC filings, fulfill statutory and other attestation service requirements and provide comfort letters and consents | $ 2,831,808 | $ 2,759,015 |
| **Tax Fees.** Fees for professional services rendered for tax compliance, tax planning and tax advice related to mergers and acquisitions, divestitures and communications with and requests for rulings from taxing authorities | — | 24,452 |
| **Audit-Related Fees.** Fees for assurance and related services, including due diligence related to mergers, acquisitions and divestitures, accounting consultations and audits in connection with acquisitions, internal control reviews, attestation services that are not required by statute or regulation and consultation concerning financial accounting and reporting standards | — | — |
| **All other fees.** Annual license fees for accounting research software products | 7,242 | 6,019 |
| **TOTAL** | $ 2,839,050 | $ 2,789,486 |

(1) The fees and services described above for fiscal 2020 include amounts billed to the Company by EY for additional audit work related to (i) the HKFS acquisition (inclusive of purchase accounting and the enhanced scale and complexity of the combined company), (ii) the enhanced scope of internal control review required following our acquisition of 1st Global in 2019 and (iii) the goodwill impairment recognized related to the Wealth Management reporting unit in the first quarter of 2020.

(2) The fees and services described above for fiscal 2019 include amounts billed to the Company by EY for additional audit work related to (i) our acquisition of 1st Global (inclusive of purchase accounting and the enhanced scale and complexity of combined company), (ii) the HD Vest trade name impairment and (iii) the enhanced scope of initial audit to review certain critical accounting matters.

## Pre-Approval Policy

The Audit Committee pre-approves all audit and non-audit services to be performed by our 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 the independence of registered public accounting firms. The Audit Committee has considered whether the provision by EY of the non-audit services described above is compatible with EY's independence. After consideration, the Audit Committee has determined that EY's independence as a registered public accounting firm has not been compromised by its provision of these services. All audit and non-audit services provided by EY in 2019 and 2020 were pre-approved by the Audit Committee in accordance with the foregoing policy and the applicable SEC rules and regulations.

# TRANSACTIONS WITH RELATED PERSONS

## Policies and Procedures

As set forth in our Corporate Governance Guidelines, the Audit Committee has adopted a written policy relating to the approval of transactions with related parties (such policy, our “Related Party Transaction Policy”). Under our Related Party Transaction Policy, proposed related person transactions (which generally include any transactions by the Company or any subsidiary with an officer or director of the Company, a stockholder who owns more than 5% of our Common Stock or a family member of any such persons) must be disclosed to our Chief Financial Officer. If the Chief Financial Officer determines that the transaction is a related person transaction, the Audit Committee must generally review and approve such related person transaction 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 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

Since January 1, 2020, there have not been any transactions, nor are there any currently proposed transactions, in which the Company was or is to be a participant, where the amount involved exceeded $120,000, and in which any related person had or will have a direct or indirect material interest. A copy of our Corporate Governance Guidelines, including the applicable provision relating to our Related Party Transaction Policy, is available on the Company’s website at www.blucora.com/governance.

## Charitable Contributions

During 2020, we did not make any contributions to any charitable organization in which an independent director served as an executive officer in 2020.

## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Each of the following directors served on the Compensation Committee for all or a portion of 2020:

| Compensation Committee Service in 2020 |
|---|
| Steven Aldrich[(1)] |
| E. Carol Hayles[(2)] |
| Georganne C. Proctor[(3)] |
| Karthik Rao[(4)] |
| Jana R. Schreuder[(5)] |
| Christopher W. Walters[(6)] |

(1) Mr. Aldrich served as a member of the Compensation Committee in 2020 until August 28, 2020.

(2) Ms. Hayles served as a member of the Compensation Committee in 2020, and on January 30, 2020, following the resignation of Mr. Walters as a member and as Chair of the Compensation Committee, Ms. Hayles was appointed as the Chair of the Compensation Committee. Ms. Hayles served as Chair of the Compensation Committee until February 27, 2021.

(3) Ms. Proctor served as a member of the Compensation Committee in 2020 from January 30, 2020 and until March 1, 2020.

(4) Mr. Rao was appointed as a member of the Compensation Committee, effective August 28, 2020.

(5) Ms. Schreuder was appointed as a member of the Compensation Committee, effective March 1, 2020. Effective February 27, 2021, Ms. Schreuder was appointed as the Chair of the Compensation Committee.

(6) Mr. Walters served as a member of the Compensation Committee in 2020 until his resignation on January 30, 2020, in connection with his appointment as President and CEO.

None of the Company's directors who currently serve, or during the past year have served, as members of the Compensation Committee is, or has, at any time, been one of the Company's officers or employees, except Christopher W. Walters, who was appointed on January 30, 2020 as our President and CEO, whereupon Mr. Walters resigned as a member and Chair of the Compensation Committee in accordance with Nasdaq rules. None of the Company's executive officers currently serves, or has served during the last completed fiscal year, as a member of the board of directors or the compensation committee (or a committee performing similar functions) of any other company that had one or more executive officers serving on our Board or our Compensation Committee.

# INFORMATION REGARDING EXECUTIVE OFFICERS

## Executive Officers

Executive officers are elected annually by our Board to serve at our Board's discretion until their successor is duly elected and qualified or until their earlier death, resignation, or removal. The following table and biographies set forth information as of March 11, 2021 regarding our current executive officers:

| Name | Age | Diversity[1] | Position |
|---|---|---|---|
| Christopher W. Walters | 46 | | President, CEO and Director |
| Marc Mehlman | 44 | | Chief Financial Officer |
| Curtis A. Campbell | 48 | X | President, TaxAct and Software |
| Todd C. Mackay | 47 | | President, Wealth Management |
| Ann J. Bruder | 55 | X | Chief Legal, Development and Administrative Officer and Secretary |

(1) Reflects gender, racial and/or ethnic diversity as identified by such individual.

### Christopher W. Walters

*President, CEO and Director*

Mr. Walters was appointed to serve as the Company's President and CEO effective January 30, 2020, and he has served as a member of our Board since 2014. See "Proposal One—Election of Directors" beginning on page 41 for a discussion of his experience and qualifications.

### Marc Mehlman

*Chief Financial Officer*

Mr. Mehlman was appointed to serve as the Company's Chief Financial Officer effective April 27, 2020. Prior to joining the Company, Mr. Mehlman served in various leadership positions at Thomson Reuters Corporation, a media and information services company, for 15 years, primarily focused on finance, financial strategy, and business operations. Most recently, as General Manager from September 2018 to April 2020, Mr. Mehlman built and led both the Large and Strategic Corporate customer segments where he and his team were responsible for the entirety of Thomson Reuters' business to large multinational corporations. In that role, he led a 600-person team across sales, retention and proposition roles in Europe and the United States. Prior to that, Mr. Mehlman served as Managing Director of ONESOURCE Direct Tax, from January 2016 to June 2018, where he was responsible for leading the tax preparation segment of the business; Vice President Finance/Operations of ONESOURCE, a corporate tax and accounting software platform, from August 2013 to December 2015, where he was responsible for overseeing all financial aspects of the business. Mr. Mehlman's roles with Thomson Reuters prior to that included Vice President, Investor Relations; Vice President, Business Development; Head of Financial Strategy - Sales & Trading; and Director of Finance - Scientific Division. Before joining Thomson Reuters, Mr. Mehlman served as a portfolio manager at investment firm Sanford C. Bernstein. Mr. Mehlman holds a B.A. from Binghamton University and an MBA from the Leonard N. Stern School of Business at New York University.

### Curtis A. Campbell

*President, TaxAct and Software*

Mr. Campbell was appointed President of TaxAct and Software effective April 20, 2020. From November 2018 through April 2020, Mr. Campbell served as President of TaxAct. Prior to joining TaxAct, from March 2017 through November 2018, Mr. Campbell served as the Managing Vice President of the Consumer Auto Business Division of Capital One Financial Corporation, a banking and financial services company. Prior to Capital One, Mr. Campbell served in a variety of executive roles at Intuit Inc., a business and financial software company, from March 2014 through March 2017, including leading Product, Innovation, Strategy and Analytics. Prior to joining Intuit, Mr. Campbell served as General Manager at Amazon Web Services, Inc., a cloud computing platform, from 2012 through 2014, where he led the product and technology teams. Over a 10 year career at Dell, Inc., a computer technology company, Mr. Campbell held numerous positions of increasing responsibility prior to his time at Amazon Web Services. Mr. Campbell holds a B.S. in Business from The Military College of South Carolina and a Master of International Studies degree from the University of South Carolina.

### Todd C. Mackay

*President, Wealth Management*

Mr. Mackay was appointed President of Wealth Management effective April 20, 2020. From June 2019 to April 2020, Mr. Mackay served as the Company's Chief Business Operations and Development Officer. From December 2018 to June 2019, Mr. Mackay served as Executive Vice President of Corporate Development and Interim CEO of HD Vest (which is now Avantax Wealth Management). Prior to that, Mr. Mackay served as the Executive Vice President and Interim General Manager of TaxAct from May 2018 until December 2018. Mr. Mackay also served as the Company's Executive Vice President of Corporate Development from 2015 to June 2019 and, prior to that, Mr. Mackay served as an advisor to the Company's executive team focusing on strategy and mergers and acquisitions from 2014 to 2015. Mr. Mackay was a co-founder of P2Binvestor, Inc., a crowd funding business providing working capital loans to small- and medium-sized businesses, where he served on the executive team from 2013 to 2014. In addition, Mr. Mackay served as Executive Vice President in charge of Finance and Corporate Development for Emerge Digital Group, a digital media company, from 2011 to 2012. Mr. Mackay served in various executive positions at E-Trade Financial Corporation, an electronic trading platform, from 1999 to 2010, where he served as the Executive Vice President in charge of Global Corporate Development and Corporate Treasury and Executive Vice President in charge of the Asian broker-dealer business. Mr. Mackay previously held various positions with Telebanc Financial Corp., a financial services provider, Robertson Stephens, a wealth management firm, and Alex Brown, a diversified financial services company, focusing on financial institutions and financial technologies. He has also served on the board of directors of both private and public broker dealers outside of the United States. Mr. Mackay received an A.B. from Princeton University in Economics with a focus on mathematics.

### Ann J. Bruder

*Chief Legal, Development and Administrative Officer and Secretary*

Ms. Bruder was appointed Chief Legal, Development and Administrative Officer and Secretary effective April 20, 2020. Ms. Bruder served as Chief Legal Officer and Secretary from June 2017 to April 2020. Prior to joining the Company, from 2015 through June 2017, Ms. Bruder served as the Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary at Airlines Reporting Corporation, a provider of travel industry data, products and services. From 2014 through 2015, Ms. Bruder served as the President of Global Strategic Services, LLC, a strategic advisory firm. Prior to that, Mr. Bruder served as Senior Vice President of Law, Government Affairs and Global Compliance, General Counsel and Corporate Secretary of Commercial Metals Company, a steel and metal manufacturer (Nasdaq: CMC), from mid-2009 through 2014 and the Deputy General Counsel from 2007 through mid-2009. Earlier in her career, Ms. Bruder served as Chief Legal and Compliance Officer at CARBO Ceramics Inc., a ceramic proppant producer, as well as serving in various senior legal roles at American Airlines, Inc. and Continental Airlines, Inc. Ms. Bruder began her career at the law firm of Thompson Coburn LLP. Ms. Bruder has a J.D. from Washington University (Order of the Barristers) and B.A. in Journalism and Public Relations with a minor in Economics from the University of Wyoming.

# COMPENSATION DISCUSSION AND ANALYSIS

## Introduction

The purpose of this Compensation Discussion and Analysis ("CD&A") is to provide our stockholders with a clear understanding of our compensation philosophy and objectives, compensation-setting process, and 2020 compensation programs and decisions for our NEOs.

## Our Named Executive Officers

Our NEOs for 2020 are set forth below. Additional information regarding those NEOs who are current executive officers (such NEOs are distinguished, where applicable, in the charts below by a text box) is set forth on page 60 under "Information Regarding Executive Officers."

| Name | Title |
|---|---|
| Christopher A. Walters[(1)] | President, CEO and Director |
| Marc Mehlman[(2)] | Chief Financial Officer |
| Curtis A. Campbell | President, TaxAct and Software |
| Todd C. Mackay | President, Wealth Management |
| Ann J. Bruder | Chief Legal, Development and Administrative Officer and Secretary |
| Mimi Carsley[(3)] | Treasurer and SVP FP&A and Procurement (Former Interim Chief Financial Officer) |
| Stacy Murray[(4)] | Chief Accounting Officer (Former Interim Principal Financial Officer) |
| John S. Clendening[(5)] | Former President, CEO and Director |
| Davinder S. Athwa[(6)] | Former Chief Financial Officer and Treasurer |

(1) Mr. Walters was appointed President and CEO effective January 30, 2020.

(2) Mr. Mehlman was appointed Chief Financial Officer effective April 27, 2020.

(3) Ms. Carsley was appointed interim Chief Financial Officer effective March 13, 2020 and served in that role until Mr. Mehlman was appointed as described above. Although Ms. Carsley is an NEO for 2020 as a result of her service as interim Chief Financial Officer, she is not an executive officer of the Company and therefore does not participate in the same executive compensation programs applicable to our NEOs who are executive officers.

(4) Ms. Murray assumed the duties of interim Principal Financial Officer upon Mr. Athwal's resignation, effective January 31, 2020, and served in such role until Ms. Carsley was appointed interim Chief Financial Officer as described above. Although Ms. Murray is an NEO for 2020 as a result of her service as interim Principal Financial Officer, she is not an executive officer of the Company and therefore does not participate in the same executive compensation programs applicable to our NEOs who are executive officers.

(5) Mr. Clendening departed from his positions as President, CEO and Director effective January 10, 2020.

(6) Mr. Athwal resigned from his positions as Chief Financial Officer and Treasurer effective January 31, 2020.

This CD&A is divided into three sections:

**Executive Summary**

- 2020 Financial and Business Information
- Impact of COVID-19 Pandemic
- Executive Compensation Highlights
- Executive Compensation Elements at a Glance
- Our Executive Compensation Practices
- 2020 Say-on-Pay Vote

**Establishing and Evaluating Executive Compensation**

- Executive Compensation Philosophy and Objectives
- Compensation Process
- Market Comparison

**Compensation Decisions Made for 2020**

- Overview of 2020 Executive Compensation Components
- Base Salary
- Annual Short-Term Incentive Plan/Bonus Payments
- Long-Term Equity Incentive Awards
- Other Awards
- Other Elements of Compensation
- Other Compensation Policies and Practices

# Executive Summary

## 2020 Financial and Business Information

### Business Overview

Blucora is a leading provider of integrated, tax-focused wealth management services and software, assisting consumers, small business owners, tax professionals, financial professionals, and certified public accounting firms in achieving better long-term outcomes via holistic, tax-advantaged solutions. Our mission is to empower people to improve their financial wellness through data and technology-driven solutions. Through our Wealth Management business, which consists of the operations of Avantax Wealth Management and Avantax Planning Partners, and our Tax Preparation business, which consists of the operations of TaxAct, we address a large and underserved market of consumers for whom taxes are a significant expense, but who have traditionally not had access to effective, long-term tax planning strategies and tools.

### Growth Strategies

In addition to repositioning each of our businesses toward sustainable growth strategies, we are focused on driving incremental growth and realizing the value of our holistic strategy, including by converting TaxAct Pro users into Avantax financial professionals or affiliate partners, leveraging sophisticated online marketing capabilities built in our Tax Preparation business to offer to financial professionals in the Wealth Management business and applying the technology development expertise of the Tax Preparation business to build tools to improve the productivity of our financial professionals in the Wealth Management business. The complexities of our businesses require top-talent leadership able to manage the breadth of our operations while capitalizing on cross-business synergies.

### Financial Performance

For the 2020 fiscal year, we achieved growth in several key metrics we use to measure our financial performance and achieved several strategic milestones, including the following:

| 2020 Financial and Business Highlights |
|---|
| • Increased total revenue by 5% year-over-year, to $755 million, including the addition of HKFS on July 1; |
| • Recorded our 23rd consecutive year of segment revenue growth at TaxAct, excluding SimpleTax; (1) |
| • Completed the acquisition of HKFS, now rebranded as Avantax Planning Partners, adding a historically fast growing, highly profitable registered investment advisor and its fee-based advisory assets to our Wealth Management business; |
| • Increased advisory assets by 29% year-over-year, including the addition of approximately $5.0 billion in Avantax Planning Partners assets; |
| • Increased total client assets 17% to $83.0 billion, with $35.6 billion, or 42.9%, in advisory assets; |
| • Completed a corporate reorganization, resulting in an almost entirely new executive leadership team, repositioning the Company to capitalize on the potential of our businesses; and |
| • Further strengthened our Board with the appointments of Mark Ernst, Karthik Rao and Jana Schreuder. |

(1) Non-GAAP financial measure. See Appendix A—Non-GAAP Reconciliations for a description of this non-GAAP measure and a reconciliation of this measure to Tax Preparation segment revenue, the most directly comparable GAAP financial measure.

### Impact of COVID-19 Pandemic

Our results during 2020 and the actions that drove them were accomplished in the context of the COVID-19 pandemic, which required us to simultaneously focus on strategic actions to help mitigate the COVID-19 pandemic's impact on our businesses. In addition to navigating the unprecedented challenges faced by our employees and our communities – see "Commitment to Sustainability – COVID-19 Response" on page 7 – the Company faced approximately $40 million in pandemic-related financial consequences. The unexpected tax filing extension triggered by the COVID-19 pandemic resulted in approximately $20 million of incremental costs in our Tax Preparation segment related to increased marketing spend, extended call center staffing and other costs as we worked to finish a longer tax season, while simultaneously planning for the next. In addition, the precipitous decline in the Federal funds rate at the start of the pandemic caused a decrease of approximately $20 million in segment and consolidated operating income.

The Compensation Committee approved our executive compensation program for 2020 prior to the COVID-19 pandemic, at a time when the unprecedented events surrounding the pandemic were not predicted. As a result, and as further described throughout this CD&A, the Compensation Committee continued to evaluate the executive compensation program for 2020 throughout the year to ensure its integrity and to maintain its connection to the Company's stated compensation philosophy and objectives. This ongoing review resulted in certain adjustments. Consistent with our approach in prior years, results under the 2020 Executive Bonus Program were normalized to neutralize the impact of significant, unique or non-recurring items including, for 2020, to remove incremental costs related to the unexpected tax filing extension discussed above. In addition, the Compensation Committee considered the individual performance and leadership of our executive officers in addressing the COVID-19 pandemic when applying individualized performance modifiers to annual bonuses under the 2020 Executive Bonus Program. Mses. Carsley and Murray are not considered executive officers of the Company, and therefore did not participate in the 2020 Executive Bonus Program. With respect to the 2020 Non-Executive Bonus Program in which Mses. Carsley and Murray participate, the Compensation Committee revised the performance metrics and targets and reduced the size of the bonus pool. See "Compensation Decisions Made for 2020 – Annual Short-Term Incentive Plan/Bonus Payments."

## Executive Compensation Highlights

As further described under "Compensation Discussion and Analysis – Executive Compensation Philosophy and Objectives" on page 67, we seek to attract, retain, and motivate top-talent executives, compensate them for their contributions to our businesses and align their interests with those of our stockholders while discouraging excessive or inappropriate risk taking.

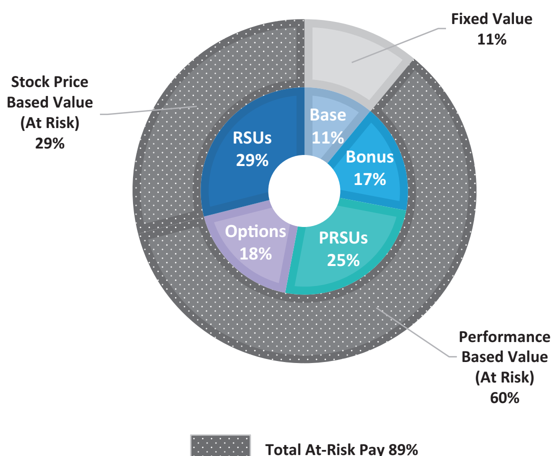
Below is a summary of executive compensation highlights for our 2020 program:

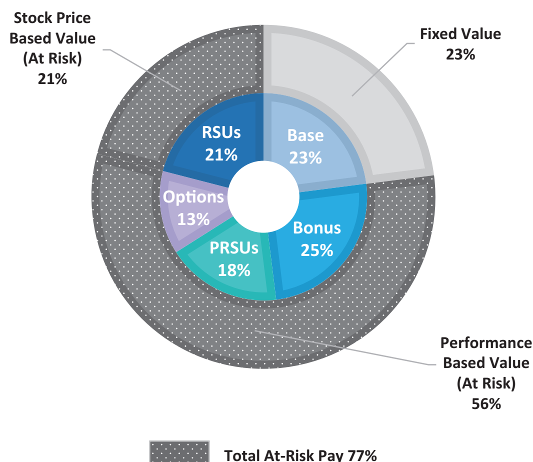
| 2020 Executive Compensation Highlights | |
|---|---|
| ✓ | ***Pay for Performance Philosophy and At-Risk Compensation:*** A significant portion of our executives' compensation is subject to forfeiture and/or is performance-based ("at-risk") with metrics that align to our long-term strategy. Our Compensation Committee utilizes a rigorous, market-based compensation program and a compensation philosophy tied to performance and aligned with the interests of stockholders. |
| ✓ | ***Performance-Based 2020 Annual Bonus Plan:*** Our annual bonus plan for 2020 was tied to certain financial performance metrics as well as certain short-term incentive modifiers that enabled the Compensation Committee to recognize and reward the performance of high-performing executives and employees. We believe our performance-based bonus structure incentivizes our management to focus on operational objectives that are key to the Company's growth strategy. |
| ✓ | ***2020 Equity Grants Included Performance-Based RSUs:*** Our 2020 annual equity grants for our executive officers were comprised of 25% stock options, 35% performance-based RSUs ("PRSUs") based upon pre-established financial performance metrics and 40% time-based RSUs in order to further incentivize value creation and to align the performance of executives with the interests of stockholders. |
| ✓ | ***Executive Stock Ownership Guidelines:*** To further align the interests of our executive officers with the long-term interests of our stockholders, we maintain stock ownership guidelines requiring executive officers to own an amount of our equity with a value equal to five times (5x) base salary for our CEO and three times (3x) base salary for all other executive officers. |
| ✓ | ***Competitive Pay Practices:*** We operate in a highly competitive marketplace for executive talent, and we believe that our compensation program appropriately reflects market expectations for at-risk and performance-based compensation. Our peer group for 2020 reflects the market and industry in which we currently compete for talent. |
| ✓ | ***Compensation Risk Assessment:*** An annual risk assessment was conducted to ensure that the structure and design of our incentive compensation programs are not reasonably likely to result in excessive risk-taking that could have a material adverse impact on the Company. |
| ✓ | ***Independent Compensation Consultants:*** Our independent compensation consultants report directly to the Compensation Committee or the special committee discussed below, providing benchmarking and best practices to support and supplement our compensation philosophy, practices and peer group as well as our compensation risk assessment. |

## Executive Compensation Elements at a Glance

| | AT RISK | | | |
|---|---|---|---|---|
| Base Salary | Annual Bonus Plan | Stock Options | Performance-Based RSUs | Time-Based RSUs |
| Short-Term Element | | Long-Term Element | | |
| Not at risk | Performance-Based | | | Value Based on Stock Price |

2020 Pay Mix: Approximately 89% of 2020 target annual compensation for our CEO*, and, on average, 77% of 2020 target annual compensation for the other executive officers**, was at risk and based either on the Company's performance or our stock price.




* Reflects the target compensation paid only to Mr. Walters, who has served as our CEO since January 30, 2020.

** Reflects the target compensation for Messrs. Campbell, Mackay and Mehlman and Ms. Bruder as executive officers of the Company.

Additional detail regarding the 2020 compensation of our NEOs is provided in "Compensation of Named Executive Officers – Summary Compensation Table" and throughout this CD&A.

## Our Executive Compensation Practices

**What we do:**

+ *Pay for Performance:* 89% of our CEO's target annual compensation and 77% of target annual compensation for NEOs who are executive officers is at-risk, performance-based compensation that utilizes a diverse set of performance metrics ensuring that no single factor can inappropriately impact compensation and that the executive team is not excessively focused on a single metric. In addition, a portion of our executive performance-based compensation is subject to multi-year vesting schedules that require sustained performance over time. This aligns the interests of our executive officers with those of our stockholders.

+ *Pay Determinations:* We engage in a rigorous process to establish total direct compensation and its components, including reviewing market and survey data sourced from our peer group of companies and our industry. We utilize an independent compensation consultant hired by and reporting to our Compensation Committee. We also aim to set challenging targets for our incentive metrics, with the goal of encouraging outperformance.

+ *Listen to Stockholders:* We hold an advisory vote on executive compensation annually and take the results of such vote into account when setting and reviewing our compensation practices and policies. We have had very positive results from our advisory vote on executive compensation each year the vote has been held.

+ *Comprehensive Clawback Policy:* We have a clawback policy that would allow us to recoup certain compensation and awards paid to our executive officers in certain circumstances in the event that there is a restatement of our financial results.

+ *Stock Ownership Guidelines:* We have stock ownership guidelines that require stock ownership by our executive officers to align them with long-term stockholder interests (five times (5x) annual base salary for our CEO and three times (3x) annual base salary for our other executive officers).

+ *Minimum Vesting Requirements:* Our 2018 Plan has minimum vesting requirements for awards, with no awards permitted to vest prior to one-year from the date of grant, subject to certain limited exceptions.

+ *Risk Management:* We perform regular risk management assessments for our compensation and benefit programs related to executive and non-executive compensation practices in order to ensure that our compensation policies and practices are not reasonably likely to have a material adverse effect on our Company and do not encourage excessive risk taking.

+ *Double Trigger Change in Control Provisions:* Under our 2018 Plan, our executive employment agreements and our Executive Severance Plan, change in control benefits are subject to "double trigger" payment provisions requiring that an executive officer experience a qualifying termination of employment in connection with a change in control to receive change in control benefits.

**What we don't do:**

x *Tax Gross-up Provisions for Change in Control:* We do not have tax gross-up provisions in our executive employment agreements, our equity award agreements or our Executive Severance Plan that would allow for a gross-up payment for excise and other taxes that could become payable as a result of payments made in connection with a change in control.

x *Excessive Perquisites and Personal Benefits:* We do not provide significant perquisites and personal benefits that are not generally available to all other employees.

x *Pledging or Hedging:* Our Insider Trading Policy does not permit margining, pledging, hedging, short sales of or trading options related to our stock by any director, officer or employee.

x *Dividends on Stock Options or Stock Appreciation Rights ("SARs") or Unearned Awards:* No dividends or dividend equivalents accrue on stock options or SARs or are paid on unearned awards.

x *Repricing or Granting of Discounted Stock Options or SARs:* Our 2018 Plan prohibits the repricing of stock options and SARs without stockholder approval and the granting of stock options or SARs with exercise prices below fair market value. Our 2018 Plan also prohibits buying out underwater stock options or SARs.

x *Liberal Share Recycling or Share Counting:* Our 2018 Plan does not permit liberal share recycling or liberal share counting so as to provide clear information about share usage.

x *Evergreen Features:* Our 2018 Plan does not allow for share reserve replenishment on a set basis.

## 2020 Say-on-Pay Vote

We hold advisory votes on the compensation of our NEOs (a "say-on-pay vote") at every annual meeting of stockholders. Our Board values the opinions of our stockholders and believes an annual advisory vote allows our stockholders to provide us with their input on our executive compensation program. We conducted an advisory vote on the frequency of the say-on-pay vote at our 2017 Annual Meeting. Following the recommendation of our stockholders, we are continuing to hold our say-on-pay vote on an annual basis.

In 2020, our stockholders voiced strong support for our compensation practices, with 93.7% of those who cast votes voting for approval of the compensation of our NEOs. Among other factors, including direct shareholder feedback, the Compensation Committee monitors and considers the results of say-on-pay votes when making compensation decisions, and will continue to do so in the future.

Taking into consideration these results, the Compensation Committee determined that the Company's executive compensation practices for 2020 continued to be appropriate and therefore did not make any specific changes to them in response to the 2020 say-on-pay vote.

# Establishing and Evaluating Executive Compensation

## Executive Compensation Philosophy and Objectives

Blucora's compensation program is intended to attract, retain and motivate top-talent executives as leaders and compensate executive officers appropriately for their contribution to the attainment of our financial, operational and strategic objectives. In addition, we believe it is important to strongly align their interests with our stockholders' interests by emphasizing incentive-based compensation and to discourage excessive or inappropriate risk taking.

To achieve our goal of paying for performance and aligning the interests of our executive officers with those of our stockholders, the Compensation Committee utilizes the following executive compensation philosophy and principles, which we believe accomplishes our vision of a compensation program that is competitive, aligned, balanced and sound:

| | Philosophy | Principles |
|---|---|---|
| **Competitive** | Enable us to attract, motivate and retain high-caliber individuals who will maximize the potential of the business over time. | Engage high-performing executive talent through competitive compensation opportunities. |
| **Aligned** | Establish clear alignment of executive compensation to the short-term and long-term financial outcomes and value-drivers of the business. Also align interests of our executives with those of stockholders through long-term incentive awards and robust stock ownership guidelines. | Align executive compensation to our financial outcomes with a particular emphasis over the next three years on growth and the achievement of synergies between our Wealth Management business and our Tax Preparation business. |
| **Balanced** | Foster sustained growth and alignment through a balanced approach to compensation design. | Allow for appropriate flexibility, differentiation and discretion within a consistent, well-structured compensation program. |
| **Sound** | Encourage achievement of the Company's strategy and goals through policies, ethics and values. | Cultivate ownership of the Company's vision and strategic direction through sound compensation policies and structure that reinforce desired behaviors that are in line with the Company's ethics and values. |

Our Compensation Committee adopted an executive compensation program for 2020 that it believed would allow us to be competitive with our compensation peer group and with the companies with whom we compete for talent while also focusing on internal pay parity and driving toward achievement of our operational and strategic objectives. Our compensation program is also intended to reflect market expectations for at-risk compensation so that we are able to retain our executive officers and attract additional executive officers when, as in 2020, it becomes necessary. See "Compensation Discussion and Analysis – Compensation Decisions Made for 2020" for more details about the elements of the program.

As discussed under “Executive Summary – Impact of the COVID-19 Pandemic” and throughout this CD&A, the Compensation Committee made certain changes to the executive compensation program for 2020 to ensure that it remained consistent with the Company’s philosophy and objectives in light of the COVID-19 pandemic. These changes, as further discussed throughout this CD&A, reflected the unprecedented nature of the impact of the COVID-19 pandemic and the Company’s commitment to maintaining a compensation program that remained competitive, aligned, balanced and sound despite unforeseen circumstances.

## Compensation Process

### The Compensation Committee’s Role in Establishing Compensation

Our Compensation Committee is composed entirely of independent directors and administers our executive officer compensation program. The responsibilities of the Compensation Committee include annually evaluating the performance of the CEO and other executive officers and approving the compensation levels of each of them. The CEO’s compensation is also ratified by the independent directors of the Board. It is the Compensation Committee’s responsibility to establish the Company’s compensation philosophy and objectives. In carrying out its oversight responsibilities, the Compensation Committee regularly reports to the Board on the actions it has taken and confers with the Board on compensation matters, as necessary.

The Compensation Committee’s responsibilities regarding executive compensation are further described under “Independence, Committee and Other Board Information – Committees of Our Board” on page 30.

The Compensation Committee undertakes an annual process to review and confirm its approach to total compensation for the year and to solidify the compensation elements to be used in the executive compensation program for the year as well as the relative weight of each such element. This process includes reviewing the Company’s compensation philosophy and objectives for the year and soliciting, receiving and analyzing input from a number of sources, including management, its independent compensation consultants and our stockholders. As a result of this annual process, the Compensation Committee establishes the executive compensation program for the year. Our Board has selected the Compensation Committee members for their experience and abilities in determining compensation, and the Compensation Committee feels that a subjective determination by its members, after consideration of objective sources including market data, is the most appropriate way for it to exercise its duties to our Board, to the Company and to stockholders. Although the Compensation Committee did not formally target a specified percentile rank of total direct compensation or specific compensation elements during 2020, the Compensation Committee did use such data to assess the overall competitiveness of the 2020 executive compensation program.

The Company’s legal advisors, human resources department, and corporate accounting department also support the Compensation Committee in developing and administering the Company’s compensation plans and programs.

### Management’s Role in Establishing Compensation

The Compensation Committee believes it is appropriate to consult with management on executive compensation matters because each member of management has significant involvement in and knowledge of the Company’s business goals, strategies and performance and can provide input and valuable feedback. The CEO provides recommendations with respect to the other executive officers’ compensation, but he does not participate in decisions regarding his own compensation. The Compensation Committee considers management’s recommendations but retains full discretion in determining executive compensation.

Management was regularly invited to attend Compensation Committee meetings during 2020. However, at these meetings, the Compensation Committee typically also met in executive session outside the presence of the CEO and other members of management.

### Role of Independent Compensation Consultants

For 2020, Meridian was retained by the Compensation Committee to serve as an independent compensation consultant to provide information and objective advice regarding executive compensation. Meridian regularly attended Compensation Committee meetings during 2020 in its role as an independent compensation consultant to provide advice with respect to executive compensation matters.

During 2020, Meridian assisted the Compensation Committee with review and assessments of the peer group for the Company, advice regarding the Company's compensation philosophy, advice on executive compensation levels and practices, guidance on the design of our executive compensation plans and periodic reports to the Compensation Committee on market and industry compensation trends and regulatory developments.

In early 2021, the Compensation Committee also engaged Meridian to assist the Company in evaluating the Company's executive-level, double-trigger change in control severance benefits to ensure that they were competitive in the market and would enable our key executives to apply objective judgment and therefore maximize investor return in relation to any potential change in control. See "Compensation Discussion and Analysis – Other Elements of Compensation – Executive Change of Control Severance Plan" for additional information.

Other than services provided by Meridian to the Nominating and Governance Committee in connection with the review of non-employee director compensation, the Compensation Committee approved all engagement fees and other retention terms for Meridian and determined its responsibilities for the period during which it served as an independent compensation consultant. The Compensation Committee assessed the independence of Meridian pursuant to applicable SEC and Nasdaq rules and concluded that its work for the Compensation Committee does not raise any conflict of interest.

Separately, during 2020, a special committee of the Board established with respect to the early 2020 executive departures (the "Special Committee") engaged Frederic W. Cook & Co., Inc. ("FW Cook") to provide advice regarding severance payments to Mr. Clendening in connection with his departure from the Company and recommendations regarding the compensation package for Mr. Walters in his role as President and CEO.

The Special Committee approved all engagement fees and other retention terms for FW Cook and determined its responsibilities for the period during which it served as an independent compensation consultant. The Special Committee assessed the independence of FW Cook pursuant to applicable SEC and Nasdaq rules and concluded that its work for the Special Committee does not raise any conflict of interest.

## Market Comparison

### Use of Market Data

The Compensation Committee establishes target compensation levels that are consistent with market practice and internal parity considerations (which are based on position, responsibility and contribution of the applicable NEO) relative to base salaries, annual incentives and long-term incentives as well as with the Compensation Committee's assessment of the appropriate pay mix for a particular position. In order to gauge the competitiveness of our compensation programs, the Compensation Committee reviews compensation practices and pay opportunities from the financial and technology sectors, as well as general industry survey data, along with a selection of publicly traded peer companies. The Compensation Committee attempts to position the Company to attract and retain qualified executives in the face of competitive pressures in its relevant labor markets.

### Benchmarking Against Peers

In determining appropriate 2020 compensation, the Compensation Committee also utilized a compensation peer group as an additional reference point. This peer group consisted of a select group of companies that the Compensation Committee believes are representative of the market in which Blucora competes for talent.

In 2019, Meridian worked with the Compensation Committee and senior management to revisit the key guidelines and principles for peer selection in order to create a more refined set of peers aligned with Blucora's business operations, size and complexity. As a result of such discussions, on October 3, 2019, the Compensation Committee approved the following guiding principles for selecting peers to establish market benchmarks for informing 2020 pay decisions ("2020 Peer Group"):

- The 2020 Peer Group should appropriately reflect the mix of Blucora's operations across Wealth Management and Tax Preparation;
- Blucora's revenue (when considering the inclusion of 1st Global) should be positioned near the 50th percentile of the 2020 Peer Group; and
- Additional screening on areas such as market capitalization, business complexity, consumer orientation, growth profile and other factors should also be considered in establishing the 2020 Peer Group.

| 2020 Peer Group | |
|---|---|
| Alliancebernstein Holding L.P. | J2 Global, Inc. |
| Artisan Partners Asset Management Inc. | Lendingclub Corp |
| Benefitfocus, Inc. | Virtus Investment Partners, Inc. |
| Eaton Vance Corp | Waddell & Reed Financial Inc |
| Envestnet, Inc. | Zynga, Inc. |
| Federated Hermes, Inc. | Wisdomtree Investments, Inc. |
| Glu Mobile, Inc. | |

The application of these revised guiding principles resulted in the addition of Glu Mobile, Inc. and Zynga, Inc. and the removal of Evercore, Inc., Ladenburg Thalman Financial Services, Inc., Moelis & Company, NIC, Inc. and Virtu Financial, Inc. from the 2020 Peer Group. Financial Engines, Inc. and Investment Technology Group, Inc. were acquired and were therefore also removed from the 2020 Peer Group.

Meridian provided peer group comparison data for the Company's executive officers with respect to salary, annual cash incentive bonus, and equity grants, and the Compensation Committee used this data for background and context when setting the amounts of the various compensation elements for executive officers for 2020, but did not tie any compensation decisions directly to this data or set compensation to fall within a certain percentile of our peers.

In determining executive compensation, the Compensation Committee does not solely rely on comparative data from, or target any particular level of total compensation or individual component of compensation against, the peer group. Such comparative data provides helpful market information about our compensation peer group, but the Compensation Committee believes in utilizing a number of resources, such as published compensation surveys and other available proxy and compensation data, to ensure that our executive compensation is competitive in the market in which we compete for talent. The Compensation Committee also considers pay for performance, individual capability, innovative thinking, leadership, potential to create value, experience and internal parity objectives in setting compensation. All applicable information is reviewed and considered in the aggregate, and the Compensation Committee does not place any particular weight on any one factor.

## Compensation Decisions Made for 2020

### Overview of 2020 Executive Compensation Components

In 2020, the key elements of our executive compensation program consisted of:

- **Base salary** – designed to provide a minimum fixed level of cash compensation and to provide security and preserve our NEOs' commitment during downturns in relevant industries and/or equity markets;
- **Annual short-term incentive plan/bonus payments** – designed to reward annual financial performance achievements as well as the accomplishment of operational and individual performance goals that support our business and strategy over a one-year performance period, and assist in retaining, attracting and motivating NEOs in the near-term; and
- **Long-term equity incentive awards (stock options, PRSUs and/or time-based RSUs)** – designed to be performance-oriented, competitive and flexible, providing incentive for NEOs to focus on long-term fundamentals and create long-term stockholder value over a sustained period of time (*e.g.*, three-year performance period) and align the interests of our NEOs with those of our stockholders.

The compensation decisions that the Compensation Committee made in early 2020 predated the COVID-19 pandemic and therefore did not take the impact of COVID-19 on our business or our results of operations into account. As a result of the COVID-19 pandemic, the Compensation Committee did consider and ultimately adopt certain changes to the compensation program for 2020 and did review individual performance, and apply individual performance modifiers, taking into account the impact of the pandemic. See "Compensation Discussion and Analysis–Compensation Decisions Made for 2020–Annual Short-Term Incentive Plan/Bonus Payments."

In addition, the Compensation Committee granted additional equity awards to certain NEOs who were key contributors to the Company's success as a result of the significant expansion of their duties as we implemented a Company reorganization and an almost entirely new executive leadership team, repositioning the Company to capitalize on the potential of our businesses. The Compensation Committee also made certain one-time awards to newly-hired NEOs and certain one-time awards in recognition of substantial contributions to the Company during the year. For more information on these one-time awards, see "Compensation Discussion and Analysis – Compensation Decisions Made for 2020 – Other Awards."

# Base Salary

## General

Each NEO receives an annual base salary that provides a minimum fixed level of cash compensation that is intended to provide security and preserve the NEO's commitment during downturns in the relevant industries and/or equity markets. The Compensation Committee not only considers a competitive base salary to be an important factor in retaining and attracting key employees in a competitive marketplace, but it also balances executives' base salaries with variable, performance-based compensation elements for executives to ensure that their incentives are aligned with the objectives of the Company and our stockholders and are appropriately at-risk. Base salaries of executives are initially established by the Compensation Committee pursuant to employment or other agreements, and are set at a level that the Compensation Committee believes is competitive in the marketplace and consistent with the executives' day-to-day job responsibilities, skills and experience. Any annual increases thereafter may be based on an evaluation of many factors, such as our performance and annual cash compensation budget, each executive's individual performance, changes in day-to-day job responsibilities of the executive, criticality of the executive's role, experience of the executive, comparative market data and internal pay parity.

Our Compensation Committee regularly reviews base salaries and annually engages our independent compensation consultant to conduct compensation surveys to ensure the base salaries of our executive officers are market-competitive, while also serving as an effective retention tool. Our Compensation Committee may also review an executive officer's base salary from time to time during a year, including if the executive officer is given a promotion or if his or her responsibilities are significantly modified. The Compensation Committee may increase the base salaries for all of the executive officers at any time based on updated market data, updated roles and responsibilities and/or the CEO's recommendation.

Because Mses. Carsley and Murray are not executive officers, the authority to determine and review their base salaries in a manner consistent with the Company's compensation philosophy and objectives has been delegated to their managers.

## 2020 Annual Base Salaries

In late 2019, our Compensation Committee determined to increase certain of our NEOs' base salaries as set forth in the table below to more closely align with the updated benchmarks for our compensation peer group in the market industries in which we compete for talent and to better align internal pay. These decisions were made prior to the COVID-19 pandemic and honored throughout 2020 notwithstanding the impact of the pandemic. Annual base salaries were not adjusted during 2020 to take into account the expansion in responsibilities that occurred for Messrs. Mackay and Campbell or Ms. Bruder as a result of the Company reorganization.

The following table provides information concerning the base salary of each of our NEOs for 2019 and 2020 and any increase in annual base salary during 2020.

| Name | 2019 Base Salary | 2020 Base Salary | % Change |
|---|---|---|---|
| Christopher W. Walters[1] | — | $ 780,000 | — |
| Marc Mehlman[1] | — | $ 350,000 | — |
| Todd C. Mackay | $ 375,000[2] | $ 395,000 | 5.3% |
| Curtis A. Campbell | $ 380,000 | $ 395,000 | 3.9% |
| Ann J. Bruder | $ 400,000 | $ 415,000 | 3.8% |
| Mimi Carsley[1]<br>*Former Interim Chief Financial Officer* | — | $ 350,000 | — |
| Stacy Murray[1]<br>*Former Interim Principal Financial Officer* | — | $ 260,000 | — |
| John S. Clendening<br>*Former President and CEO* | $ 625,000 | $ 650,000 | 4% |
| Davinder S. Athwal<br>*Former Chief Financial Officer* | $ 416,000 | $ 416,000 | — |

(1) Information for 2019 is not included because this NEO was not an NEO during 2019.

(2) This figure represents Mr. Mackay's annual base salary as in effect on December 31, 2019. Mr. Mackay's annual base salary actually paid for 2019 was $408,973, which reflected: (i) the time he spent in the role of Executive Vice President of Business Development with an annual base salary of $319,300; (ii) the time he spent in the role of Interim CEO of HD Vest, for which he received a monthly stipend of $5,900 in addition to his then current base salary; and (iii) the time he spent in his now current role with an annual base salary of $375,000.

## Annual Short-Term Incentive Plan/Bonus Payments

### General

We generally provide our executives, including our NEOs who are executive officers, with the opportunity to earn an annual performance-based cash incentive bonus. This bonus provides incentive for the achievement of our operational and financial goals, as well as individual goals that support the Company's strategy, and assists in retaining, attracting and motivating executives in the near-term. Because the bonus is cash-based, we believe it also provides a balance to the volatility of short-term equity prices and the related impact on the value of an executive's equity holdings. Target annual bonuses, as a percentage of salary, are generally established upon commencement of an executive's employment and are reviewed each year and updated when the Compensation Committee deems it appropriate.

The operational and financial metrics selected by the Compensation Committee for the 2020 annual bonus plan reflected the responsibilities of each executive, such that they were tied to our overall Company performance or certain metrics related to the different business segments that an executive oversees or with respect to which the executive is involved.

Our 2020 short-term bonus plan for executives also included certain individual short-term, performance-based incentive modifiers (collectively, the "STI Modifier") that enabled the Compensation Committee to recognize and reward the performance of certain high-performing executives. Although not foreseen at the beginning of the year, the STI Modifier gave the Compensation Committee the flexibility to reward strong individual performance and leadership in response to the COVID-19 pandemic.

While Mses. Carsley and Murray also had the opportunity to earn an annual performance-based cash incentive bonus, as non-executive officers, they participated in a different program than our other NEOs.

### 2020 Short-Term Incentive Program for Executive Officers

In December 2019, prior to the COVID-19 pandemic, our Compensation Committee approved our 2020 Executive Bonus Program, which allows potential bonus payments to be made to each of our executive officers based on the achievement of specified financial metric targets, as well as the STI Modifier metrics, applicable to each such executive officer.

*Target Bonus and Metrics:* The target bonus for each executive under the 2020 Executive Bonus Program was based on a percentage of annual base salary and, for each executive then serving, was reviewed in early 2020 in light of our updated benchmarks for our compensation peer group in the market and industries in which we compete for talent. In light of this review and in order to achieve internal pay parity given the level of Mr. Mackay's responsibilities in his role, Mr. Mackay's bonus target was increased to 120% for 2020. There were no other changes to the bonus targets for executives serving in early 2020. In connection with Mr. Walters's appointment in January 2020 and Mr. Mehlman's appointment in April 2020, and in light of a review of competitive market practices, the Compensation Committee determined to set 2020 target bonuses for Messrs. Walters and Mehlman at 150% and 100%, respectively.

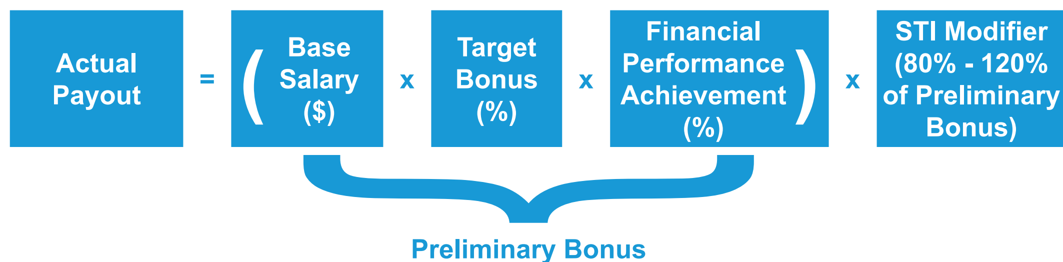
For 2020, the Compensation Committee determined Blucora Revenue, Blucora Adjusted EBITDA, Segment Revenue and Segment Income to be the appropriate metrics for the Company's Executive Bonus Program because they support our core objective of sustainable, profitable growth. The specific weighting of the financial, strategic or operational performance metrics varied by executive officer based on responsibilities that were specific to the business unit for which the individual executive was responsible or to which the executive was assigned. The payout percentage for each performance metric was determined based on the actual performance of the Company versus the performance targets established by our Compensation Committee. The maximum payout percentages for each metric were based on a sliding scale between designated levels of threshold, target and maximum achievement, with such achievement levels designed to be challenging but achievable, subject to the STI Modifier as described below.

The product of an executive's applicable target annual incentive bonus (*i.e.*, base salary times annual target bonus percentage) and such executive's achievement relative to the metrics set forth in the 2020 Executive Bonus Program is referred to as the executive's "Preliminary Bonus."

*STI Modifier:* Our Compensation Committee continued the practice in 2020 of applying a performance modifier component, the STI Modifier, to Preliminary Bonuses under our 2020 Executive Bonus Program. The STI Modifier subjects the Preliminary Bonus to an upward or downward adjustment (not to exceed 20%) based on the applicable executive's personal performance as measured against certain metrics that were approved by the Compensation Committee and include: (i) performance in areas relating to talent development and leadership impact, primarily relating to the Company's continued emphasis on culture, enhancement of the value of our human capital and driving retention and leadership satisfaction; and

(ii) targets relating to the identification and execution of profitable growth measures that further enhance stockholder value in a sustainable manner over the short and long term. In applying the STI modifier for 2020, the Compensation Committee considered specific performance against the individual performance metrics, including in light of the COVID-19 pandemic.

*Short-Term Bonus Payout:* Shortly following the end of the year, when the Company's results were known, the Compensation Committee evaluated the Company's performance against our financial performance objectives and the metrics in the STI Modifier and determined the actual payout to each NEO based on the following formula:




The maximum potential payout for the 2020 Executive Bonus Program was 240% of target, comprised of (i) achievement of financial performance metrics of up to 200% of target and (ii) a positive STI Modifier multiplier of 20% on the amount determined in clause (i).

The target bonus percentage, the financial and/or operational performance metrics used and the weighting of each metric under the 2020 Executive Bonus Program are reflected in the table below for each NEO other than Mses. Carsley and Murray, who did not participate in the 2020 Executive Bonus Program and whose bonuses are discussed under "Compensation Discussion and Analysis – Compensation Decisions Made for 2020 – Annual Short-Term Incentive Plan/Bonus Payments – 2020 Short-Term Incentive Program for Non-Executive Officers."

| | | | Bonus Performance Metrics (% of Preliminary Bonus Calculation)[1] | | | |
|---|---|---|---|---|---|---|
| Name | Base Salary[2] | Target Bonus Percentage (% of Base Salary) | Blucora Revenue (As Adjusted) | Blucora Adjusted EBITDA (As Adjusted) | Segment Revenue (As Adjusted) | Segment Income (As Adjusted) |
| Christopher W. Walters | $ 780,000 | 150% | 50% | 50% | | |
| Marc Mehlman | $ 350,000 | 100% | 50% | 50% | | |
| Curtis A. Campbell | $ 395,000 | 125% | 40% | 40% | 10% | 10% |
| Todd C. Mackay | $ 395,000 | 120% | 40% | 40% | 10% | 10% |
| Ann J. Bruder | $ 415,000 | 80% | 50% | 50% | | |
| John S. Clendening[3]<br>*Former President and CEO* | $ 650,000 | 200% | 50% | 50% | | |
| Davinder S. Athwal[4]<br>*Former CFO* | $ 416,000 | 125% | 50% | 50% | | |

(1) The financial and operational metrics selected by the Compensation Committee for the 2020 Executive Bonus Program reflect the responsibilities of each executive. For Messrs. Walters, Mehlman, Clendening and Athwal and Ms. Bruder, the financial metrics were tied to overall Company performance. For each of Mr. Campbell and Mr. Mackay, a portion of the financial metrics was tied to overall Company performance, and a portion was tied to metrics related to the performance of the business segment for which they were responsible.

(2) All bonuses were calculated and paid as a percentage of base salary as of December 31, 2020, with the exception of bonuses for Messrs. Walters and Mehlman, which were calculated and then pro-rated based on the number of days they were employed in the performance period. Pursuant to the terms of Mr. Mehlman's employment agreement, for 2020 only, Mr. Mehlman was entitled to receive a bonus in an amount that was no less than his pro-rated target bonus.

(3) Mr. Clendening departed from the Company effective January 10, 2020 and therefore did not receive a bonus under the 2020 Executive Bonus Plan.

(4) Mr. Athwal resigned from the Company effective January 31, 2020 and therefore did not receive a bonus under the 2020 Executive Bonus Plan.

*2020 Bonus Performance and Payout Scale:* Pursuant to the 2020 Executive Bonus Program, the payout percentages for each performance metric were calculated using the scale below, with a maximum payout of 200% of the target amount (before the STI Modifier described above). The target payment amounts were intentionally set to be challenging and to require significant effort by our executives.

| Metrics | Range of Financial Performance in Bonus Payout Scale (% of financial target) | Range of Bonus Payout (% of target bonus)[1], [2] |
|---|---|---|
| Blucora Revenue (as adjusted)[3]<br>Blucora Adjusted EBITDA (as adjusted)[4]<br>Segment Revenue (as adjusted)<br>Segment Income (as adjusted) | Threshold of 80% to Maximum of 120% | 50% at Threshold to Cap of 200% |

(1) Under the 2020 Executive Bonus Program, the maximum payout percentage for each financial performance metric was 200% of target. However, if the maximum financial performance was attained and the Compensation Committee approved the maximum STI Modifier (i.e., 20% of 200%) based on successful achievement of the specified goals and targets, the maximum bonus allowed would be 240% of target.

(2) Actual results are subject to normalization for any significant, unique and/or non-recurring items as well as neutralization of significant changes in Federal fund rates. In 2020, actual results were adjusted as reflected in the table below.

(3) Blucora Revenue (as adjusted) is comprised of our Tax Preparation Segment Revenue and Wealth Management Segment Net Revenue (as adjusted) as described further in the next table below.

(4) Reflects consolidated externally reported Adjusted EBITDA, adjusted to neutralize Federal fund rates changes, remove HKFS results and remove incremental costs related to the tax filing extension resulting from COVID-19. See Appendix A—Non-GAAP Reconciliations for a reconciliation of Adjusted EBITDA to Net Income and for additional information regarding this non-GAAP measure.

*2020 Financial Performance Targets vs. Actual Results:* The specific Company financial targets for 2020 for each metric used in calculating the NEO preliminary bonus payouts are set forth in the table below along with the Company's actual performance for each of those metrics.

| Performance Metrics[1] | Target | Actual Results[2] | Achievement %[3] |
|---|---|---|---|
| Blucora Revenue (as adjusted)[4] | $436,747,000 | $377,421,808 | 87% |
| Blucora Adjusted EBITDA (as adjusted)[5] | $153,181,000 | $127,266,395 | 84% |
| Wealth Management Segment Net Revenue (as adjusted)[6] | $185,075,000 | $168,658,976 | 92% |
| Wealth Management Segment Income (as adjusted)[7] | $ 92,142,000 | $ 83,937,330 | 92% |
| Tax Preparation Segment Revenue[8] | $251,672,000 | $208,762,832 | 83% |
| Tax Preparation Segment Income (as adjusted)[7] | $ 95,131,000 | $ 70,020,917 | 74% |

(1) The Compensation Committee uses these performance metrics because it believes each of these performance metrics is an important measure of our operating performance.

(2) Actual results are subject to normalization for any significant, unique and/or non-recurring items as well as neutralization of significant changes in Federal fund rates. In 2020, actual results were adjusted as reflected in the footnotes 4-7 below.

(3) Per the terms of the 2020 Executive Bonus Program, the achievement percentage is rounded up to the nearest whole percentage point.

(4) Blucora Revenue (as adjusted) is comprised of our Tax Preparation Segment Revenue and Wealth Management Segment Net Revenue (as adjusted) as described further in footnotes 6 and 8 below.

(5) Reflects consolidated externally reported Adjusted EBITDA, adjusted to neutralize Federal fund rates changes, remove HKFS results and remove incremental costs related to the tax filing extension resulting from COVID-19. See Appendix A—Non-GAAP Reconciliations for a reconciliation of Adjusted EBITDA to Net Income and for additional information regarding this non-GAAP measure.

(6) Reflects externally reported revenue for our Wealth Management segment, less amounts paid to financial and tax professionals utilizing the wealth management platform and adjusted to neutralize Federal fund rate changes and remove HKFS results.

(7) Reflects externally reported income for the Tax Preparation or Wealth Management segment, as applicable. The Tax Preparation income is adjusted to remove incremental costs related to the tax filing extension resulting from COVID-19. The Wealth Management segment income is adjusted to neutralize Federal fund rate changes and remove HKFS results.

(8) Reflects externally reported revenue for our Tax Preparation segment.

*2020 Target Bonus and Performance Achievement:* The following table sets forth, for each of the NEOs other than Mses. Carsley and Murray, whose bonuses are discussed under the heading "2020 Short-Term Incentive Program for Non-Executive Officers" below, the Preliminary Bonus based on the financial metrics set forth in the 2020 Executive Bonus Program (in dollars and as a percentage of target), and the earned annual bonus for 2020 reflecting the application of the STI Modifier (in dollars and as a percentage of the target annual bonus):

| Name | Target Annual Bonus % of Base Salary | Target Annual Bonus Target Dollar Value | 2020 Earned Annual Bonus Preliminary Bonus | Preliminary Bonus as a % of Target | STI Modifier $[1] | Total Bonus Payout | Total Bonus as a % of Target |
|---|---|---|---|---|---|---|---|
| Christopher W. Walters[2] | 150% | $1,077,336 | $775,682 | 72% | $ 38,784 | $814,466 | 76.0% |
| Marc Mehlman[3] | 100% | $ 238,140 | $238,140 | 100% | — | $238,140 | 100.0% |
| Curtis A. Campbell | 125% | $ 493,750 | $315,013 | 64% | $ 15,751 | $330,764 | 67.0% |
| Todd C. Mackay | 120% | $ 474,000 | $360,240 | 76% | — | $360,240 | 76.0% |
| Ann J. Bruder | 80% | $ 332,000 | $239,040 | 72% | $ 35,856 | $274,896 | 83.0% |
| John S. Clendening[4] *Former President and CEO* | 200% | $1,300,000 | — | — | — | — | — |
| Davinder S. Athwal[5] *Former CFO* | 125% | $ 520,000 | — | — | — | — | — |

(1) Messrs. Walters and Campbell and Ms. Bruder were each awarded an additional 5%, 5% and 15% STI Modifier to their Preliminary Bonuses, respectively, as a result of their successful attainment of certain leadership and performance targets relating to the STI Modifier.

(2) The bonus target and bonus earned reflect a pro-rata bonus for 2020 based on the number of days Mr. Walters was employed in 2020.

(3) The bonus target and bonus earned reflect a pro-rata bonus for 2020 based on the number of days Mr. Mehlman was employed in 2020. Pursuant to the terms of Mr. Mehlman's employment agreement, for 2020 only, Mr. Mehlman was entitled to receive a bonus in an amount that was no less than his pro-rated target bonus.

(4) Mr. Clendening departed from the Company effective January 10, 2020 and therefore did not receive a bonus under the 2020 Executive Bonus Plan.

(5) Mr. Athwal resigned from the Company effective January 31, 2020 and therefore did not receive a bonus under the 2020 Executive Bonus Plan.

**2020 Short-Term Incentive Program for Non-Executive Officers**

Short-term bonuses for 2020 for Mses. Carsley and Murray were paid under our 2020 Non-Executive Bonus Program, pursuant to which a preliminary bonus amount was calculated based on the achievement of target Blucora adjusted EBITDA. Fifty percent of the preliminary bonus amount for a participant was earned based solely on achievement of target Blucora adjusted EBITDA, and the remaining fifty percent was included in an aggregate bonus pool which was distributed to participants based on relative achievement of individual performance goals. Accordingly, a participant could ultimately be entitled to as little as fifty percent of the preliminary bonus (in a case where relative achievement of individual performance goals was low) or greater than one hundred percent of the preliminary bonus (in a case where relative achievement of individual performance goals was high).

As a result of the COVID-19 pandemic, the Compensation Committee determined to make a mid-year adjustment to the performance metrics and targets, and to reduce the size of the bonus pool to ensure alignment of the program to evolving strategic priorities and revised financial and operational targets, while providing a bonus pool for non-executives that recognized the impact of their efforts and attention to results in an unprecedented environment.

Payouts under our 2020 Non-Executive Bonus Program for Mses. Carsley and Murray are set forth in the table below:

| Name | Target Annual Bonus % of Base Salary | Target Annual Bonus Target Dollar Value | 2020 Earned Annual Bonus Preliminary Bonus | Funded Bonus as % of Target | Total Bonus Payout | Total Bonus as a % of Target |
|---|---|---|---|---|---|---|
| Mimi Carsley | 50% | $ 140,578 | $113,868 | 81% | $ 122,303 | 87% |
| Stacy Murray | 35% | $ 90,426 | $ 73,245 | 81% | $ 79,084 | 87% |

## Long-Term Equity Incentive Awards

### General

Our long-term equity incentive program is designed to be performance-oriented, competitive and flexible, providing incentive for executives to focus on long-term fundamentals and create long-term stockholder value. While the equity program is primarily intended to maintain stockholder-management alignment, the equity awards made under the program also serve to attract highly qualified executives, promote a team environment and maintain our competitive position compared to the compensation programs of companies that are part of our compensation peer group and other companies with whom we compete for talent. The equity awards also have high retention value because they vest over a period of time, typically three years, and unvested awards are generally forfeited when an executive's employment ends.

The 2020 annual long-term equity incentive program included the following equity awards:

- *Stock Options:* Stock options provide incentive for the achievement of stock price growth. They provide a high level of alignment with stockholders because individuals do not realize substantial value from stock options unless our stock price significantly improves following the grant. Stock options represent the right to purchase shares of our Common Stock. All stock options are required to be granted at an exercise price equal to the closing price of our Common Stock on the relevant date of grant under our incentive plans.

- *PRSUs:* PRSUs are performance-based compensation and provide incentive for the achievement of a company stated performance goal tied to non-GAAP earnings per share ("EPS") during 2022 and relative total shareholder return ("TSR") ranking. The number of PRSUs that vest vary with the level of performance attained and vest into shares of the Company's Common Stock. Like the time-based RSUs described below, PRSUs serve to create stockholder-management alignment as well as provide upside incentive when the value of the Company's stock appreciates, but also provides some protection in down markets.

- *Time-Based RSUs:* Time-based RSUs provide upside incentive when the value of our Common Stock appreciates, but also provide some protection in down markets. Because time-based RSUs vest into shares of our Common Stock, they serve to create stockholder-management alignment. Each time-based RSU vests over a certain period of time as long as the employee remains employed by us, and each time-based RSU represents the right to receive one share of our Common Stock upon vesting.

The current long-term equity mix reflects a recent shift in our historical practice. Previously, our long-term executive officer equity program consisted of stock options and time-based RSUs, and in 2018 we introduced PRSUs in addition to stock options and time-based RSUs. This transition was made in order for our executive compensation to be competitive with peers and to reflect market expectations for at-risk and performance-based compensation. In 2019, we reduced the number of time-based RSUs awarded and shifted more toward awarding PRSUs, which are based on Company performance and relative metrics that the Compensation Committee believes are in-line with our long-term strategy and better align management with long-term stockholder value. The Company maintained this mix in 2020, and it is the Compensation Committee's goal to continue to award a higher mix of PRSUs and to reduce the awards of stock options in the future, which we believe is competitive with our peers and in line with our compensation philosophy. See "Grant Practices for Annual Equity Awards for 2020" below.

## Grant Practices for Annual Equity Awards for 2020

In January 2020, following our review of our executive compensation philosophy and review of market and peer data discussed above, the Compensation Committee approved annual equity grants for our executive officers. The aggregate value of the 2020 annual equity grants for our executive officers, including our NEOs other than Mses. Carsley and Murray (who are not executive officers), consisted of the same mix of equity as in 2019 as follows:

- **25% Stock Options;**

- **35% PRSUs; and**

- **40% Time-Based RSUs.**

These equity grants were made at a level our Compensation Committee believed to be competitive in the market and industry in which we compete for talent and also took into account internal pay parity. The grants were made prior to the Company's understanding of the impact of the COVID-19 pandemic.

Because grant practices for annual equity awards differ as between executives and non-executives, Mses. Carsley and Murray each received 100% time-based RSUs in 2020 (and did not receive PRSUs or stock options).

## 2020 NEO Annual Equity Grant Summary

In 2020, our Compensation Committee made the following annual long-term equity incentive awards to our NEOs:

| | | Share Amounts Awarded | | |
|---|---|---|---|---|
| | Aggregate Grant Value of Equity Grants[1] | Options[2] (#) | PRSUs[3] (#) | Time-Based RSUs[2] (#) |
| Christopher W. Walters[4] | $ 5,000,000 | 165,782 | 74,914 | 85,616 |
| Marc Mehlman[5] | — | — | — | — |
| Curtis A. Campbell | $ 1,095,000 | 33,622 | 15,184 | 17,353 |
| Todd C. Mackay | $ 900,000 | 27,634 | 12,480 | 14,263 |
| Ann J. Bruder | $ 730,000 | 22,414 | 10,122 | 11,568 |
| Mimi Carsley[6] | — | — | — | — |
| Stacy Murray | $ 87,500 | — | — | 3,466 |
| John S. Clendening[7] | — | — | — | — |
| Davinder S. Athwal[8] | — | — | — | — |

(1) Reflects the aggregate value intended for the award, which may vary slightly from the amounts reflected on the "Summary Compensation Table" beginning on page 86.

(2) Reflects equity grants under the 2018 Plan that vest pro rata over a three-year period beginning on the first anniversary of date of grant.

(3) Reflects grants under the 2018 Plan that are eligible to vest on January 1, 2023 subject to the Company achieving a certain level of non-GAAP EPS for calendar year 2022 and a certain relative TSR ranking for the performance period. The performance period is from 2020 to, and including, 2022.

(4) Mr. Walters was granted an initial new hire award, but the timing of such award was proximate to annual long-term equity incentive awards and the equity mix was consistent with annual long-term equity incentive awards for other executives. Accordingly, Mr. Walters's initial new hire award is included in the above table.

(5) Mr. Mehlman was granted an initial new hire award but did not receive an annual long-term equity incentive award during 2020. See "Compensation Discussion and Analysis – Compensation Decisions Made for 2020 – Other Awards" for more information.

(6) Ms. Carsley was granted an initial new hire award but did not receive an annual long-term equity incentive award during 2020. See "Compensation Discussion and Analysis – Compensation Decisions Made for 2020 – Other Awards" for more information.

(7) Mr. Clendening departed from the Company effective January 10, 2020 and therefore did not receive an annual equity grant for 2020.

(8) Mr. Athwal resigned from the Company effective January 31, 2020 and therefore did not receive an annual equity grant for 2020.

## 2020–2022 PRSUs Performance and Payout Scale

The PRSUs that were granted to our executives (as described above) are eligible to cliff vest following a three-year performance period, beginning on January 1, 2020 and ending on December 31, 2022. Fifty percent of the award will vest upon the Company's achievement of a certain level of non-GAAP EPS for the 2022 calendar year, and the other fifty percent will vest upon the Company's achievement of a certain relative TSR ranking compared to a TSR peer group that includes the companies in the S&P 1500 Diversified Financials and S&P Application Software indexes over the performance period. The actual payout of vested PRSUs will be based on the following payout scale:

| | Range of Financial Performance in PRSU Payout Scale (% of financial target) | Range of PRSU Payout (% of target) |
|---|---|---|
| 2022 Non-GAAP EPS | Threshold of 80% to Maximum of 120% | 50% at Threshold to Cap of 200% |
| Relative TSR | Threshold of 25th Percentile to Maximum of the 75th Percentile | 50% at Threshold to Cap of 200% |

See "Compensation of Named Executive Officers – Grants of Plan-Based Awards" on page 88 for more information regarding equity grants made to NEOs in 2020.

## Payout of the 2018–2020 PRSUs

In 2018, the Compensation Committee granted PRSUs to certain NEOs that were eligible to vest following a three-year performance period, beginning on January 1, 2018 and ending December 31, 2020, subject to the Company's achievement of a certain level of non-GAAP EPS for the 2020 calendar year. Because actual non-GAAP EPS achieved by the Company for the 2020 calendar year was below the threshold level required for the PRSUs to vest, consistent with our pay for performance philosophy, the PRSUs did not vest and were forfeited.

## Other Awards

### Walters Signing Bonus

On January 30, 2020, in connection with his appointment as President and CEO, Mr. Walters received a one-time signing bonus of $250,000.

### New Hire Grants

On March 16, 2020, in connection with the commencement of her employment with the Company, Ms. Carsley received an initial one-time equity award of 30,647 time-based RSUs that vest on the earlier to occur of (i) the first anniversary of the date of grant and (ii) Ms. Carsley's separation from the Company.

On April 27, 2020, in connection with his appointment as Chief Financial Officer, Mr. Mehlman received an initial one-time equity award consisting of (i) 25,000 time-based RSUs that vest in three equal annual installments beginning on the first anniversary of the date of grant, subject to Mr. Mehlman's continued employment through the applicable vesting dates or as otherwise provided under his employment agreement, the 2018 Plan or the Executive Severance Plan, and (ii) a stock option representing the right to purchase 70,000 shares of our Common Stock at an exercise price of $14.00 per share. The shares underlying the stock option vest in three equal annual installments beginning on the first anniversary of the date of grant, subject to Mr. Mehlman's continued employment through the applicable vesting dates or as otherwise provided under his employment agreement, the 2018 Plan or the Executive Severance Plan.

### 2020 Reorganization Equity Awards

In April 2020, we announced a corporate reorganization focused on our future growth. The reorganization resulted in a series of organizational changes, including adding experienced new talent to the Company's leadership team. As a result of the reorganization, the roles and responsibilities of many of the Company's executive, senior and other employees were significantly expanded in order to maximize efficiencies, drive growth and better position our business to exit the COVID-19 pandemic.

On May 21, 2020, the Compensation Committee determined to award additional equity awards to certain NEOs as a result of the significant expansion of their duties and to retain them while ensuring appropriate internal pay parity between legacy NEOs who were executive officers of the Company prior to the reorganization and newly hired executive officers. In April 2020, Ms. Bruder's role was expanded to include Chief Development and Administrative Officer; Mr. Campbell's role was expanded to include President of Software; and Mr. Mackay's role was expanded to President of Wealth Management. In considering whether to award additional equity, the Compensation Committee considered whether other long-term equity granted earlier in 2020 would be sufficient to retain and motivate these NEOs and to compensate them appropriately given their expanded duties. Given the Company's efforts to bring new talent to the Company's leadership team during 2020, and the Company's significant investment of resources in the reorganization, the Compensation Committee felt that it was imperative to retain these NEOs and ensure that they were incentivized to lead the Company through the COVID-19 pandemic while focusing on financial, operational and strategic objectives of the Company. The Compensation Committee determined that due to market performance during the early months of the COVID-19 pandemic, the annual equity awards no longer had the same retention or incentive value as when they were originally granted, while new employees who were hired as part of the reorganization had received more recent incentive grants, benefiting from a lower stock price at the time of grant. As a result, the Compensation Committee believed the additional equity awards were necessary to promote the retention of NEOs who were key contributors to the Company's success during the reorganization and the unprecedented COVID-19 pandemic and to align compensation of the newly formed executive team. The Compensation Committee did not grant additional equity awards to any employees, including Mr. Mehlman and Ms. Carsley, who joined the Company at or around the time of the reorganization.

The Compensation Committee determined that the additional equity awards for our NEOs, other than Mr. Walters, would consist of an award with a total dollar value equal to 50% of the total dollar value of their respective annual equity incentive awards, as shown in the table below. For Mr. Walters, the Compensation Committee determined to provide an additional equity award with a total dollar value equal to 20% of the value of the equity award he received upon his appointment as our CEO. The Compensation Committee believed that providing Mr. Walters with an equity award of this size effectively balanced its desire to help retain the Company's CEO while also maintaining compensation parity with the Company's other employees.

On June 26, 2020, Ms. Murray was granted an additional equity award for similar retentive purposes, but because she is not an executive officer, the Company's Equity Committee granted such additional award from a pool of awards that had been recommended by the Compensation Committee and approved by the Board for such purpose.

Mr. Clendening and Mr. Athwal were not employed by the Company at the time the additional equity awards were granted and therefore did not qualify to receive an additional equity award.

The following table sets forth the dollar value of each NEO's annual equity incentive award (or with respect to Mr. Walters, equity award at the time of his appointment as our CEO), the percentage amount of such award used to determine the value of the NEO's additional reorganization equity award and the total dollar value of each NEO's additional reorganization equity award:

| Name | Total Value of Annual Equity Award(1) | Percentage of Annual Equity Award Used for Additional Award | Total Value of Additional Equity Award(2) |
|---|---|---|---|
| Christopher W. Walters | $ 5,000,000 | 20% | $ 1,000,000 |
| Marc Mehlman(3) | — | — | — |
| Curtis A. Campbell | $ 1,095,000 | 50% | $ 547,500 |
| Todd C. Mackay | $ 900,000 | 50% | $ 450,000 |
| Ann J. Bruder | $ 730,000 | 50% | $ 365,000 |
| Mimi Carsley(4) | — | — | — |
| Stacy Murray | $ 87,500 | 50% | $ 43,750 |

(1) Reflects the aggregate value intended for the award, which may vary slightly from the amounts reflected in the "Summary Compensation Table" beginning on page 86.

(2) Reflects the aggregate value intended for the award, which is higher than the amounts reflected in the "Summary Compensation Table" beginning on page 86 because we used an assumed stock price value of $13.40 to determine the number of shares underlying the award, which was higher than the actual value of our Common Stock on the date of grant.

(3) Mr. Mehlman was appointed as the Company's Chief Financial Officer effective April 27, 2020 in connection with the Company's reorganization and received an initial new hire grant at such time. As a result, he was not entitled to receive an additional equity award.

(4) Ms. Carsley was appointed as the Company's interim Chief Financial officer effective March 13, 2020 and received an initial new hire grant at such time. As a result, she was not entitled to receive an additional equity award.

The Compensation Committee determined that, with respect to the Company's executive officers, including the NEOs other than Ms. Murray, the additional equity awards would consist of 50% time-based RSUs and 50% stock options. For the Company's senior employees, such as Ms. Murray, the Compensation Committee determined that the additional equity awards would consist of 100% time-based RSUs. The Compensation Committee believed that this breakdown of awards represented the best balance of reinforcing retention and encouraging long-term stockholder value creation. The Compensation Committee elected not to award additional PSRUs as part of the additional equity awards for executive officers because of the difficulty in establishing new performance goals in the middle of an equity award cycle, and instead determined that stock options, which the Compensation Committee believes are inherently performance-based due to their value being derived solely from an increase in the Company's stock price, would be appropriately aligned with the Company's pay for performance philosophy.

After establishing the total dollar value and breakdown of each additional equity award, the Compensation Committee determined the total number of shares underlying the time-based RSUs and stock options comprising the additional equity awards by applying an assumed stock price value of $13.40 per share, which was based on the average fair market value of our Common Stock around the time that equity awards were granted to the employees that joined the Company in connection with the reorganization. Accordingly, the number of shares underlying the additional equity awards was ultimately less than it would have been had the Company determined the number of shares to be granted based on the fair market value of our Common Stock on the date of grant.

The following table shows the total number of time-based RSUs and stock options awarded to our NEOs as part of the additional equity awards:

| Name | Time-Based RSUs | Shares Underlying Stock Options |
|---|---|---|
| Christopher W. Walters | 37,313 | 104,477 |
| Marc Mehlman[(1)] | — | — |
| Curtis A. Campbell | 20,429 | 57,201 |
| Todd C. Mackay | 16,791 | 47,014 |
| Ann J. Bruder | 13,619 | 38,134 |
| Mimi Carsley[(2)] | — | — |
| Stacy Murray | 3,264 | — |

(1) Mr. Mehlman was appointed as the Company's Chief Financial Officer effective April 27, 2020 in connection with the Company's reorganization and received an initial new hire grant at such time. As a result, he was not entitled to receive an additional equity award.

(2) Ms. Carsley was appointed as the Company's interim Chief Financial Officer effective March 13, 2020 and received an initial new hire grant at such time. As a result, she was not entitled to receive an additional equity award.

Each time-based RSU and stock option issued as part of the additional equity awards vests in three equal annual installments beginning on the first anniversary of the date of grant. Each stock option issued as part of the additional equity awards has an exercise price equal to the fair market value of our Common Stock on the date of grant, or $11.30 per share.

## One-Time Recognition Awards

On January 31, 2020, the Compensation Committee approved a one-time cash bonus of $50,000 and a one-time award of 2,217 time-based RSUs to Ms. Murray to recognize her accomplishment in completing the Company's Annual Report on Form 10-K in the midst of the departures of both the Company's former Chief Financial Officer and CEO and agreeing to serve as not only the Principal Accounting Officer but also as the interim Principal Financial Officer while the Company searched for Mr. Athwal's replacement. The time-based RSUs vested in full on January 31, 2021.

On December 15, 2020, the Compensation Committee approved a one-time cash bonus of $200,000 and a one-time award of 13,333 time-based RSUs to Ms. Bruder in order to recognize and reward Ms. Bruder's extraordinary performance and leadership throughout 2020, including the critical role that Ms. Bruder played in supporting the Company throughout a significant corporate reorganization that took place in the first and second quarters of 2020 as well as leading the Company's business continuity efforts that included addressing the challenges associated with operating during the COVID-19 pandemic and the derecho that hit Cedar Rapids, Iowa, where TaxAct is headquartered, in August 2020. The time-based RSUs vest ratably over a three-year period on each anniversary of the date of grant, subject to Ms. Bruder's continued employment through the applicable vesting dates or as otherwise provided under the Executive Severance Plan or the 2018 Plan.

## Other Elements of Compensation

## Executive Officer Employment Agreements

The Company uses employment agreements to retain and attract highly qualified executive officers in a competitive market and currently has employment agreements with all of our executive officers. We believe 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 terms of our executive officers' employment agreements are substantially similar and generally include an initial base salary, a target incentive bonus percentage that serves as the basis for the annual cash incentive bonus plan, an annual equity target and an equity grant upon hire. The employment agreements also include specific terms regarding relocation (where appropriate), severance payments and other benefits, if any, due to the executive under various employment termination circumstances, except to the extent superseded by the Blucora, Inc. Executive Change of Control Severance Plan (the "Executive Severance Plan"). See "Compensation of Named Executive Officers – Potential Payments upon Termination or Change in Control" beginning on page 92 for additional information regarding the severance payments each of our NEOs could receive under their employment agreements.

We do have not employment agreements with Mses. Carsley and Murray.

## Executive Change of Control Severance Plan

On January 17, 2021, the Compensation Committee adopted the Executive Severance Plan in order to bring our change of control practices in line with market practices for certain of our executives, including Messrs. Mehlman, Campbell and Mackay and Ms. Bruder. Mr. Walters is not a participant in the Executive Severance Plan because the Compensation Committee determined that the change of control severance payments and benefits set forth in his employment agreement were in line with market practices. The Executive Severance Plan was designed to ensure the continued dedication of participants therein in case of personal uncertainties or risk of job loss in connection with certain specified corporate transactions, enabling our key executives to apply objective judgment and therefore maximize investor return in relation to any potential change of control. As applicable for a participating executive, the Executive Severance Plan supersedes any provisions in an employment agreement with respect to change of control severance payments and other benefits. See "Employment Agreements – Potential Payments Pursuant to the Executive Severance Plan" beginning on page 99 for additional information regarding the change of control severance payments Messrs. Mehlman, Campbell and Mackay and Ms. Bruder could receive under the Executive Severance Plan. Mses. Carsley and Murray are not eligible to participate in the Executive Severance Plan.

## Health and Welfare Benefits

The Company provides a package of health and welfare benefits to NEOs that is generally available to all other Company employees, including competitive medical, dental and vision benefits, flexible spending accounts ("FSAs"), including a dependent care FSA, survivor benefits, disability coverage, a $30 monthly fitness subsidy and an Employee Assistance Program.

## Retirement and Deferred Compensation Plans

Our NEOs are eligible to participate in the Blucora, Inc. 401(k) Retirement Plan (the "401(k) Plan"), a qualified defined contribution plan that covers a broad group of employees. Our NEOs are also eligible to participate in a nonqualified defined contribution plan, the Blucora Tax-Smart Executive Deferral Plan (the "Executive Deferral Plan"), which provides a vehicle for additional deferred compensation. The Compensation Committee believes that these types of savings plans are consistent with competitive pay practices and are an important element in attracting and retaining talent in a competitive market. Please see "Compensation of Named Executive Officers – Retirement and Deferred Compensation Plans" on page 92 for additional information regarding the Executive Deferral Plan.

## Executive Transitions

As previously discussed, Mr. Clendening departed as President and CEO, effective January 10, 2020, and Mr. Athwal resigned as Chief Financial Officer and Treasurer, effective January 31, 2020.

In connection with Mr. Clendening's departure, the Company and Mr. Clendening entered into a General Release and Waiver of Claims (the "Release"), which reflects the terms of Mr. Clendening's departure and related payment of (i) $5,750,000 (to be paid in accordance with the terms of the Release) and (ii) applicable COBRA reimbursements. These payments reflect the severance payments and benefits Mr. Clendening was entitled to receive under the terms of his employment agreement in the event of a termination without cause, along with an additional cash amount the Company agreed to pay Mr. Clendening in exchange for Mr. Clendening's agreeing to certain changes for the benefit of the Company to the restrictive covenants to which he would be subject to after his departure. In addition, pursuant to the Release, the Company agreed to extend the post-employment exercise period for certain stock options held by Mr. Clendening to December 31, 2020. The Release also reflects certain other continuing covenants, including non-disparagement and confidentiality provisions, to which the Company and Mr. Clendening are subject.

The Company is currently party to an arbitration proceeding with Mr. Clendening with respect to his claims which include, primarily, a request that the Company pay Mr. Clendening damages in connection with the Compensation Committee's determination not to authorize a net exercise as an additional method for Mr. Clendening to exercise certain of his outstanding stock options during the post-employment exercise period. Mr. Clendening has also asserted defamation and disparagement claims relating to certain statements made during the Company's third quarter 2020 earnings call.

In connection with Mr. Athwal's resignation, the Company and Mr. Athwal entered into a Separation and Release Agreement (the "Separation Agreement"), which reflects the terms of Mr. Athwal's resignation and the related payment of (i) accrued obligations, including unpaid base salary earned through the date of separation, unpaid bonus compensation earned through date of separation and any reimbursement for any business expenses in accordance with the Company's policies,

(ii) a severance payment of $626,000 (to be paid in accordance with the terms of the Separation Agreement), (iii) a payment of $90,000 in attorneys' fees and (iv) applicable COBRA reimbursements. The Separation Agreement also reflects certain other continuing covenants to which the Company and Mr. Athwal are subject.

In accordance with the 2018 Plan and their applicable award agreements, all unvested equity awards outstanding were automatically forfeited and canceled at the time of Mr. Clendening's and Mr. Athwal's respective departure from the Company. Each of Messrs. Clendening and Athwal were able to exercise vested stock options within a specified period following their departure, following which time any unexercised stock options were forfeited.

## Other Compensation Policies and Practices

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 incentivize executives and to protect the interests of the Company and our stockholders.

## Clawback Policy

Pursuant to the Company's Executive Incentive Compensation Recoupment Policy ("Clawback Policy"), if the Company is required to prepare an accounting restatement due to its material noncompliance with financial reporting requirements under the U.S. securities laws, then the Company shall, to the extent permitted by law, require reimbursement from current and former executive officers for incentive compensation awarded or received by them at any time during the three-year period preceding the date on which the Company is required to prepare the restatement, to the extent such executive officer is determined to have engaged in fraud or intentional illegal conduct materially contributing to such restatement, as determined by our Board in its sole discretion. The right to recoupment set forth in the Clawback Policy includes recoupment of both cash and equity and is in addition to any other rights that the Company may have against any executive officer, including any remedies at law or in equity. The Clawback Policy is administered by the Compensation Committee. In addition, the Blucora, Inc. 2015 Incentive Plan, as amended and restated (the "2015 Plan"), and the 2018 Plan include provisions that allow us to clawback awards in accordance with the Clawback Policy.

## Prohibition Against Short Selling, Hedging, or Pledging of Company Securities

Our written policy against insider trading ("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 that are designed to hedge or offset any decrease in the market value of our Common Stock. 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 and Personal Benefits

We have historically maintained a conservative approach to providing perquisites and personal benefits to executive officers. The limited perquisites and personal benefits 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 and personal benefits offered to executives are generally offered to all employees. A description and the attributed costs of our perquisites and personal benefits for the NEOs for 2020 are included in the "All Other Compensation" column of the Summary Compensation Table, located on page 86, and described in the notes to that table.

## Executive Officer Stock Ownership Guidelines

Our current stock ownership guidelines, which became effective as of January 1, 2018, reflect our Board's belief in the importance of aligning the economic interests of stockholders and management. Under the terms of these guidelines, our executive officers are expected to acquire and hold shares of our Common Stock equal in market value to the multiple of each of their base salaries set forth below (calculated as of December 31 of each year):

| Position | Ownership Requirement |
|---|---|
| CEO | 5x |
| Other Executive Officers | 3x |

All individuals who were serving as executive officers on January 1, 2018, are expected to attain the minimum level of ownership by no later than January 1, 2023. Any individual who becomes an executive officer after January 1, 2018 is expected to attain the minimum ownership amount within five years after the date of his or her initial appointment as an executive officer. We expect that our executive officers will achieve the requisite ownership levels within the designated five-year timeframe.

Our stock ownership guidelines do not apply to Mses. Carsley and Murray as they are not current executive officers of the Company.

## Risk Considerations in Our Compensation Programs

The Compensation Committee believes that the mix and design of the elements of executive and non-executive compensation in the Company's compensation programs do not encourage management to assume excessive risk taking, and following the assessment of our compensation program, the Compensation Committee does not believe that our compensation program creates risks that are reasonably likely to have a material adverse effect on the Company for the following reasons:

- We structure our pay to consist of both fixed and variable compensation for our employees. The fixed (or salary) portion of compensation is designed to provide a steady income regardless of our financial performance or the performance of our stock price so that executives do not feel pressured to focus exclusively on our financial performance or our stock price performance to the detriment of other important business metrics. The variable (cash short-term incentive and equity-based long-term incentive) portions of compensation are designed to reward both short- and long-term financial performance.
- For short-term performance, our annual 2020 Executive Bonus Program was intended to provide annual cash payments that are awarded based on achievement of earnings goals that are based on the operational and financial metrics applicable to each executive officer and are established by the Compensation Committee. In addition, the maximum payout percentage for the performance metrics under the 2020 Executive Bonus Program was subject to a cap of 240% of the target awards (inclusive of the STI Modifier).
- For long-term performance, our 2020 equity grants were comprised of stock options and time-based RSUs that vest over a three-year period. We believe these equity grants provide incentive for executives and other employees who receive these grants to focus on long-term fundamentals and create long-term stockholder value. In addition, in 2020 we granted PRSUs that are eligible to vest on January 1, 2023, subject to the Company achieving a certain level of non-GAAP EPS during 2022 and a certain relative TSR ranking compared to a pre-established TSR peer group. These performance-based awards reflect the continued focus of the Compensation Committee to align pay with performance and match the incentives of executives with the interests of stockholders. We believe these grants add an additional performance-based component that requires the long-term growth of our Company over a three-year period in order to vest and provides an upside reward for significant long-term growth in Non-GAAP EPS and TSR.
- We maintain a Clawback Policy that allows us to recoup certain compensation and awards paid to our executive officers in the event that there is a material restatement of our financial results.
- Our Insider Trading Policy does not permit margining, pledging, hedging, short sales of or trading options related to our Common Stock by any director, officer or employee.
- We have stock ownership guidelines requiring our CEO to own an amount of our equity with a value equal to five times (5x) his base salary and each of our executive officers other than the CEO to own an amount of our equity with a value equal to three times (3x) such executive officer's base salary.

# Accounting and Tax Considerations

## Accounting Considerations

Blucora follows ASC Topic 718 in accounting for our stock-based compensation awards, and the compensation that it pays to our executives is expensed in our financial statements as required by GAAP.

As one of many factors, the Compensation Committee considers the financial statement impact in determining the amount of, and allocation among the elements of, executive compensation.

## Income Tax Considerations

Section 162(m) limits the tax deductibility of compensation paid by a public company to its CEO and certain other highly compensated executive officers to $1 million. Prior to 2018, there was an exception to the limit on deductibility for performance-based compensation that met certain requirements. The Tax Cut and Jobs Act of 2017 (the "TCJA") largely eliminated that exception starting in 2018. As such, compensation paid to certain covered employees, including our NEOs in 2020 and thereafter, is presumed to be subject to the Section 162(m) deductibility limits as amended by the TCJA, with the exception of certain amounts payable pursuant to a written binding contract in effect as of November 2, 2017 that has not been materially modified thereafter (as permitted by the TCJA). Compensation granted in the past may not qualify as "performance-based compensation" under certain circumstances. We have historically retained, and expect to continue to retain, flexibility toward compensation that is consistent with our corporate objectives even if it does not qualify for a tax deduction.

# COMPENSATION COMMITTEE REPORT

*The following Compensation Committee Report 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 or the Exchange Act, except to the extent that the Company specifically incorporates it by reference into such filing.*

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 that the Compensation Discussion and Analysis be included in this Proxy Statement.

**Members of the Compensation Committee**
*Jana R. Schreuder, Chair*
*E. Carol Hayles*
*Karthik Rao*

## COMPENSATION OF NAMED EXECUTIVE OFFICERS

### Summary Compensation Table

The following table and footnotes discuss the compensation of our NEOs for 2020 and prior years, where applicable. In addition to the footnotes to this table, please see "Compensation Discussion and Analysis" for a detailed description and narrative discussion of 2020 compensation with respect to each NEO.

| Name and Principal Position | Year | Salary[1] | Bonus | Stock Awards[2] | Option Awards[2] | Non-Equity Incentive Plan Compensation[3] | All Other Compensation[4] | Total |
|---|---|---|---|---|---|---|---|---|
| **Christopher W. Walters** *President & CEO* | 2020 | $711,000 | $250,000[5] | $4,379,879 | $1,655,393 | $ 814,466 | $ 207,650 | $8,018,388 |
| **Marc Mehlman** *Chief Financial Officer* | 2020 | $235,577 | $238,140[6] | $ 350,000 | $ 352,100 | — | $ 9,154 | $1,184,971 |
| **Curtis A. Campbell** *President, TaxAct*[7] | 2020 | $394,885 | — | $1,120,258 | $ 508,714 | $ 330,764 | $ 11,400 | $2,366,021 |
| | 2019 | $387,308 | — | $ 712,484 | $ 240,784 | $ 537,653 | $ 11,200 | $1,889,429 |
| **Todd C. Mackay** *President, Wealth Management* | 2020 | $394,846 | — | $ 920,766 | $ 418,114 | $ 360,240 | $ 11,400 | $2,105,366 |
| | 2019 | $414,647 | $121,906[8] | $1,087,879 | $ 92,207 | $ 478,339 | $ 11,200 | $2,206,178 |
| | 2018 | $364,212 | — | $ 563,981 | — | $ 362,855 | $ 10,723 | $1,301,771 |
| **Ann J. Bruder** *Chief Legal, Development, and Administrative Officer and Secretary* | 2020 | $414,885 | $200,000[9] | $ 746,798 | $ 339,137 | $ 274,896 | $ 11,400 | $1,987,116 |
| | 2019 | $407,116 | $100,000[8] | $ 768,667 | $ 158,404 | $ 362,560 | $ 11,200 | $1,807,947 |
| | 2018 | $374,451 | — | $ 637,488 | $ 217,031 | $ 302,400 | $ 94,385 | $1,625,754 |
| **Mimi Carsley** *Former Interim Chief Financial Officer*[10] | 2020 | $277,308 | $ 9,750[8] | $ 349,989 | — | $ 122,303 | $ 8,968 | $ 768,318 |
| **Stacy Murray** *Former Interim Principal Financial Officer*[11] | 2020 | $258,269 | $ 50,000[12] | $ 171,453 | — | $ 79,084 | $ 5,346 | $ 564,152 |
| **John S. Clendening** *Former President and CEO*[13] | 2020 | $ 24,808 | — | — | — | — | $5,634,459 | $5,659,267 |
| | 2019 | $636,443 | $156,250[8] | $4,087,468 | $1,222,934 | $1,287,500 | $ 11,200 | $7,401,795 |
| | 2018 | $598,902 | — | $3,150,000 | $1,072,400 | $1,209,600 | $ 11,000 | $6,041,902 |
| **Davinder S. Athwal** *Former CFO*[14] | 2020 | $ 40,000 | — | — | — | — | $ 738,308 | $ 778,308 |
| | 2019 | $423,631 | $104,000[8] | $1,136,971 | $ 278,805 | $ 535,600 | $ 82,390 | $2,561,397 |
| | 2018 | $335,385 | — | $1,049,972 | $ 459,621 | $ 433,591 | $ 92,947 | $2,371,516 |

(1) Reflects base pay earned by the NEOs for 2020. Ms. Bruder's salary during 2020 includes $88,621 that she elected to defer pursuant to the Executive Deferral Plan. See "Compensation Discussion and Analysis—Compensation Decisions Made for 2020—Other Elements of Compensation—Retirement and Deferred Compensation Plans" on page 81 for more information regarding the Executive Deferral Plan.

(2) Represents the aggregate grant date fair value computed in accordance with ASC Topic 718, excluding the effect of any estimated forfeitures. The grant date fair value for the PRSUs is based on the probable outcome of the vesting conditions as of the grant date. These amounts reflect the Company's accounting expense and may not correspond to the actual value that will be realized by the applicable NEO. Assumptions used in the valuation of stock and option awards granted in 2020 are discussed in "Note 12: Stock-Based Compensation" of the Notes to Consolidated Financial Statements (Part II, Item 8) in our 2020 Annual Report. The maximum value of the PRSUs that were granted on January 9, 2020 is two-times target for Messrs. Walters, Campbell, Mackay and Ms. Bruder, or $3,916,504, $902,841, $742,061 and $601,854, respectively.

(3) Includes amounts earned in 2020 under the 2020 Executive Bonus Program and paid in 2021 based on the achievement of certain performance goals. See "Compensation Discussion and Analysis – Compensation Decisions Made for 2020 – Annual Short-Term Incentive Plan/Bonus Payments" for additional information.

(4) All Other Compensation in 2020 consisted of the following:

| Name | 401(k) Match[(a)] | Commuting[(b)] | Board Retainer (Cash)[(c)] | Severance[(d)] | COBRA[(e)] | Legal Expenses[(f)] | Total[(g)] |
|---|---|---|---|---|---|---|---|
| Christopher W. Walters | $11,400 | $ 180,000 | $16,250 | — | — | — | $ 207,650 |
| Marc Mehlman | $ 9,154 | — | — | — | — | — | $ 9,154 |
| Todd C. Mackay | $11,400 | — | — | — | — | — | $ 11,400 |
| Curtis A. Campbell | $11,400 | — | — | — | — | — | $ 11,400 |
| Ann J. Bruder | $11,400 | — | — | — | — | — | $ 11,400 |
| Mimi Carsley | $ 8,968 | — | — | — | — | — | $ 8,968 |
| Stacy Murray | $ 5,346 | — | — | — | — | — | $ 5,346 |
| John S. Clendening | $ 992 | — | — | $ 5,619,101 | $14,366 | | $5,634,459 |
| Davinder S. Athwal | $11,400 | — | — | $ 626,000 | $10,908 | $ 90,000 | $ 738,308 |

(a) Reflects the amount of matching contributions received by each NEO under the 401(k) Plan, which were capped at the annual IRS compensation limit where appropriate. All matching contributions are invested in the 401(k) Plan as directed by the participant.

(b) Reflects amounts paid to Mr. Walters in 2020 as an allowance for temporary living and commuting expenses pursuant to Mr. Walters's employment agreement.

(c) Reflects the Board and committee fees that Mr. Walters received for serving as a Board and committee member during the first quarter of 2020.

(d) Reflects severance payments made to or accrued by Messrs. Clendening and Athwal in 2020 pursuant to the Release and Separation Agreement, respectively.

(e) Reflects COBRA premium payments made to or accrued by Messrs. Clendening and Athwal in 2020 pursuant to the Release and Separation Agreement, respectively.

(f) Reflects the payment of legal fees incurred by Mr. Athwal pursuant to the Separation Agreement.

(g) For purposes of preparing this table, all perquisites and personal benefits are valued on the basis of the actual cost to Blucora.

(5) Reflects a new hire bonus Mr. Walters received in connection with his appointment as President and CEO on January 30, 2020.

(6) Reflects the pro-rata annual target bonus that Mr. Mehlman received for 2020 per the terms of his employment agreement.

(7) Information for 2018 is not included because Mr. Campbell was not an NEO during that year.

(8) Reflects a one-time bonus received by certain NEOs in connection with their involvement with our acquisition of 1st Global.

(9) Reflects the one-time performance-based bonus that Ms. Bruder received as recognition and reward for her leadership during the COVID-19 pandemic and reorganization during 2020. See "Compensation Discussion and Analysis – Compensation Decisions Made for 2020 – Other Awards" for additional information.

(10) Information for 2018 and 2019 is not included because Ms. Carsley was not an NEO during those years.

(11) Information for 2018 and 2019 is not included because Ms. Murray was not an NEO during those years.

(12) Reflects a one-time bonus Ms. Murray received as recognition of her serving as the Company's interim Principal Financial Officer and successful filing of the Company's Form 10-K for the year ended December 31, 2019. See "Compensation Discussion and Analysis – Compensation Decisions Made for 2020 – Other Awards" for additional information.

(13) Mr. Clendening departed from the Company effective January 10, 2020.

(14) Mr. Athwal resigned from the Company effective January 31, 2020.

## Grants of Plan-Based Awards

The following table and footnotes provide information about awards granted to our NEOs in 2020, including non-equity incentive plan awards that were awarded under our 2020 Executive Bonus Program and 2020 Non-Executive Bonus Program and equity plan awards that were granted under our 2018 Plan. In addition to the footnotes to this table, please see "Compensation Discussion and Analysis—Compensation Decisions Made for 2020" for a detailed description and narrative discussion of these grants.

| | | | Estimated Future Payouts Under Non-Equity Incentive Plan Awards [1] | | | Estimated Future Payouts Under Equity Incentive Plan Awards[2] | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name[4][5] | Grant Date | Committee Approval Date (if different from Grant Date) | Threshold | Target | Maximum | Threshold | Target | Maximum | All Other Stock Awards: Number of Shares of Stock or Units | All Other Option Awards: Number of Securities Underlying Options | Exercise or Base Price of Option Awards | Grant Date Fair Value of Stock and Option Awards[3] |
| **Christopher W. Walters** | | | $ 538,668 | $1,077,336 | $2,585,606 | — | — | — | — | — | — | — |
| *President and CEO* | 1/30/2020 | 1/30/2020 | — | — | — | 37,457 | 74,914 | 149,828 | — | — | — | $ 1,958,252 |
| | 1/30/2020 | 1/30/2020 | — | — | — | — | — | — | 85,616 | — | — | $ 1,999,990 |
| | 1/30/2020 | 1/30/2020 | — | — | — | — | — | — | — | 165,782 | $ 23.36 | $ 1,221,813 |
| | 5/21/2020 | 5/21/2020 | — | — | — | — | — | — | 37,313 | — | — | $ 421,637 |
| | 5/21/2020 | 5/21/2020 | — | — | — | — | — | — | — | 104,477 | $ 11.30 | $ 433,580 |
| **Marc Mehlman** | | | — | $ 238,140 | $ 571,536 | — | — | — | — | — | — | |
| *Chief Financial Officer* | 4/27/2020 | 4/27/2020 | — | — | — | — | — | — | 25,000 | — | — | $ 350,000 |
| | 4/27/2020 | 4/27/2020 | — | — | — | — | — | — | — | 70,000 | $ 14.00 | $ 352,100 |
| **Curtis A. Campbell** | | | $ 246,875 | $ 493,750 | $1,185,000 | — | — | — | — | — | — | — |
| *President, TaxAct and* | 1/9/2020 | 12/20/2019 | — | — | — | 7,592 | 15,184 | 30,368 | — | — | — | $ 451,420 |
| *Software* | 1/9/2020 | 12/20/2019 | — | — | — | — | — | — | 17,353 | — | — | $ 437,990 |
| | 1/9/2020 | 12/20/2019 | — | — | — | — | — | — | — | 33,622 | $ 25.24 | $ 271,330 |
| | 5/21/2020 | 5/21/2020 | — | — | — | — | — | — | 20,429 | — | — | $ 230,848 |
| | 5/21/2020 | 5/21/2020 | — | — | — | — | — | — | — | 57,201 | $ 11.30 | $ 237,384 |
| **Todd C. Mackay** | | | $ 237,000 | $ 474,000 | $1,137,600 | — | — | — | — | — | — | — |
| *President, Wealth* | 1/9/2020 | 12/20/2019 | — | — | — | 6,240 | 12,480 | 24,960 | — | — | — | $ 371,030 |
| *Management* | 1/9/2020 | 12/20/2019 | — | — | — | — | — | — | 14,263 | — | — | $ 359,998 |
| | 1/9/2020 | 12/20/2019 | — | — | — | — | — | — | — | 27,634 | $ 25.24 | $ 223,006 |
| | 5/21/2020 | 5/21/2020 | — | — | — | — | — | — | 16,791 | — | — | $ 189,738 |
| | 5/21/2020 | 5/21/2020 | — | — | — | — | — | — | — | 47,014 | $ 11.30 | $ 195,108 |
| **Ann J. Bruder** | | | $ 166,000 | $ 332,000 | $ 796,800 | — | — | — | — | — | — | |
| *Chief Legal,* | 1/9/2020 | 12/20/2019 | — | — | — | 5,061 | 10,122 | 20,244 | — | — | — | $ 300,927 |
| *Development and* | 1/9/2020 | 12/20/2019 | — | — | — | — | — | — | 11,568 | — | — | $ 291,976 |
| *Administrative Officer* | 1/9/2020 | 12/20/2019 | — | — | — | — | — | — | | 22,414 | $ 25.24 | $ 180,881 |
| *and Secretary* | 5/21/2020 | 5/21/2020 | — | — | — | — | — | — | 13,619 | — | — | $ 153,895 |
| | 5/21/2020 | 5/21/2020 | — | — | — | — | — | — | — | 38,134 | $ 11.30 | $ 158,256 |
| **Mimi Carsley** | | | $ 70,289 | $ 140,578 | $ 210,866 | — | — | — | — | — | — | — |
| *Former Interim Chief* | | | | | | | | | | | | |
| *Financial Officer* | 3/16/2020 | 3/15/2020 | — | — | — | — | — | — | 30,647 | | — | $ 349,989 |
| **Stacy Murray** | | | $ 45,213 | $ 90,426 | $ 135,640 | — | — | — | | — | — | |
| *Former Interim* | 1/9/2020 | 12/20/2019 | — | — | — | — | — | — | 3,466 | — | — | $ 87,482 |
| *Principal Financial* | | | | | | | | | | | | |
| *Officer* | 1/31/2020 | 1/30/2020 | — | — | — | — | — | — | 2,217 | — | — | $ 49,993 |
| | 6/26/2020 | 6/26/2020 | — | — | — | — | — | — | 3,264 | — | — | $ 33,978 |

(1) Represents the range of possible preliminary cash payouts under the 2020 Executive Bonus Program, with the target amount for Mr. Walters and Ms. Carsley reflecting a pro-rata target cash bonus based on the time that they were employed during the performance year. Because Mr. Mehlman was guaranteed payment of his 2020 prorated annual target bonus under his employment agreement, the minimum payment he could have received for 2020 is the pro-rata target amount shown. The preliminary cash payout (except for Mses. Carsley and Murray) was subject to an upward or downward adjustment by up to 20% based on the level of attainment of the STI Modifier metrics. Actual amounts earned, as determined by the Compensation Committee in the first quarter of 2021, are reflected in the Summary Compensation Table under the Non-Equity Incentive Plan Compensation column. See "Compensation Discussion and Analysis—Compensation Decisions Made for 2020—Annual Short-Term Incentive Plan/Bonus Payments" for additional information.

(2) Represents PRSUs granted on January 9, 2020 (January 30, 2020 for Mr. Walters) for all NEOs, except Mses. Carsley and Murray, which are eligible to vest following a three-year performance period, beginning on January 1, 2020 and ending December 31, 2022. Fifty-percent of the PRSUs will vest upon the Company's achievement of a certain level of non-GAAP EPS for the 2022 calendar year, and the other fifty-percent will vest upon the Company's achievement of certain relative TSR ranking against a TSR peer group over the performance period. See "Compensation Discussion and Analysis—Compensation Decisions Made for 2020—Long-Term Equity Incentive Awards" for additional information.

(3) Amounts represent the aggregate grant date fair value of stock awards (which consist of time-based RSUs and PRSUs) and option awards computed in accordance with ASC Topic 718, excluding the effect of any estimated forfeitures. These amounts reflect the Company's accounting expense and may not correspond to the actual value that will be realized by the applicable NEO. Assumptions used in the valuation of stock and option awards granted in 2020 are discussed in "Note 12: Stock-Based Compensation" of the Notes to Consolidated Financial Statements (Part II, Item 8) in our 2020 Annual Report. See "Compensation Discussion and Analysis—Compensation Decisions Made for 2020—Long-Term Equity Incentive Awards" for additional information.

(4) Mr. Clendening departed from the Company effective January 10, 2020 and therefore did not receive any grants of plan-based awards in 2020.

(5) Mr. Athwal resigned from the Company effective January 31, 2020 and therefore did not receive any grants of plan-based awards in 2020.

## Outstanding Equity Awards at Fiscal Year End

The following table and footnotes provide information regarding unexercised options (including vested and unvested options), unvested time-based RSUs and unvested PRSUs outstanding as of December 31, 2020 for each of the NEOs:

| | | Option Awards[1] | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 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[1] | Market Value of Shares or Units of Stock that Have Not Vested[2] | Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights Not Vested | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Unvested Rights[2] |
| **Christopher W. Walters** *President and CEO* | 5/13/2014[3] | 8,625 | — | $ 18.76 | 5/13/2021 | — | — | — | — |
| | 5/21/2014[3] | 8,076 | — | $ 19.50 | 5/21/2021 | — | — | — | — |
| | 5/28/2015[3] | 10,118 | — | $ 16.01 | 5/28/2022 | — | — | — | — |
| | 5/24/2016[3] | 15,569 | — | $ 8.96 | 5/24/2023 | — | — | — | — |
| | 1/30/2020 | — | — | — | — | 85,616 | $ 1,362,151 | — | — |
| | 1/30/2020[6] | — | — | — | — | — | — | 37,457 | $ 595,941 |
| | 1/30/2020 | — | 165,782 | $ 23.36 | 1/30/2027 | — | — | — | — |
| | 5/21/2020 | — | 104,477 | $ 11.30 | 5/21/2027 | — | — | — | — |
| | 5/21/2020 | — | — | — | — | 37,313 | $ 593,650 | — | — |
| **Marc Mehlman** *Chief Financial Officer* | 4/27/2020 | — | 70,000 | $ 14.00 | 4/27/2027 | | — | — | — |
| | 4/27/2020 | — | — | — | — | 25,000 | $ 397,750 | — | — |
| **Curtis A. Campbell** *President, TaxAct and Software* | 1/2/2019 | 9,078 | 18,160 | $ 27.03 | 1/2/2026 | — | — | — | — |
| | 1/2/2019 | — | — | — | — | 9,372 | $ 149,109 | — | — |
| | 1/2/2019[5] | — | — | — | — | — | — | 6,151 | $ 97,862 |
| | 1/9/2020 | — | 33,622 | $ 25.24 | 1/9/2027 | — | — | — | — |
| | 1/9/2020 | — | — | — | — | 17,353 | $ 276,086 | — | — |
| | 1/9/2020[6] | — | — | — | — | — | $ 7,592 | — | $ 120,789 |
| | 5/21/2020 | — | 57,201 | $ 11.30 | 5/21/2027 | — | — | — | — |
| | 5/21/2020 | — | — | — | — | 20,429 | $ 325,025 | — | — |

| | | Option Awards[1] | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 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[1] | Market Value of Shares or Units of Stock that Have Not Vested[2] | Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights Not Vested | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Unvested Rights[2] |
| **Todd C. Mackay** *President, Wealth Management* | 6/17/2015 | 21,119 | — | $ 16.32 | 6/17/2022 | — | — | — | — |
| | 12/17/2015 | 10,141 | — | $ 10.67 | 12/17/2022 | — | — | — | — |
| | 7/1/2017 | 5,977 | — | $ 21.20 | 7/1/2024 | — | — | — | — |
| | 12/31/2017 | 14,479 | — | $ 22.10 | 12/31/2024 | — | — | — | — |
| | 2/20/2018 | — | — | — | — | 1,722 | $ 27,397 | — | — |
| | 1/2/2019 | — | — | — | — | 3,150 | $ 50,117 | — | — |
| | 5/6/2019[7] | — | — | — | — | 5,035 | $ 80,107 | — | — |
| | 6/14/2019[8] | — | — | — | — | 9,984 | $ 158,845 | — | — |
| | 6/14/2019 | — | — | — | — | 3,107 | $ 49,432 | — | — |
| | 6/14/2019[5] | — | — | — | — | — | — | 2,039 | $ 32,440 |
| | 6/14/2019 | 3,010 | 6,021 | $ 31.75 | 6/14/2026 | — | — | — | — |
| | 1/9/2020 | — | 27,634 | $ 25.24 | 1/9/2027 | — | — | — | — |
| | 1/9/2020 | — | — | — | — | 14,263 | $ 226,924 | — | — |
| | 1/9/2020[6] | — | — | — | — | — | — | 6,240 | $ 99,278 |
| | 5/21/2020 | — | 47,014 | $ 11.30 | 5/21/2027 | — | — | — | — |
| | 5/21/2020 | — | — | — | — | 16,791 | $ 267,145 | — | — |
| **Ann J. Bruder** *Chief Legal, Development and Administrative Officer and Secretary* | 6/19/2017 | 31,409 | — | $ 21.70 | 6/19/2024 | — | — | — | — |
| | 2/20/2018 | 18,886 | 9,447 | $ 24.00 | 2/20/2025 | — | — | — | — |
| | 2/20/2018 | — | — | — | — | 5,903 | $ 93,917 | — | — |
| | 2/20/2018[4] | — | — | — | — | — | — | 4,427 | $ 70,434 |
| | 1/2/2019 | 5,972 | 11,947 | $ 27.03 | 1/2/2026 | — | — | — | — |
| | 1/2/2019 | — | — | — | — | 6,165 | $ 98,085 | — | — |
| | 1/2/2019[5] | — | — | — | — | — | — | 4,046 | $ 64,372 |
| | 5/6/2019[7] | — | — | — | — | 4,130 | $ 65,708 | — | — |
| | 1/9/2020 | — | 22,414 | $ 25.24 | 1/9/2027 | — | — | — | — |
| | 1/9/2020 | — | — | — | — | 11,568 | $ 184,047 | — | — |
| | 1/9/2020[6] | — | — | — | — | — | — | 5,061 | $ 80,521 |
| | 5/21/2020 | — | 38,134 | $ 11.30 | 5/21/2027 | — | — | — | — |
| | 5/21/2020 | — | — | — | — | 13,619 | $ 216,678 | — | — |
| **Mimi Carsley** *Former Interim Chief Financial Officer* | 3/16/2020[9] | — | — | — | — | 30,647 | $ 487,594 | — | — |
| **Stacy Murray** *Former Interim Principal Financial Officer* | 1/9/2020 | — | — | — | — | 3,466 | $ 55,144 | — | — |
| | 1/31/2020[10] | — | — | — | — | 2,217 | $ 35,272 | — | — |
| | 6/26/2020 | — | — | — | — | 3,264 | $ 51,930 | — | — |

(1) Consists of time-based RSUs and option awards. Other than the awards issued to Mr. Walters described in footnote 3, the awards granted prior to 2018 vested over a three-year period, with 33.33% vesting on the first anniversary of the date of grant and approximately 16.67% vesting at the end of each subsequent six-month period, such that the awards fully vested at the end of three years. Other than the awards issued to Mr. Mackay and Mses. Bruder, Carsley and Murray described in footnotes 7 through 9, awards granted in 2018 and after vest pro-ratably over a three-year period.

(2) The market value of unvested time-based RSUs and PRSUs is based on the closing price of our Common Stock on December 31, 2020 (the last trading day of 2020), which was $15.91 per share.

(3) Represents stock options and RSUs granted Mr. Walters for service on our Board that vested in full on the earlier to occur of one-year from the date of grant or the first Annual Stockholders Meeting following the date of grant.

(4) These PRSUs were eligible to vest following a three-year performance period, beginning on January 1, 2018 and ending December 31, 2020, based on our achievement of a certain level of non-GAAP EPS for 2020. The number of PRSUs reported in this table are reported at the threshold level of achievement of non-GAAP EPS for 2020. Subsequent to December 31, 2020, the Compensation Committee determined that the actual non-GAAP EPS achieved by the Company was below the threshold, and therefore these PRSUs were forfeited.

(5) These PRSUs are eligible to vest following a three-year performance period, beginning on January 1, 2019 and ending December 31, 2021, based on our achievement of a certain level of non-GAAP EPS for 2021. We have assumed that if the performance criteria for these awards were determined on December 31, 2020 (instead of December 31, 2021), the PRSUs would have vested no higher than threshold. Thus, amounts reported in this table are reported at the threshold level of achievement. The actual number of PRSUs that will vest is between 0% and 200% of the target number of PRSUs based on the Company's achievement of non-GAAP EPS for 2021 and may be more or less than the amounts shown.

(6) These PRSUs are eligible to vest following a three-year performance period, beginning on January 1, 2020 and ending December 31, 2022. Fifty-percent of the PRSUs will vest upon the Company's achievement of a certain level of non-GAAP EPS for the 2022 calendar year, and the other fifty-percent will vest upon the Company's achievement of certain relative TSR ranking against a TSR peer group over the performance period. We have assumed that if the performance criteria for these awards were determined on December 31, 2020 (instead of December 31, 2022), the PRSUs would have vested no higher than threshold. Thus, amounts reported in this table are reported at the threshold level of achievement. The actual number of PRSUs that will vest is between 0% and 200% of the target number of PRSUs based on the Company's achievement of non-GAAP EPS for 2022 and the Company's relative TRS ranking for the three-year performance period and may be more or less than the amounts shown. See the Grants of Plan-Based Awards table for the target and maximum number of shares that could vest.

(7) Represents PRSUs that vested on May 5, 2020 upon the Company's achievement of certain transaction-based integration and synergy targets in connection with the Company's acquisition of 1st Global. Pursuant to the applicable award agreements, the shares underlying these PRSUs will not be distributed until May 5, 2021. Such distribution is subject to the NEO remaining employed by the Company on the distribution date.

(8) Represents time-based RSUs that vest in full on the two-year anniversary of the date of grant.

(9) Represents time-based RSUs that vest on the earlier to occur of (i) the first anniversary of the date of grant or (ii) Ms. Carsley's separation from the Company.

(10) Represents time-based RSUs that vest in full on the one-year anniversary of the date of grant.

(11) Mr. Clendening departed from the Company effective January 10, 2020, and all of Mr. Clendening's unvested equity awards were automatically forfeited upon his departure. Mr. Clendening was able to exercise vested stock options within a specified period following his departure, following which time any unexercised stock options were forfeited.

(12) Mr. Athwal resigned from the Company effective January 31, 2020, and all of Mr. Athwal's unvested equity awards were automatically forfeited upon his resignation. Mr. Athwal was able to exercise vested stock options within a specified period following his resignation, following which time any unexercised stock options were forfeited.

## Option Exercises and Stock Vested

The following table and footnotes describe, for each of our NEOs, the number of shares acquired upon the exercise of stock options and vesting of time-based RSUs and PRSUs during 2020, and the value realized upon such exercise and vesting. The value realized upon exercise of stock options and vesting of time-based RSUs and PRSUs 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] |
| Christopher W. Walters[3] | — | — | 3,972 | $ 44,884 |
| Todd C. Mackay | — | — | 31,723 | $ 490,491 |
| Curtis A. Campbell | — | — | 4,686 | $ 121,836 |
| Ann J. Bruder | — | — | 15,801 | $ 290,818 |
| **Mimi Carsley**<br>*Former Interim Chief Financial Officer* | — | — | — | — |
| **Stacy Murray**<br>*Former Interim Principal Financial Officer* | — | — | — | — |
| **John S. Clendening**<br>*Former President and CEO* | 4,499 | $ 36,577 | 36,596 | $ 948,041 |
| **Davinder S. Athwal**<br>*Former CFO* | — | — | 5,426 | $ 141,076 |

(1) The value realized upon exercise was calculated by multiplying the number of shares of underlying stock by the difference between the market price of the Company's Common Stock per share at 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 on the vesting date.

(3) During the time that Mr. Walters served on our Board, Mr. Walters participated in the Director Deferral Plan whereby he elected to defer receipt of any equity awards that were granted to him for his service as a director in 2019. Receipt of the award reflected in the table above was deferred until Mr. Walters's separation from service from the Company.

## Pension Benefits; Non-Qualified Defined Contribution; and Other Non-Qualified Deferred Compensation Plans

On January 1, 2019, the Company implemented the Blucora Tax-Smart Executive Deferral Plan (the "Executive Deferral Plan"). The Executive Deferral Plan is a non-qualified deferred compensation arrangement that allows each of the Company's executive officers to defer a portion of their base salary and annual incentive bonus. Participants may elect to defer at least 5%, and up to 90%, of their base salary and up to 100% of their annual bonus and incentive bonuses, respectively, to the Executive Deferral Plan. Company contributions are allowed under the terms of the Executive Deferral Plan, but no employer contributions were made for 2020. Participants direct the investment of their accounts, at market rates, among the available investment options (generally the same investment options available under our 401(k) Plan). The Executive Deferral Plan offers automatic lump sum distributions upon death or disability. Each participant may elect to receive lump sum or installment distributions upon separation from service or on such other dates certain that a participant may elect. Such elections are made at the time such participant elects to defer compensation for a specific year. Key employee distributions payable upon separation from service will be delayed for six months. The assets of the Executive Deferral Plan are held in a rabbi trust. The following table reflects information regarding the participation by the participating NEO in the Executive Deferral Plan for 2020.

| Name | Executive Contributions in Last Fiscal Year ($)[1] | Registrant Contributions in Last Fiscal Year ($) | Aggregate Earnings in Last Fiscal Year ($) | Aggregate Withdrawals/ Distributions in Last Fiscal Year ($) | Aggregate Balance at Last Fiscal Year-End ($)[2] |
|---|---|---|---|---|---|
| **Ann J. Bruder** | $88,621 | — | $17,686 | — | $149,676 |

(1) The Executive Contributions shown in the above table are also reflected in the Salary Column of the Summary Compensation Table.

(2) The amount in this column includes $40,712 that was previously reported in the Summary Compensation Table as compensation for Ms. Bruder for 2019.

## Potential Payments upon Termination or Change in Control

### Potential Payments

The following table sets forth the estimated incremental payments of severance and/or benefits that would be provided to each of the NEOs that were employed by us as of December 31, 2020 or his or her estate in the event of the termination of such NEO's employment (i) by the NEO (without good reason), (ii) by the Company without cause or by the NEO for good reason, (iii) in connection with a change of control or significant corporate transaction, termination by the NEO for good reason or by the Company without cause (iv) on account of disability or (v) on account of death. Additional information regarding the severance and other benefits to which our NEOs were entitled under each of their employment agreements, if applicable, as of December 31, 2020 is set forth under "Employment Agreements" on page 95.

The table below reflects the following assumptions:

- a termination date of December 31, 2020;
- each NEO would receive payments in accordance with each of their employment agreements as in effect on December 31, 2020, except for Mses. Carsley and Murray, who are not party to an employment agreement;
- Mses. Carsley and Murray would receive payments in accordance with the Company's non-executive severance plan;
- valuations for equity are based on the closing price for our stock on December 31, 2020 (the last trading day of 2020), which was $15.91;
- each NEO had received all of his or her base salary earned during 2020; and
- each NEO was entitled to, but had not yet been paid, the 2020 annual bonus plan payment received in February 2021 (because the assumed termination date is December 31, 2020).

| Executive | Termination By Executive (Without Good Reason) | Termination by the Company Without Cause or by the Executive for Good Reason/ Constructive Termination | Change of Control or Corporate Transaction / Termination Without Cause/ Good Reason[1] | Disability[2] | Death[3] |
|---|---|---|---|---|---|
| **Christopher W. Walters** | | | | | |
| Severance[4] | — | $ 3,900,000 | $ 4,875,000 | $1,560,000 | $1,560,000 |
| Short-Term Incentive[5] | $ 814,466 | $ 814,466 | $ 814,466 | $ 814,466 | $ 814,466 |
| Health Benefits[6] | — | $ 32,530 | $ 32,530 | — | — |
| Accelerated Vesting of Stock Options[7] | — | — | $ 481,639 | $ 481,639 | $ 481,639 |
| Accelerated Vesting of Stock Awards[7] | — | — | $ 2,152,461 | $3,147,683 | $3,147,683 |
| **Total** | $ 814,466 | $ 4,746,996 | $ 8,356,096 | $6,003,788 | $6,003,788 |
| **Marc Mehlman** | | | | | |
| Severance[4] | — | $ 350,000 | $ 700,000 | $ 175,000 | $ 87,500 |
| Short-Term Incentive[5] | $ 238,140 | $ 238,140 | $ 238,140 | $ 238,140 | $ 238,140 |
| Health Benefits[6] | — | $ 21,687 | $ 21,687 | — | — |
| Accelerated Vesting of Stock Options[7] | — | — | $ 133,700 | $ 133,700 | $ 133,700 |
| Accelerated Vesting of Stock Awards[7] | — | — | $ 397,750 | $ 397,750 | $ 397,750 |
| **Total** | $ 238,140 | $ 609,827 | $ 1,491,277 | $ 944,590 | $ 857,090 |
| **Curtis A. Campbell** | | | | | |
| Severance[4] | — | $ 395,000 | $ 888,750 | $ 197,500 | $ 98,750 |
| Short-Term Incentive[5] | $ 330,764 | $ 330,764 | $ 330,764 | $ 330,764 | $ 330,764 |
| Health Benefits[6] | — | $ 20,060 | $ 20,060 | — | — |
| Accelerated Vesting of Stock Options[7] | — | $ — | $ 263,697 | $ 263,697 | $ 263,697 |
| Accelerated Vesting of Stock Awards[7] | — | $ — | $ 790,080 | $1,187,507 | $1,187,507 |
| **Total** | $ 330,764 | $ 745,824 | $ 2,293,351 | $1,979,467 | $1,880,717 |
| **Todd C. Mackay** | | | | | |
| Severance[4] | | $ 395,000 | $ 869,000 | $ 197,500 | $ 98,750 |
| Short-Term Incentive[5] | $ 360,240 | $ 360,240 | $ 360,240 | $ 360,240 | $ 360,240 |
| Health Benefits[6] | — | $ 20,060 | $ 20,060 | — | — |
| Accelerated Vesting of Stock Options[7] | — | $ — | $ 216,735 | $ 216,735 | $ 216,735 |
| Accelerated Vesting of Stock Awards[7] | — | $ — | $ 892,729 | $1,123,404 | $1,123,404 |
| **Total** | $ 360,240 | $ 775,300 | $ 2,358,764 | $1,897,879 | $1,799,129 |
| **Ann J. Bruder** | | | | | |
| Severance[4] | | $ 415,000 | $ 747,000 | $ 207,500 | $ 103,750 |
| Short-Term Incentive[5] | $ 274,896 | $ 274,896 | $ 274,896 | $ 274,896 | $ 274,896 |
| Health Benefits[6] | — | 20,060 | $ 20,060 | — | — |
| Accelerated Vesting of Stock Options[7] | — | — | $ 175,798 | $ 175,798 | $ 175,798 |
| Accelerated Vesting of Stock Awards[7] | — | — | $ 825,874 | $1,089,088 | $1,089,088 |
| **Total** | $ 274,896 | $ 709,956 | $ 2,043,628 | $1,747,282 | $1,643,532 |
| **Mimi Carsley** | | | | | |
| Severance[8] | — | $ 175,000 | $ — | — | — |
| Short-Term Incentive | — | — | $ — | — | — |
| Health Benefits | — | — | $ — | — | — |
| Accelerated Vesting of Stock Options | — | — | $ — | — | — |
| Accelerated Vesting of Stock Awards[7] | — | — | $ — | 487,594 | $ 487,594 |
| **Total** | — | $ 175,000 | $ — | 487,594 | $ 487,594 |
| **Stacy A. Murray** | | | | | |
| Severance[8] | — | $ 130,000 | $ — | — | — |
| Short-Term Incentive | — | — | $ — | — | — |
| Health Benefits | — | — | $ — | — | — |
| Accelerated Vesting of Stock Options | — | — | $ — | — | — |
| Accelerated Vesting of Stock Awards[7] | — | — | $ — | $ 142,346 | $ 142,346 |
| **Total** | — | $ 130,000 | $ — | $ 142,346 | $ 142,346 |

(1) Under the terms of their respective employment agreements as of December 31, 2020, Messrs. Walters, Mehlman, Campbell and Mackay and Ms. Bruder would be entitled to change of control severance benefits if they were terminated within 12 months (or, in the case of Mr. Walters, 24 months) following or during the two-month period prior to a change of control of the Company. Other than the change of control payments described in the preceding sentence that would be made only if there was a "double trigger," the only other payments that could have been made in the event of a change of control of the Company to our NEOs would have been as a result of the vesting of outstanding PRSUs granted in 2018 which, by the terms of the 2015 Plan, were subject to single-trigger vesting upon a change of control of the Company. As described above under "Compensation Discussion and Analysis – Compensation Decisions Made for 2020 – Long-Term Equity Incentive Awards – Payout of the 2018-2020 PRSUs," because actual non-GAAP EPS achieved by the Company for the 2020 calendar year was below the threshold level required for the PRSUs to vest, the PRSUs did not vest and were forfeited (and therefore can no longer vest upon a change of control).

(2) Pursuant to the terms of their respective employment agreements, Mr. Walters would be entitled to receive six months of his base pay and his then current annual target bonus amount, and each of the other NEOs, excluding Mses. Carsley and Murray, would be entitled to receive six months of base pay in the event of disability. Mses. Carsley and Murray do not have an employment agreement and would not be entitled to any additional disability benefits outside of the disability insurance plan available to all employees.

(3) Pursuant to the terms of their respective employment agreements, Mr. Walters would be entitled to receive six months of his base pay and his then current annual target bonus amount, and each of the other NEOs, excluding Mses. Carsley and Murray, would be entitled to receive three months of base pay in the event of their death. Mses. Carsley and Murray do not have an employment agreement and would not be entitled to any additional death benefits outside of the life insurance plan available to all employees.

(4) Amounts reported represent the severance amount payable to each NEO under the terms of such NEO's employment agreements as described in more detail below.

(5) Reflects the actual bonus earned under the 2020 Executive Bonus Program. As of December 31, 2020, this amount had been earned but not yet paid.

(6) Amounts reported are based on the estimated monthly COBRA premium for 18 months for Mr. Walters and 12 months for Messrs. Mehlman, Campbell and Mackay and Ms. Bruder.

(7) Amounts in these rows reflect the value of equity awards that would be accelerated upon a termination of employment or a change in control calculated pursuant to the terms of the NEO's employment agreements (excluding Mses. Carsley and Murray, who are not party to employment agreements), the 2015 Plan and the award agreements thereunder or the 2018 Plan and the award agreements thereunder. In the case of option awards, the equity value was determined by multiplying (i) the spread between the exercise price and the closing price of $15.91 per share on December 31, 2020 and (ii) the number of unvested option shares that would vest following a qualifying termination or termination due to death or disability. In the case of stock grants, the equity value represents the value of the shares determined by multiplying the closing stock price of $15.91 per share on December 31, 2020 by the number of unvested RSUs (to the extent accelerated) or, in the case of PRSUs, by the number of shares to be awarded as described in the following chart. The calculation with respect to unvested long-term incentive awards reflects the following additional assumptions under the terms of the NEO's employment agreements, the 2015 Plan and award agreements thereunder or the 2018 Plan and award agreements thereunder, as applicable.

| Event | Stock Options | Time-Based RSUs | PRSUs (2018 grants) | PRSUs (2019 grants) | PRSUs (2020 grants) |
|---|---|---|---|---|---|
| **Change of Control (without termination of employment)** | Vesting continues under normal terms | Vesting continues under normal terms | Pro-rated, based on portion of performance period occurring prior to the change of control, with vesting based on target performance, per terms of 2015 Plan | Vesting continues under normal terms | Vesting continues under normal terms |
| **Change of Control and qualifying termination within 2-month period prior to, or 12 (or 24 in the case of Mr. Walters) month period following, the Change of Control** | Accelerate, per employment agreements | Accelerate, per employment agreements, if applicable | To the extent qualifying termination occurs prior to the Change of Control (at which time single-trigger pro-rated vesting would apply as indicated in the row above), vesting continues under normal terms | Vesting continues under normal terms | With respect to portion of PRSUs vesting upon achievement of non-GAAP EPS, prorated vesting based on target performance and period served during vesting period, and with respect to portion vesting upon the Company's relative TSR ranking, accelerated vesting based on actual performance through the date of the change of control, in each case, per award agreements under 2018 Plan |
| **Death or Disability** | Accelerate, per award agreements under 2015 Plan and 2018 Plan | Accelerate, per award agreements under 2015 Plan and 2018 Plan | Accelerated vesting, with performance based on target level of achievement, per award agreements under 2015 Plan | Accelerated vesting, with performance based on target level of achievement, per award agreements under 2018 Plan | Accelerated vesting, with performance based on target level of achievement, per award agreements under 2018 Plan |

(8) Amounts reported represent the severance amount payable to Mses. Carsley and Murray pursuant to our non-executive severance plan, which is equal to 26 weeks of base salary. Mses. Carsley and Murray are only entitled to severance payments under our non-executive severance plan if they are terminated as a result of a reduction in force or an elimination of their positions.

In connection with Mr. Clendening's departure, the Company and Mr. Clendening entered into the Release, which reflects the terms of Mr. Clendening's departure and related severance payment and benefits, as well as certain other continuing restrictive covenants specified in the Release. In connection with Mr. Athwal's resignation, the Company and Mr. Athwal entered into the Separation Agreement, which reflects the terms of Mr. Athwal's resignation and related severance payment and benefits, as well as certain other continuing restrictive covenants specified in the Separation Agreement. In accordance with the 2018 Plan and their applicable award agreements, all unvested equity awards outstanding were automatically forfeited and canceled at the time of Mr. Clendening's and Mr. Athwal's respective departure from the Company. Each of Messrs. Clendening and Athwal were able to exercise vested stock options within a specified period following their departure, following which time any unexercised stock options were forfeited. For additional discussion of these departures and related payments to Messrs. Clendening and Athwal, see "Compensation Discussion and Analysis—Compensation Decisions Made for 2020—Other Elements of Compensation—Executive Transitions" on page 81.

## Employment Agreements

The Company has entered into employment agreements with Messrs. Walters, Mehlman, Campbell and Mackay and Ms. Bruder, which include specific terms regarding severance payments and other benefits, if any, due to the executive under various employment termination circumstances. The following sections describe and explain the specific circumstances that would trigger the amounts described above for Messrs. Walters, Mehlman, Campbell and Mackay and Ms. Bruder.

*Termination without Cause and Constructive Termination or Resignation for Good Reason:* Under the employment agreements in place on December 31, 2020, Messrs. Walters, Mehlman, Campbell and Mackay and Ms. Bruder are entitled to receive similar benefits if, other than in connection with a change of control of the Company, they are terminated by us without cause or there is a constructive termination, including the following:

- Messrs. Mehlman, Mackay and Campbell and Ms. Bruder would have received:
  - a severance amount equal to one times such NEO's annual salary, payable in a single lump sum payment (or, in the case of Messrs. Mehlman and Mackay, in 12 equal monthly payments);
  - any unpaid portion of his or her bonus to the extent earned; and
  - a lump sum payment equal to 12 months of COBRA premiums.

- Mr. Walters would have received:
  - a severance amount equal to two times his then-current salary and two times his then annual target bonus amount, payable in a single lump sum payment;
  - any unpaid portion of his bonus to the extent earned; and
  - a lump sum payment equal to 18 months of COBRA premiums.

In general, "cause" is defined as misconduct that is criminal, dishonest, fraudulent or in violation of the Company's Code of Conduct or other written policy, failure to perform job duties, breach of confidentiality obligations or an obstruction of any internal or governmental investigation. "Constructive termination" and "good reason" generally mean a material reduction in duties, authority, responsibility or base salary or a requirement to relocate more than 25 (or, in the case of Messrs. Mehlman and Mackay, 50) miles from Irving, Texas or such other location to which the Company transfers the NEO with the NEO's consent.

*Death:* Under the employment agreements in place as of December 31, 2020 for Messrs. Mehlman, Campbell and Mackay and Ms. Bruder, death entitles the NEO's beneficiary to receive a lump sum payment equal to three months' base salary and any unpaid portion of his or her bonus, to the extent earned. Under Mr. Walters's employment agreement, his beneficiary would receive a lump sum payment equal to six months' base salary and an amount equal to his then-current annual Target Bonus and any unpaid portion of his bonus, to the extent earned.

*Disability:* Under the employment agreements in place as of December 31, 2020, for Messrs. Mehlman, Campbell and Mackay and Ms. Bruder, 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 and any unpaid portion of his or her bonus, to the extent earned. Under Mr. Walters's employment agreement, he would receive a lump sum payment equal to six months' base pay and an amount equal to his then-current annual target bonus and any unpaid portion of his bonus, to the extent earned.

*Change of Control:* Under the employment agreements in place as of December 31, 2020, Messrs. Walters, Mehlman, Campbell and Mackay and Ms. Bruder would have been entitled to receive similar benefits if they were terminated within 12 months (or, in the case of Mr. Walters, 24 months) following or during the two-month period prior to a change of control of the Company, including the following:

- Messrs. Mehlman, Campbell and Mackay and Ms. Bruder would have received:
  - a severance amount equal to one times such NEO's base salary and one times such NEO's target bonus amount, payable in a single lump sum payment;
  - any unpaid portion of his or her bonus to the extent earned; and
  - 12 months of COBRA premiums.
- Mr. Walters would have received:
  - a severance amount equal to 2.5 times his base salary and 2.5 times his target bonus amount, payable in a single lump sum payment;
  - any unpaid portion of his bonus to the extent earned; and
  - 18 months of COBRA premiums.
- Messrs. Walters, Mehlman, Campbell and Mackay and Ms. Bruder would also have received full acceleration of all unvested time-based equity awards and an extended post-termination exercise period for the NEO's options of the earlier of the original expiration date of the award or 12 months following termination.

"Change of control" is defined in the employment agreements as any of the following: (i) acquisition of more than 50% of the voting power of the Company's outstanding securities by any person or through a merger, reorganization or consolidation 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 our Board such that the majority is no longer comprised of incumbent directors (an incumbent being a continuing director, a director nominated by a majority of directors then in office or a director appointed by directors so nominated).

Beginning in 2021, change of control severance benefits for Messrs. Mehlman, Campbell and Mackay and Ms. Bruder will be governed by the Executive Severance Plan as further described below.

## Long-Term Incentive Plans

Because Mses. Carsley and Murray do not have employment agreements that would determine the treatment of their outstanding equity awards in the event of death, disability or a change of control, their outstanding equity awards would be governed by the terms of the 2018 Plan described below. As of December 31, 2020, the PRSUs granted to certain NEOs under the 2015 Plan and the 2018 Plan would be governed by the terms of such plans as set forth below in the event of death, disability or a change of control, except for PRSUs granted in 2020, which, as of December 31, 2020, would be governed by the applicable award agreement, as described below.

## 2015 Plan

Under the 2015 Plan, unless the Compensation 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 of control:

- If the change of 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 of control. Such awards will then 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 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 of control. Such awards will then terminate at the effective time of the change of control.

All performance shares and performance units earned and outstanding as of the date the change of 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 of control and will be payable in accordance with the payout schedule included in the instrument evidencing the award.

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

*Definitions of Change of Control and Company Transaction Under the 2015 Plan.* Unless the Compensation 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 of 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 our Board during any two-year period such that the incumbent Board members (including directors whose election, or nomination for election by stockholders, was approved by a majority of the incumbent Board) cease to constitute at least a majority of the 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.

## 2018 Plan

Under the 2018 Plan, the Compensation Committee may not accelerate the date on which all or any portion of an equity award may be vested or waive any applicable restriction period on a full value award except upon (i) the participant's death or total and permanent disability, (ii) retirement (as such term is defined in the participant's applicable award agreement) or (iii) upon a change in control.

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

*Definitions of Change of Control and Company Transaction Under the 2018 Plan.* Unless the Compensation 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 of control of the Company generally means the occurrence of any of the following events:

(1) 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);

(2) a change in the composition of our Board during any two-year period such that the incumbent Board members (including directors whose election, or nomination for election by stockholders, was approved by a majority of the incumbent Board) cease to constitute at least a majority of our Board; or

(3) consummation of 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.

In addition, the award agreements for equity awards granted in 2018, 2019 and 2020 under the 2015 Plan and under the 2018 Plan provide that in the event of death or disability, each of the NEOs would receive accelerated vesting of outstanding time-based RSUs and options as well as outstanding PRSUs, which would vest at target levels of achievement. Any permissible acceleration of awards granted during or after 2018 would require the approval of the Compensation Committee in accordance with the 2018 Plan.

## 2020 PRSU Award Agreements

As of December 31, 2020, the treatment of the PRSUs granted to NEOs in 2020 would be governed by the applicable PRSU award agreement in the event that an NEO is terminated without cause or for good reason within the two-month period immediately prior to, or the 12-month period immediately following, a change of control. Pursuant to the PRSU award agreements, the PRSUs would vest as follows: (i) with respect to PRSUs that vest upon the Company's achievement of a certain level of non-GAAP EPS for the 2022 calendar year, the PRSUs will vest at target levels of achievement, pro-rated based on the number of days the NEO was employed during the performance period and (ii) with respect to the PRSUs that vest upon the Company achieving a certain relative TSR ranking compared to a TSR peer group, the PRSUs will vest based on the actual relative TSR of the Company against the TSR peer group through the date of the change of control.

## Executive Severance Plan

Effective January 17, 2021, the Compensation Committee adopted the Executive Severance Plan in order to bring our change of control practices in line with market practices for certain of our executives (other than Mr. Walters, who is not a participant), including Messrs. Mehlman, Campbell and Mackay and Ms. Bruder, each of whom has signed a Participation Agreement agreeing, as a condition of participation, to an extension of the duration of certain restrictive covenants such executive is subject to from 12 to 24 months following a "Qualifying Termination." The Compensation Committee believes that the Executive Severance Plan is in the best interests of the Company and its stockholders and ensures the continued dedication of our executives, notwithstanding the possibility, threat or occurrence of a change of control. In addition, the Compensation Committee believes it is imperative to diminish the inevitable distraction of our executives by virtue of the personal uncertainties and risks created by a pending or threatened change of control, and to provide our executives with compensation and benefit arrangements upon a change of control that are competitive with those of other companies.

A fundamental feature of the Executive Severance Plan is that severance benefits are payable only upon a "double trigger." This means that severance benefits are triggered only when an eligible executive is involuntary terminated (other than for "Cause," death or disability), or terminates his or her own employment for "good reason" (which may arise from a material reduction in duties, authority or responsibilities or reporting relationship, a reduction in base salary, target annual cash bonus opportunity or employee benefits, an increase in the executive's commute to his or her current principal work location of more than 25 miles without consent or a failure of the Company to assign the plan to a successor), in each case, within 24 months following a Change of Control or within two months prior to, and in connection with, a Change of Control that is ultimately consummated (a "Qualifying Termination").

Under the Executive Severance Plan, a Change of Control of the Company generally means the occurrence of any of the following: (i) an acquisition of more than 50% of the voting power of the Company's outstanding securities by any person or through a merger, reorganization or consolidation 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; (iv) a sale of assets of the Company that generated 40% or more of the Company's consolidated adjusted EBITDA or total net revenue; or (v) a change in composition of the Board such that the majority is no longer comprised of incumbent directors (an incumbent being a continuing director, a director nominated by a majority of directors then in office, or a director appointed by directors so nominated).

In the event of a Qualifying Termination, such participant will generally be eligible for the following severance benefits:

- a lump sum severance payment in an amount equal to two times the sum of (A) the participant's annualized base salary (as in effect at the time of the Qualifying Termination or at the highest rate in effect for such participant after the effective date of the Executive Severance Plan) and (B) the participant's target annual bonus for the calendar year in which the Qualifying Termination occurs (provided that such target annual bonus shall not be lower than the highest target annual cash bonus paid by the Company to the participant under any annual cash bonus plan in effect for a calendar year commencing since the effective date of the Executive Severance Plan) (the "target annual cash bonus");

- a cash payment equal to any accrued but unpaid annual cash bonus for any completed fiscal year preceding a Qualifying Termination;

- a cash payment equal to the target annual cash bonus prorated based on the number of days participant remained an employee during the calendar year in which the Qualifying Termination occurs; and

- an amount equal to the monthly premium for continuation healthcare coverage for the participant under the Company's group health plan then in effect, including for coverage of any spouse or dependent child of the participant, multiplied by 24.

In addition, upon a Qualifying Termination (or if later, the Change of Control), a participant's outstanding equity awards will fully vest, all performance conditions (if any) will be deemed satisfied at the target performance level, all restrictions on any such outstanding equity awards will lapse and any outstanding stock options will remain exercisable until the later of the first anniversary of the Qualifying Termination and the original expiration date applicable to such options.

If any payments and benefits to be paid or provided to a participant, whether pursuant to the terms of the Executive Severance Plan or otherwise, would be subject to excise taxes under the "golden parachute" provisions of the Internal Revenue Code, such payments and benefits will be reduced to the extent necessary to avoid such excise taxes, but only if such reduction would result in a greater after-tax benefit to the participant.

Any severance benefits under the Executive Severance Plan are conditioned on the participant's executing a general release and waiver of claims substantially in a form prescribed by the Company. In addition, the Plan Administrator may, in the event of a participant's material breach of a material obligation of participant to the Company pursuant to any award or agreement between participant and the Company, including a material breach of any agreement containing restrictive covenants (*e.g.*, confidentiality and non-competition provisions) or a determination that an event constituting Cause has occurred, terminate the right of such participant to receive any severance benefits and seek the recoupment of any severance benefits paid to such participant.

Severance benefits payable under the Executive Severance Plan replace (and will be paid in lieu of) any cash or non-cash change-of-control severance benefits that a participant otherwise is eligible to receive under any other agreements entered into between the Company and the participant (including any employment agreements).

## Potential Payments Pursuant to the Executive Severance Plan

The following table sets forth the estimated incremental payments of severance and/or benefits that would be provided pursuant to our Executive Severance Plan (as though such plan were in effect as of December 31, 2020) to Messrs. Mehlman, Campbell and Mackay and Ms. Bruder in the event of such NEO's qualifying termination.

The table below reflects the following assumptions:

- a termination date of December 31, 2020;

- valuations for equity are based on the closing price for our stock on December 31, 2020 (the last trading day of 2020), which was $15.91;

- each NEO set forth below had received all of his or her base salary earned during 2020; and

- each NEO set forth below was entitled to, but had not yet been paid, the 2020 annual bonus plan payment received in February 2021 (because the assumed termination date is December 31, 2020).

| Executive | | Change of Control / Termination Without Cause/ Good Reason |
|---|---|---|
| **Marc Mehlman** | | |
| Severance[1] | $ | 1,400,000 |
| Short-Term Incentive[2] | $ | 238,140 |
| Health Benefits[3] | $ | 43,373 |
| Accelerated Vesting of Stock Options[4] | $ | 133,700 |
| Accelerated Vesting of Stock Awards[4] | $ | 397,750 |
| **Total** | **$** | 2,212,963 |
| **Curtis A. Campbell** | | |
| Severance[1] | $ | 1,777,500 |
| Short-Term Incentive[2] | $ | 330,764 |
| Health Benefits[3] | $ | 40,120 |
| Accelerated Vesting of Stock Options[4] | $ | 263,697 |
| Accelerated Vesting of Stock Awards[4] | $ | 1,187,507 |
| **Total** | **$** | 3,599,588 |
| **Todd C. Mackay** | | |
| Severance[1] | $ | 1,738,000 |
| Short-Term Incentive[2] | $ | 360,240 |
| Health Benefits[3] | $ | 40,120 |
| Accelerated Vesting of Stock Options[4] | $ | 216,735 |
| Accelerated Vesting of Stock Awards[4] | $ | 1,123,404 |
| **Total** | $ | 3,478,500 |
| **Ann J. Bruder** | | |
| Severance[1] | $ | 1,494,000 |
| Short-Term Incentive[2] | $ | 274,896 |
| Health Benefits[3] | $ | 40,120 |
| Accelerated Vesting of Stock Options[4] | $ | 175,798 |
| Accelerated Vesting of Stock Awards[4] | $ | 1,089,088 |
| **Total** | $ | 3,073,902 |

(1) Amounts reported represent the severance amount payable to each NEO under the terms of our Executive Severance Plan as described in more detail above.

(2) Reflects the actual bonus earned under the 2020 Executive Bonus Program. As of December 31, 2020, this amount had been earned but not yet paid.

(3) Amounts reported are based on the estimated COBRA costs for 24 months.

(4) Amounts in these rows reflect the value of equity awards that would be accelerated pursuant to the terms of the Executive Severance Plan upon a qualifying termination. Pursuant to the terms of the Executive Severance Plan, all outstanding equity awards will fully vest and all performance conditions (if any) will be deemed satisfied at the target performance level. In the case of option awards, the equity value was determined by multiplying (i) the spread between the exercise price and the closing price of $15.91 per share on December 31, 2020 and (ii) the number of unvested option shares that would vest following a qualifying termination. In the case of stock grants, the equity value represents the value of the shares determined by multiplying the closing stock price of $15.91 per share on December 31, 2020 by the number of unvested RSUs or, in the case of PRSUs, by the number of shares to be awarded based on target achievement.

# CEO PAY RATIO

## 2020 CEO Pay Ratio

Below is: (i) the 2020 annual total compensation of our CEO; (ii) the 2020 annual total compensation of our median employee; (iii) the ratio of the annual total compensation of our CEO to that of our median employee; and (iv) the methodology we used to calculate our CEO pay ratio:

| CEO Pay Ratio | |
|---|---|
| CEO Annual Total Compensation* | $ 8,157,442 |
| Median Employee Annual Total Compensation | $ 94,893 |
| CEO to Median Employee Pay Ratio | 86:1 |

* Reflects the annualized total compensation of our President and CEO, Christopher W. Walters, who was appointed as President and CEO, effective January 30, 2020. This annual total compensation is the annualized Summary Compensation Table amount for base pay and incentive bonus amounts. All other amounts included in the Summary Compensation Table are either one-time payments or were not prorated.

## Methodology

Our CEO pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules. Our methodology and process are explained below:

- **Determined Employee Population.** We began with our employee population as of October 1, 2020, including all employees working on a full-time, part-time or interim basis, employed by the Company or consolidated subsidiaries.
- **Identified the Median Employee.** We calculated compensation for each employee utilizing total cash compensation and equity compensation as of December 31, 2020. The cash compensation was annualized for employees who were hired during 2020 and was comprised of base salary and (i) for employees hired before 2020, actual bonuses paid and (ii) for employees who were hired in 2020, the greater of target bonus or actual bonus paid (as actual bonus paid was prorated and would not be representative of full-year bonus amounts). We did not make any cost-of-living adjustments. We identified our median employee using a standard median formula based on the compensation measure, which was consistently applied to all of our employees included in this calculation. Once we identified our median employee, total compensation was calculated for this individual using the same methodology we use for our NEOs as set forth in the Summary Compensation Table but on an annualized basis.
- **Calculated CEO Pay Ratio.** We calculated our median employee's annual total compensation for 2020 according to the SEC's instructions for preparing the Summary Compensation Table and, because such employee was hired in 2020, annualized such amount. We calculated our CEO's annual total compensation using the same approach.

## BENEFICIAL OWNERSHIP

### Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of our Common Stock as of February 24, 2021, as to: (i) each person who is known by us to own beneficially more than five percent of the outstanding shares of Common Stock; (ii) each of our directors and Director Nominees; (iii) each of our NEOs; and (iv) all current directors and executive officers as a group. Information for beneficial owners who are not officers or directors is based on their most recent filings with the SEC (as described in the footnotes to this table) and has not been independently verified by us. The number of shares outstanding as of the Record Date was 48,256,094 shares. Unless otherwise indicated below, and subject to applicable community property laws, we believe based on the information provided to us, that each beneficial owner has sole voting and investment power with respect to the shares listed below. Unless otherwise indicated, the address of each beneficial owner in the table below is c/o Blucora, Inc. 3200 Olympus Boulevard, Suite 100, Dallas, Texas 75019.

| 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 February 24, 2021 | | Shares Beneficially Owned[1] | |
|---|---|---|---|---|---|
| | | Options | RSUs | Number | Percent of Class |
| 5% Stockholders | | | | | |
| **BlackRock, Inc.** | 7,416,688 | — | — | 7,416,688[2] | 15.38% |
| 55 East 52nd Street, New York, NY 10055 | | | | | |
| **The Vanguard Group** | 4,818,459 | — | — | 4,818,459[3] | 9.99% |
| 100 Vanguard Blvd., Malvern, PA 19355 | | | | | |
| **Dimensional Fund Advisors LP** | 3,357,721 | — | — | 3,357,721[4] | 6.96% |
| 1130 Sherbrooke St. West, Suite 1005, Montreal, QC H3A 2M8 | | | | | |
| **Van Berkom & Associates Inc.** | 4,506,042 | — | — | 4,506,042[5] | 9.38% |
| Building One, 6300 Bee Cave Road, Austin, TX 78746 | | | | | |
| Directors | | | | | |
| **Steven Aldrich** | 16,476 | — | — | 16,476 | * |
| **Mark A. Ernst** | 24,000 | — | 4,504 | 28,504[6] | * |
| **E. Carol Hayles** | 5,423 | — | — | 5,423 | * |
| **John MacIlwaine** | 9,395 | — | — | 9,395 | * |
| **Tina Perry** | — | — | — | — | — |
| **Georganne C. Proctor** | 10,708 | — | — | 10,708 | * |
| **Karthik Rao** | — | — | — | — | — |
| **Jana R. Schreuder** | — | — | 4,504 | 4,504 | * |
| **Mary S. Zappone** | 33,864 | 28,822 | — | 62,686 | * |
| Named Executive Officers | | | | | |
| **Ann J. Bruder** | 31,333 | 79,156 | — | 110,489 | * |
| **Curtis Campbell** | 16,839 | 28,362 | — | 46,201 | * |
| **Mimi Carsley**, *Former Interim CFO* | — | — | 30,647 | 30,647 | * |
| Todd C. Mackay | 30,494 | 63,936 | — | 94,430 | * |
| Marc Mehlman | 2,025 | — | — | 2,025[7] | * |
| **Stacy Murray,** *Former Interim Principal Financial Officer* | 2,374 | — | — | 2,374 | * |
| **Christopher W. Walters** | 62,076 | 97,643 | — | 159,719 | * |
| **John S. Clendening**, *Former CEO* | 214,244 | — | — | 214,244[8] | * |
| **Davinder S. Athwal**, *Former CFO* | 12,060 | — | — | 12,060[9] | * |
| **All directors and NEOs as a group (18 persons)** | 471,311 | 298,919 | 39,655 | 809,885 | 1.68% |

* Indicates less than 1.0% ownership of our Common Stock.

(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 such person that are currently exercisable or will become exercisable within 60 days of February 24, 2021, if any, or RSUs held by such person that vest within 60 days of February 24, 2021, 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 January 25, 2021, by BlackRock, Inc. BlackRock, Inc. reported it had sole voting power as to 7,332,948 shares and sole dispositive power as to 7,416,688 shares.

(3) Based on information contained in a Schedule 13G/A filed with the SEC on February 10, 2021, by The Vanguard Group ("Vanguard"). Vanguard reported it had sole voting power as to 0 shares, shared voting power as to 50,811 shares, sole dispositive power as to 4,729,496 shares and shared dispositive power as to 88,963 shares.

(4) Based on information contained in a Schedule 13G/A filed with the SEC on February 12, 2021, by Dimensional Fund Advisors LP and its subsidiaries ("Dimensional"). Dimensional is an investment adviser/manager to certain funds and as investment adviser/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 as to 3,258,141 shares and sole dispositive power as to 3,357,721 shares.

(5) Based on information contained in a Schedule 13G/A filed with the SEC on February 9, 2021, by Van Berkom & Associates Inc. Van Berkom & Associates Inc. reported it had sole voting power as to 4,506,042 shares and sole dispositive power as to 4,506,042 shares.

(6) Includes 14,000 shares of Common Stock held by Bellevue Capital LLC. Mr. Ernst is the managing partner of Bellevue Capital LLC.

(7) Includes 2,025 shares of Common Stock held by Mr. Mehlman's spouse.

(8) Mr. Clendening did not return a completed questionnaire containing information needed by the Company in order to prepare this Proxy Statement.

(9) The reported beneficial ownership amounts are based on a questionnaire provided by Mr. Athwal to the Company in February 2021.

## Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires our officers and directors, and persons who own more than 10 percent of a registered class of our equity securities, ("Reporting Persons") to file with the SEC reports of ownership and reports of changes in ownership of our Common Stock and our other equity securities. Reporting Persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of such reports received or written representations from certain Reporting Persons, the Company believes that during fiscal year ended December 31, 2020 all Reporting Persons complied with all applicable requirements, except for the following: Mr. Ernst filed one late Form 4 to report an open market purchase by Bellevue Capital LLC, of which Mr. Ernst is a managing partner, and Ms. Murray filed one late Form 4 to report a grant of RSUs.

## Ownership Limitations

Certain transfers of shares of our Common Stock and other securities between stockholders could result in an "ownership change," as defined in Internal Revenue Code Section 382 and the related Treasury Regulations (collectively, "Section 382"). Our Charter was amended in 2009 to reclassify our Common Stock and impose restrictions on transfers under certain circumstances in order to preserve our net operating losses ("NOLs") and certain other tax benefits.

In particular, our 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 in any manner whatsoever) any shares of our Common Stock or other securities (including any option, warrant, convertible security, pledge or other security interest or similar right to acquire shares of our Common Stock) to the extent that after giving effect to such purported transfer, the transfer would (i) create or result in a person or group of persons becoming a five-percent stockholder of our Common Stock and other securities 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." Our 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 our Charter is null and void ab initio and is not effective to transfer any record, legal, beneficial or other ownership of the number of shares that results in the violation (which are referred to as “Excess Securities”). The purported transferee is not entitled to any rights as a Company stockholder with respect to the Excess Securities. Instead, the purported transferee is 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 an entity designated by our Board that is described in Section 501(c) of the Internal Revenue Code. Our 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 may authorize an acquisition by a Restricted Holder of stock that would otherwise violate our Charter if our Board 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 desires to acquire shares of our stock must make a written request to our Board prior to any such acquisition. The Company intends to enforce the restrictions to preserve future use of our NOLs and certain other tax benefits for so long as our Board 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.

## EQUITY COMPENSATION PLAN INFORMATION

Our stockholders have approved the 2018 Plan and the Blucora, Inc. 2016 Employee Stock Purchase Plan (the "ESPP"). Our Board adopted the Blucora, Inc. 2016 Inducement Plan (the "Inducement Plan") on January 29, 2016, which did not require stockholder approval under Nasdaq rules. The terms and conditions of the Inducement Plan are substantially similar to those of the 2018 Plan, except that under the Inducement Plan, 2,400,000 shares are authorized for issuance, eligibility is limited to newly hired employees, incentive stock options may not be granted and the Inducement Plan is not subject to stockholder approval. The 2018 Plan replaced the 2015 Plan. Since approval of the 2018 Plan, we have granted all equity awards under the 2018 Plan, except for inducement awards made under the Inducement Plan.

Each plan is described under "Note 12: Stock-Based Compensation" 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, 2020.

The table below sets forth information regarding outstanding awards and shares available for future issuance under the Company's equity compensation plans as of December 31, 2020.

| | (a) | (b) | (c) |
|---|---|---|---|
| **Plan category** | **Number of securities to be issued upon exercise of outstanding options, warrants and rights** | **Weighted-average exercise price of outstanding options, warrants and rights[1]** | **Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))** |
| Equity compensation plans approved by stockholders | 2,649,673[2] | $18.21 | 5,388,699[3] |
| Equity compensation plans not approved by stockholders | 216,019[4] | $11.31 | 1,160,264[5] |
| Employee stock purchase plans approved by stockholders | — | | 759,667[6] |
| **Total** | **2,865,692** | **—** | **7,308,630** |

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

(2) Consists of 1,186,442 shares of our Common Stock issuable upon exercise of outstanding options and 1,463,231 shares of our Common Stock issuable upon vesting of RSUs under the 2018 Plan.

(3) Consists of shares available for future grant under the 2018 Plan.

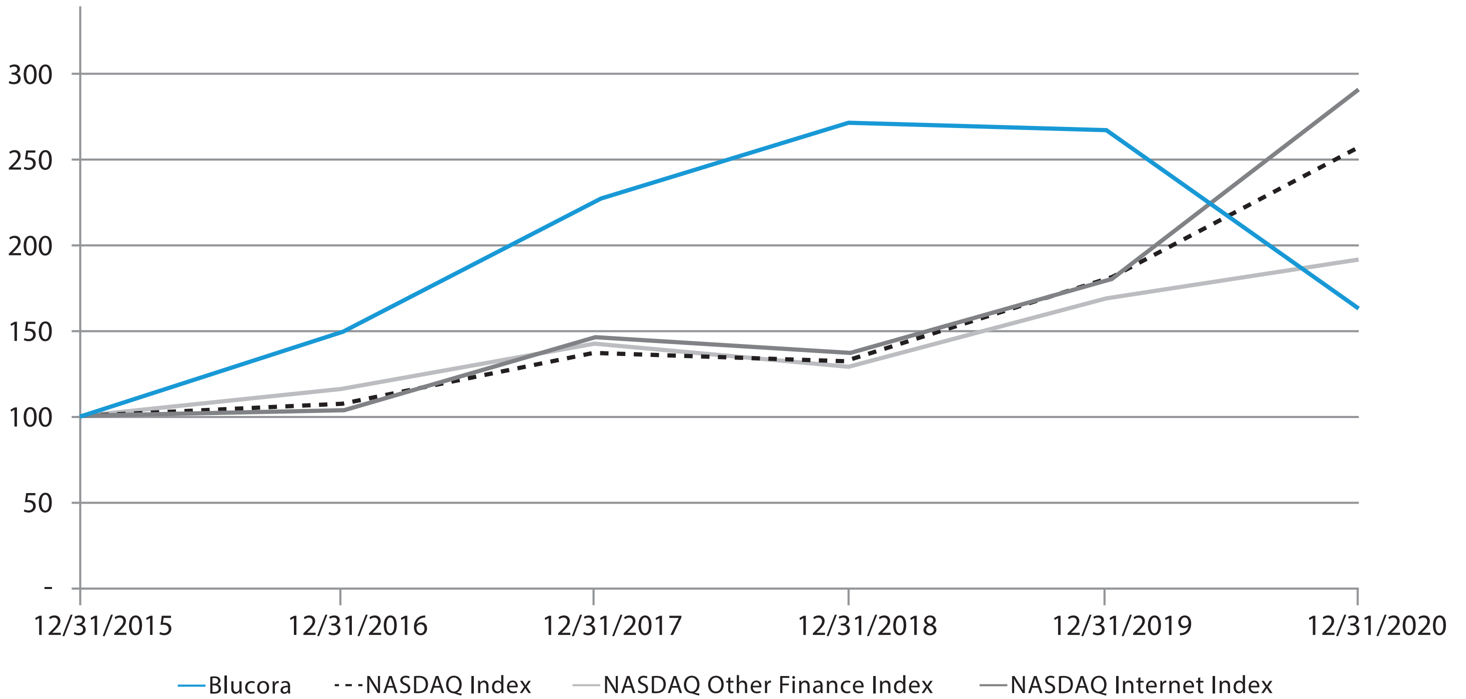
(4) Consists of 177,885 shares of our Common Stock issuable upon exercise of outstanding options and 38,134 shares of our Common Stock issuable upon vesting of RSUs under the Inducement Plan.

(5) Consists of shares available for future grant under the Inducement Plan.

(6) Reflects 759,667 shares available for future grant under the ESPP. For the most recent offering period that ended on November 13, 2020, 114,920 shares were issued under the ESPP.

## STOCK PERFORMANCE

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, (ii) the Nasdaq Other Finance Index and (iii) the Nasdaq Internet Index for the five-year period ended on December 31, 2020.



# OTHER MATTERS

## Costs of Solicitation

We are required by law to convene an annual meeting of our stockholders at which directors are elected. Because our shares are widely held and because of the COVID-19 pandemic, it would be impractical for our stockholders to meet physically in sufficient numbers to hold a meeting. Accordingly, the Company is soliciting proxies from our stockholders. The Company will bear the expenses of calling and holding the Annual Meeting and the solicitation of proxies therefor. These expenses will include, among other things, the costs of preparing, assembling, printing and mailing the proxy materials to stockholders of record and beneficial owners and reimbursement paid to brokerage firms, banks and other fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy materials to stockholders and obtaining beneficial owners' voting instructions. In addition to soliciting proxies by mail, directors and officers may solicit proxies on behalf of our Board, without additional compensation, personally, by telephone, via the Internet or via email. We may also solicit proxies by email from stockholders who are our employees or who previously requested to receive proxy materials electronically.

As a result of the proxy solicitation by Ancora, we may incur additional costs in connection with our solicitation of proxies. We have retained D.F. King to solicit proxies in connection with the Annual Meeting. Under our agreement with D.F. King, D.F. King will receive up to $425,000 plus reimbursement for reasonable out-of-pocket expenses. D.F. King expects that approximately 50 of its employees will assist in the solicitation. D.F. King will solicit proxies in person, by mail, telephone, email or facsimile. The Company's aggregate expenses, including those of D.F. King, related to this solicitation and in excess of expenses normally spent for an annual meeting in which there is not a proxy contest and salaries and wages of officers, are currently estimated to be approximately $1,300,000, of which approximately $625,000 has been incurred as of the date of this Proxy Statement.

## Stockholder Proposals for our 2022 Proxy Statement

Any stockholder proposal pursuant to Rule 14a-8 under the Exchange Act intended to be included in the Company's proxy materials for our 2022 Annual Meeting (pursuant to Rule 14a-8 of the Exchange Act) must be received by the Company at 3200 Olympus Boulevard, Suite 100, Dallas, Texas 75019, Attention: Corporate Secretary, by no later than November 11, 2021, being 120 days prior to the first anniversary of the date that this Proxy Statement was released to stockholders in connection with the Annual Meeting, and must otherwise be in compliance with applicable SEC rules. However, if the date of the 2022 Annual Meeting has been changed by more than 30 days from the date of the Annual Meeting, then a stockholder proposal submitted for inclusion in the Company's proxy statement must be received by us a reasonable time before we begin to print and mail our proxy materials for the 2022 Annual Meeting. The submission of a stockholder proposal pursuant to Rule 14a-8 does not guarantee that it will be included in the Company's proxy statement and form of proxy.

## Director Nomination by Stockholders and Stockholder Proposals of Other Business

Any stockholder nomination of a candidate for election to our Board and any stockholder proposal of other business intended to be presented for consideration at our 2022 Annual Meeting (but that will not be included in the Company's proxy materials for such meeting pursuant to Rule 14a-8 of the Exchange Act), must be received by us in a timely manner and otherwise in accordance with our Bylaws not earlier than the close of business on December 22, 2021 and not later than the close of business on January 21, 2022, being, respectively, 120 days and 90 days prior to the first anniversary of the date of the Annual Meeting. In the event that the 2022 Annual Meeting is more than 30 days before or more than 30 days after the first anniversary of the date of the Annual Meeting, in order to be timely, notice by a stockholder must be so received by us not later than the close of business on the later of (i) the 90th day before our 2022 Annual Meeting or (ii) the 10th day following the day on which public disclosure of the date of our 2022 Annual Meeting is made by the Company.

The Company reserves the right to disregard any stockholder nomination of a candidate for election to our Board or stockholder proposal of other business 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.

## 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, 2020, is being furnished together with this Proxy Statement. Our Annual Report to Stockholders, this Proxy Statement and other proxy materials are available on the Investor Relations portion of our website at www.blucora.com/investors. Upon written request by any stockholder to our Corporate Secretary, at 3200 Olympus Boulevard, Suite 100, Dallas, Texas 75019, 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 www.sec.gov. The information on the Company's website and the SEC's website are not part of this Proxy Statement.

## Cautionary Note Regarding Forward-Looking Statements

This Proxy Statement contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can be identified by words such as "anticipates," "believes," "plans," "expects," "future," "intends," "may," "will," "would," "could," "should," "estimates," "predicts," "potential," "continues," "target," "outlook" and similar terms and expressions. Actual results may differ significantly from management's expectations due to various risks and uncertainties including, but not limited to, those factors described in the Risk Factors section of the Company's Annual Report on Form 10-K for the year ended December 31, 2020. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Proxy Statement. Except as required by law, the Company undertakes no obligation to update any forward-looking statement to reflect events, new information or circumstances occurring after the date of this Proxy Statement.

## References to Blucora Common Stock and Our Subsidiaries

Unless otherwise indicated, references to "Common Stock" refer to our common stock, par value $0.0001.

Unless otherwise indicated, references to:

- "1st Global" refer to 1st Global, Inc. and its subsidiaries;
- "HD Vest" refer to H.D. Vest, Inc. and its subsidiaries;
- "HKFS" refer to Honkamp Krueger Financial Services, Inc.;
- "SimpleTax" refer to SimpleTax Software Inc.;
- "Tax Preparation" or the "Tax Preparation business" consists of the operations of TaxAct;
- "TaxAct" refer to TaxAct, Inc.; and
- "Wealth Management" or "Wealth Management business" consists of the operations of Avantax Wealth Management and Avantax Planning Partners.

## Incorporation by Reference

To the extent that this Proxy Statement is incorporated by reference into any other filing by us under the Securities Act or the Exchange Act, the sections of this Proxy Statement entitled "Compensation Committee Report," "Audit Committee Report" and "Stock Performance" will not be deemed incorporated unless specifically provided otherwise in such filing, to the extent permitted by the rules of the SEC. Such sections shall also not be deemed to be "soliciting material" or to be "filed" with the SEC. Information contained on or connected to our website is not incorporated by reference into this Proxy Statement and should not be considered part of this Proxy Statement or any other filing that we make with the SEC.

## WHERE YOU CAN FIND MORE INFORMATION

The Company files annual, quarterly and current reports, proxy statements and other information with the SEC.

The Company's public filings are available to the public from document retrieval services and the 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 "Investors – Financial Information – SEC Filings."

* * * *

**YOUR VOTE IS VERY IMPORTANT.** It is important that your voice be heard and your shares be represented at the Annual Meeting whether or not you are able to attend. We urge you to vote TODAY by completing, signing and dating the enclosed **BLUE** proxy card and promptly mailing it in the postage pre-paid envelope provided or following the instructions on the enclosed **BLUE** proxy card to vote via the Internet or by telephone. Please submit a proxy as soon as possible, so that your shares can be voted at the Annual Meeting in accordance with your instructions.

By Order of the Board of Directors,

Ann J. Bruder
*Chief Legal, Development and Administrative Officer and Secretary*

Dallas, Texas
March 11, 2021

# NON-GAAP RECONCILIATIONS

Below is a reconciliation of the non-GAAP financial measures set forth in this Proxy Statement under "Proxy Statement Summary" on page 1 and the "Executive Summary" of the CD&A on page 63.

## Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) attributable to Blucora, determined in accordance with GAAP, excluding the effects of stock-based compensation, depreciation and amortization of acquired intangible assets, other loss, net, acquisition and integration costs, impairment of goodwill, executive transition costs, headquarters relocation costs and income tax expense. Acquisition and integration costs primarily relate to the acquisition of HKFS. Impairment of goodwill relates to the impairment of our Wealth Management reporting unit goodwill that was recognized in the first quarter of 2020. Executive transition costs relate to the departure of certain Company executives primarily in the first quarter of 2020. Headquarters relocation costs relate to the process of moving from our original Dallas office and Irving office to our new headquarters.

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.

## Tax Preparation Services Revenue, Excluding SimpleTax

We define tax preparation services revenue, excluding SimpleTax, as tax preparation services revenue (as presented on the consolidated statements of comprehensive income) less SimpleTax revenue. We believe tax preparation services revenue, excluding SimpleTax, is an important measure of current and historical sources of revenue for the Tax Preparation segment because Blucora acquired SimpleTax in July 2015 and disposed of SimpleTax in the third quarter of 2019.

## Reconciliation of Non-GAAP Financial Measures

| *(in thousands, rounding differences may exist)* | Year Ended December 31, 2020 |
|---|---|
| **Adjusted EBITDA** | |
| Net income (loss) attributable to Blucora, Inc. | $ (342,755) |
| Stock-based compensation | 10,066 |
| Depreciation and amortization of acquired intangible assets | 39,907 |
| Other loss, net | 31,304 |
| Acquisition and integration—Excluding change in fair value of acquisition-related contingent consideration | 22,785 |
| Acquisition and integration—Change in fair value of acquisition-related contingent consideration | 8,300 |
| Impairment of goodwill | 270,625 |
| Executive transition costs | 10,701 |
| Headquarters relocation costs | 1,863 |
| Income tax expense | 42,331 |
| Adjusted EBITDA | $ 95,127 |

| | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Tax preparation services revenue | $ 208,763 | $ 209,966 | $ 187,282 | $ 160,937 | $ 139,365 | $ 117,708 |
| Less: SimpleTax revenue | — | (2,555) | (1,800) | (1,224) | (1,226) | (21) |
| Tax Preparation Services revenue, excluding SimpleTax | $ 208,763 | $ 207,411 | $ 185,482 | $ 159,713 | $ 138,139 | $ 117,687 |

# ADDITIONAL INFORMATION REGARDING PARTICIPANTS IN THE SOLICITATION

Under applicable SEC rules and regulations, members of our Board, our Board's nominees and certain officers of the Company are "participants" with respect to the Company's solicitation of proxies in connection with the Annual Meeting. The following sets forth certain information about such persons (the "Participants").

## Directors and Nominees

For more information on the names, ages and principal occupations of the Company's directors and director nominees who are Participants, please see "Proposal One—Election of Directors" on page 41 of this Proxy Statement.

Other than as set forth in this Appendix B or elsewhere in this Proxy Statement, the business address for the Company's directors and director nominees is c/o Blucora, Inc., 3200 Olympus Boulevard, Suite 100, Dallas, Texas 75019.

## Officers

The executive officers of the Company who are Participants are Christopher W. Walters, Marc Mehlman and Ann J. Bruder. The business address for each of these Participants is c/o Blucora, Inc., 3200 Olympus Boulevard, Suite 100, Dallas, Texas 75019. For information on the principal occupations of these Participants, please see "Information Regarding Executive Officers" on page 60 of this Proxy Statement.

## Information Regarding Ownership of the Company's Securities by Participants

For information on the number of the Company's securities beneficially owned by each Participant who is one of the Company's directors, director nominees or NEOs, please see "Beneficial Ownership—Security Ownership of Certain Beneficial Owners and Management" on page 102 of this Proxy Statement.

## Information Regarding Transactions in the Company's Securities by Participants

The following table sets forth information regarding purchases and sales of the Company's securities by each Participant during the period from March 1, 2019 through March 1, 2021. No part of the purchase price or market value of these securities is represented by funds borrowed or otherwise obtained for the purpose of acquiring or holding such securities.

| Name | Transaction Date | Number of Shares of Common Stock | Acquisition (A) or Disposition (D) | Transaction Description |
|---|---|---|---|---|
| Steven Aldrich | 5/21/2020 | 11,061 | A | 3 |
| | 5/23/2019 | 3,972 | A | 3 |
| Ann J. Bruder | 2/20/2021 | 1,909 | D | 7 |
| | 1/9/2021 | 1,721 | D | 7 |
| | 1/4/2021 | 32,799 | A | 3 |
| | 1/2/2021 | 1,376 | D | 7 |
| | 12/19/2020 | 1,057 | D | 7 |
| | 6/19/2020 | 1,057 | D | 7 |
| | 5/21/2020 | 8,259 | A | 3 |
| | 5/21/2020 | 1,624 | D | 3 |
| | 5/21/2020 | 13,619 | A | 7 |
| | 2/20/2020 | 2,322 | D | 7 |
| | 1/9/2020 | 11,568 | A | 3 |
| | 1/2/2020 | 1,376 | D | 7 |
| | 12/19/2019 | 1,057 | D | 7 |
| | 6/19/2019 | 1,058 | D | 7 |
| | 5/2/2019 | 3,000 | A | 9 |
| | 5/2/2019 | 5,600 | D | 8 |

| Name | Transaction Date | Number of Shares of Common Stock | Acquisition (A) or Disposition (D) | Transaction Description |
|---|---|---|---|---|
| Mark A. Ernst | 9/9/2020 | 6,000 | A | 1 |
| | 9/8/2020 | 1,000 | A | 1 |
| | 8/10/2020 | 7,000 | A | 1 |
| | 5/21/2020 | 11,061 | A | 3 |
| | 3/1/2020 | 10,250 | A | 5 |
| E. Carol Hayles | 5/21/2020 | 11,061 | A | 3 |
| | 5/23/2019 | 3,972 | A | 3 |
| John MacIlwaine | 5/21/2020 | 11,061 | A | 3 |
| | 5/23/2019 | 3,972 | A | 3 |
| Marc Mehlman | 1/4/2021 | 18,866 | A | 3 |
| | 8/12/2020 | 2,025 | A | 1 |
| | 4/27/2020 | 25,000 | A | 5 |
| Georganne C. Proctor | 5/21/2020 | 15,486 | A | 3 |
| | 6/28/2019 | 1,488 | A | 3 |
| | 6/5/2019 | 2,768 | D | 2 |
| | 5/23/2019 | 3,972 | A | 3 |
| Karthik Rao | 8/28/2020 | 20,157 | A | 5 |
| Jana R. Schreuder | 5/21/2020 | 11,061 | A | 3 |
| | 3/1/2020 | 10,250 | A | 5 |
| Christopher W. Walters | 1/30/2021 | 7,184 | D | 7 |
| | 1/4/2021 | 133,333 | A | 3 |
| | 8/12/2020 | 8,000 | A | 1 |
| | 8/11/2020 | 8,000 | A | 1 |
| | 5/21/2020 | 37,313 | A | 3 |
| | 1/30/2020 | 85,616 | A | 3 |
| | 5/23/2019 | 3,972 | A | 3 |
| Mary S. Zappone | 5/21/2020 | 11,061 | A | 3 |
| | 6/4/2019 | 6,432 | D | 2 |
| | 5/23/2019 | 3,972 | A | 3 |

Transaction Descriptions:

1. Open Market or Private Purchase
2. Open Market or Private Sale
3. Grant of RSUs
4. Annual Grant of RSUs
5. Grant of RSUs to New Director or Executive Officer
6. Grant of Options
7. Shares Withheld for Payment of Tax Liability Incident to Vesting of RSUs
8. Sale Effected Pursuant to Rule 10b5-1 Trading Plan
9. Exercise of Stock Options
10. Other Disposition

## Miscellaneous Information Concerning Participants

Each of the Company's directors and officers is entitled to indemnification under our Bylaws. In addition, the Company has entered into indemnification agreements with each of its current directors and executive officers.

Other than as set forth in this Appendix B or elsewhere in this Proxy Statement and based on the information provided by each Participant:

1. no Participant or associate of any Participant beneficially owns, directly or indirectly, or owns of record but not beneficially, any shares of common stock or other securities of the Company or any parent or subsidiary of the Company;

2. no Participant has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the Annual Meeting other than an interest, if any, as a stockholder of the Company or, with respect to a director nominee, as a nominee for director; and

3. no Participant has purchased or sold any securities of the Company within the past two years.

In addition, neither the Company nor any of the Participants is now or has been within the past year a party to any contract, arrangement or understanding with any person with respect to any of the Company's securities, including, but not limited to, joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit, division of losses or profits or the giving or withholding of proxies.

Other than as set forth in this Appendix B or elsewhere in this Proxy Statement and based on the information provided by each Participant, neither the Company nor any of the Participants or any of their associates have (i) any arrangements or understandings with any person with respect to any future employment by the Company or any of its affiliates or with respect to any future transactions to which the Company or any of its affiliates will or may be a party, or (ii) a direct or indirect material interest in any transaction or series of similar transactions since January 1, 2020 or any currently proposed transactions, or series of similar transactions, in which the Company or any of its subsidiaries was or is to be a party in which the amount involved exceeds $120,000.

There are no material proceedings to which the Participants or any of their associates is a party or has a material interest adverse to the Company. Neither the Company nor any of the Participants has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) during the past ten years.

Other than the persons described in this Proxy Statement, no regular employees of the Company have been or are to be employed to solicit stockholders in connection with this proxy solicitation. However, in the course of their regular duties, certain administrative personnel may be asked to perform clerical or ministerial tasks in furtherance of this solicitation.

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-K

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

**For the fiscal year ended December 31, 2020**

**OR**

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

**Commission File Number 000-25131**

BLUCORA™

**Blucora, Inc.**

(Exact name of registrant as specified in its charter)

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

**3200 Olympus Blvd, Suite 100, Dallas, Texas 75019**

(Address of principal executive offices) (Zip code)

**(972) 870-6400**

(Registrant's telephone number, including area code)

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

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

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

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ☐ | Accelerated filer | ☒ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| Emerging growth company | ☐ | | |

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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, 2020, based upon the closing price of Common Stock on June 30, 2020 as reported on the NASDAQ Global Select Market, was $546.9 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 any other purposes.

As of February 19, 2021, 48,256,094 shares of the registrant's Common Stock were outstanding.

## DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the registrant's 2021 Annual Meeting of Stockholders (the "Proxy Statement"), to be filed within 120 days of the end of the fiscal year ended December 31, 2020, are incorporated by reference in Part III hereof. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part hereof.

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*Trademarks, Trade Names and Service Marks*

*This report includes some of trademarks, trade names, and service marks of Blucora, Inc. (referred to throughout this report as* ***“Blucora,”*** *the* ***“Company,” “we,” “us,”*** *or* ***“our”****), including Blucora, Avantax Wealth Management, Avantax Planning Partners, Avantax Retirement Plan Services, HD Vest, 1st Global, HKFS, and TaxAct. Each one of these trademarks, trade names, or service marks is either (i) our registered trademark, (ii) a trademark for which we have a pending application, (iii) a trade name or service mark for which we claim common law rights, or (iv) a registered trademark or application for registration that we have been authorized by a third party to use.*

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

*References to our or our subsidiaries’ website addresses or the website addresses of third parties in this report do not constitute incorporation by reference of the information contained on such websites and should not be considered part of this report.*

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

*This Annual Report on Form 10-K (**"Form 10-K"**) contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Many of the forward-looking statements are located in Part II, Item 7 of this Form 10-K under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as "anticipates," "believes," "plans," "expects," "future," "intends," "may," "will," "would," "could," "should," "estimates," "predicts," "potential," "continues," "target," "outlook," and similar terms and expressions, but the absence of these words does not mean that the statement is not forward-looking. Actual results may differ significantly from management's expectations due to various risks and uncertainties including, but not limited to:*

- *the impact of the COVID-19 pandemic on our results of operations and our business, including the impact of the resulting economic and market disruption, the extension of tax filing deadlines, and other related government actions;*
- *our ability to effectively compete within our industries;*
- *our ability to attract and retain financial professionals, qualified employees, clients, and customers, as well as our ability to provide strong customer/client service;*
- *our ability to close, finance, and realize all of the anticipated benefits of acquisitions, as well as our ability to integrate the operations of recently acquired businesses, and the potential impact of such acquisitions on our existing indebtedness and leverage;*
- *our future capital requirements and the availability of financing, if necessary;*
- *our ability to meet our current and future debt service obligations, including our ability to maintain compliance with our debt covenants;*
- *any downgrade of the Company's credit ratings;*
- *our ability to generate strong performance for our clients and the impact of the financial markets on our clients' portfolios;*
- *the impact of new or changing legislation and regulations (or interpretations thereof) on our business, including our ability to successfully address and comply with such legislation and regulations (or interpretations thereof) and increased costs, reductions of revenue, and potential fines, penalties, or disgorgement to which we may be subject as a result thereof;*
- *risks, burdens, and costs, including fines, penalties, or disgorgement, associated with our business being subjected to regulatory inquiries, investigations, or initiatives, including those of the Financial Industry Regulatory Authority, Inc. (**"FINRA"**) and the Securities and Exchange Commission (**"SEC"**);*
- *risks associated with legal proceedings, including litigation and regulatory proceedings;*
- *our ability to manage leadership and employee transitions, including costs and time burdens on management and our board of directors related thereto;*
- *political and economic conditions and events that directly or indirectly impact the wealth management and tax preparation industries;*
- *our ability to respond to rapid technological changes, including our ability to successfully release new products and services or improve upon existing products and services;*
- *the compromising of confidentiality, availability or integrity of information, including cyberattacks;*
- *our expectations concerning the revenues we generate from fees associated with the financial products that we distribute;*
- *risks related to goodwill and other intangible asset impairment;*
- *our ability to develop, establish, and maintain strong brands;*
- *risks associated with the use and implementation of information technology and the effect of security breaches, computer viruses, and computer hacking attacks;*
- *our ability to comply with laws and regulations regarding privacy and protection of user data;*
- *our ability to maintain our relationships with third-party partners, providers, suppliers, vendors, distributors, contractors, financial institutions, industry associations, and licensing partners, and our expectations regarding and reliance on the products, tools, platforms, systems, and services provided by these third parties;*

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

*Forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors that may cause our results, levels of activity, performance, achievements, and prospects to be materially different from those expressed or implied by such forward-looking statements. These risks, uncertainties, and other factors include, among others, those identified under "Item 1A. Risk Factors" and elsewhere in this Form 10-K. All forward-looking statements speak only as of the date of this Form 10-K. We do not undertake any obligation and do not intend to update or revise any forward-looking statement to reflect new information, events, or circumstances after the date of this Form 10-K or to reflect the occurrence of unanticipated events, except as required by law.*

# PART I

## ITEM 1. Business

### General Overview

Blucora, Inc. (the ***"Company," "Blucora," "we," "our,"*** or ***"us"***) is a leading provider of integrated tax-focused wealth management services and software, assisting consumers, small business owners, tax professionals, financial professionals, and certified public accounting (***"CPA"***) firms in achieving better long-term outcomes via holistic, tax-advantaged solutions. Our mission is to empower people to improve their financial wellness through data and technology-driven solutions. We conduct our operations through two primary businesses: (1) the Wealth Management business and (2) the Tax Preparation business. Our common stock is listed on the NASDAQ Global Select Market under the symbol "BCOR."

The Wealth Management business consists of the operations of Avantax Wealth Management and Avantax Planning Partners (collectively, the ***"Wealth Management business"*** or the ***"Wealth Management segment"***).

Avantax Wealth Management provides tax-focused wealth management solutions for financial professionals, tax professionals, CPA firms, and their clients. Avantax Wealth Management works with a nationwide network of financial professionals that operate as independent contractors and provides these financial professionals with an integrated platform of technical, practice, compliance, and product support tools to assist in making each financial professional a comprehensive financial service center for his or her clients.

Avantax Planning Partners, which we acquired on July 1, 2020, operates as a captive, or employee-based, registered investment advisor (***"RIA"***) and wealth management business that partners with CPA firms in order to provide their consumer and small business clients with holistic financial planning and advisory services, as well as retirement plan solutions. Avantax Planning Partners formerly operated as Honkamp Krueger Financial Services, Inc. (***"HKFS"***).

As of December 31, 2020, the Wealth Management business worked with a nationwide network of 3,770 financial professionals and supported $83.0 billion of total client assets, including $35.6 billion of advisory assets.

The Tax Preparation business consists of the operations of TaxAct, Inc. (**"*TaxAct,*"** the **"*Tax Preparation business,*"** or the **"*Tax Preparation segment*"**) and provides digital tax preparation solutions for consumers, small business owners, and tax professionals through its website www.TaxAct.com, and its mobile applications. For the year ended December 31, 2020, TaxAct powered approximately 3.2 million consumer e-files directly through end-users and another 2.1 million professional e-files through approximately 20,000 tax professionals who used TaxAct to prepare and file their taxes or those of their clients.

### Business Overview

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

#### *Wealth Management Business*

As described above, the Wealth Management business consists of the operations of Avantax Wealth Management and Avantax Planning Partners, which we believe provide unique and complementary models through which tax and financial professionals can affiliate with us. These models include:

- an independent broker-dealer for tax and wealth management professionals for whom independence is paramount;
- multiple referral models for tax professionals who prefer a partnership or affiliation model through which their clients' financial planning needs are met; and
- an employee-based RIA model serving CPAs and tax professionals who desire to provide tax-advantaged financial solutions for their clients.

Flexible affiliation models are core to the Wealth Management business's value proposition because they offer powerful ways for us to partner with CPAs and tax professionals of all sizes, from sole practitioners to multi-partner CPA firms.

*Avantax Wealth Management.* Through its registered broker-dealer, RIA, and insurance agency subsidiaries, Avantax Wealth Management provides tax-focused wealth management solutions to financial professionals and their clients nationwide and operates the largest U.S. tax-focused independent broker-dealer.

Avantax Wealth Management works with a nationwide network of financial professionals that operate as independent contractors. Because Avantax Wealth Management primarily recruits and serves independent tax professionals, CPA firms, and financial professionals who partner with established tax practices, most Avantax Wealth Management financial professionals have long-standing tax advisory relationships that anchor their wealth management businesses. This contrasts with traditional independent broker-dealers and investment advisers who are typically limited to providing investment advice to their clients.

We believe that tax and accounting professionals, with their existing client relationships and in-depth knowledge of their clients' financial situations, are well positioned to grow their wealth management practices as their tax advisory relationships provide a large base of potential clients. This competitive advantage results in an experienced and stable network of financial professionals who are uniquely positioned to provide tailored and comprehensive financial solutions that enable clients to meet their financial goals, including their tax goals. In turn, our financial professionals have multiple revenue-generating options to diversify their earnings sources.

To help tax and accounting professionals integrate wealth management services into their practice, we offer specialized training and support that introduces these financial professionals to the investment business and helps them build their practices. The comprehensive training curriculum is administered through a multi-medium approach, including an annual national sales conference, numerous advisor- and home-office led training events, regional meetings, and on-demand learning resources.

Once financial professionals have integrated wealth management into their practices, Avantax Wealth Management provides an open-architecture investment platform and technology tools to help financial professionals identify investment opportunities for their clients. In addition, Avantax Wealth Management supports its financial professionals through its proprietary software tools that are designed to help financial professionals systematically capture tax-alpha (*i.e.,* the incremental performance an investor can achieve, relative to market returns, by taking advantage of available tax-saving strategies) for clients by identifying tax savings opportunities in a financial professional's client base and automating the capture of that opportunity. Our ongoing investments in technology and data analytics are designed to drive enhanced experiences for financial professionals and their end clients, and in turn, grow client assets over time.

Avantax Wealth Management also has a highly experienced home office team that is focused on developing and delivering solutions tailored to each financial professional's practice. The home office team provides marketing, practice management, product support, wealth management, retirement services, compliance, business consulting, succession planning, and other support to our financial professionals.

*Avantax Planning Partners.* As a tax-focused captive RIA, Avantax Planning Partners' financial professionals are employees of Avantax Planning Partners who partner with CPA firms across the country to provide tax-advantaged planning and financial solutions for their clients. Avantax Planning Partners recruits and builds relationships with CPA firms who desire to provide their clients with tax-advantaged wealth management solutions and financial plans, but prefer to outsource that service to a trusted expert.

By the nature of the business, CPAs develop deep, long-lasting relationships with their clients and have insight into their tax and wealth management needs. The trust built in these long-standing relationships provides a solid foundation to recommend a client to a trusted Avantax Planning Partners in-house financial professional.

Holistic financial planning is the core offering of Avantax Planning Partners. In-house financial professionals provide guidance in asset management, retirement planning, advanced planning (including, among other things, business succession planning and estate planning), strategic tax and income planning, and insurance.

To assist affiliate CPA firms with integrating wealth management services into their practice, Avantax Planning Partners offers specialized training and support that introduces CPAs to the investment business and identifies the CPA firms' top potential clients. CPAs then work directly with in-house financial professionals to refer clients and provide wealth management solutions.

Avantax Wealth Management and Avantax Planning Partners primarily generate revenue through securities and insurance commissions, quarterly investment advisory fees based on advisory assets, product marketing service agreements, retirement plan servicing fees, and other agreements and fees. We regularly review the commissions and fees charged for these products and services based on the evolving regulatory and competitive environment in which we operate and as a result of changes in client preferences and needs. For additional information on the Wealth Management segment's revenues, see "Item 8. Financial Statements and Supplementary Data—Note 2."

### *Tax Preparation Business*

TaxAct, a leading provider of digital tax preparation solutions, has leveraged its strong brand, comprehensive suite of tax preparation solutions, and proven digital lead generation capabilities to enable the filing of more than 80 million federal tax returns since 2000. TaxAct operates as a value player in its market, with a mission to empower people to navigate the complexities of tax preparation with ease and accuracy at a fair price.

In addition to TaxAct's core offerings, TaxAct offers ancillary services such as refund payment transfer, audit defense, and stored value cards, as well as presenting customers the option to review and take advantage of personalized tax and potential financial savings opportunities offered through third party product providers. We believe that TaxAct's ease of use, affordable pricing, and established brand and reputation are attractive to customers.

TaxAct had four primary offerings for consumers in 2020:

- A "free" federal and state edition that handled simple returns;
- A "deluxe" paid offering that contained all of the free offering features in addition to tools to maximize credits and deductions, as well as tools for homeowners;
- A "premier" paid offering that contained all of the deluxe offering features in addition to tools for investments, rental property, and prioritized support; and
- A "self-employed" paid offering for independent contractors and self-employed filers.

TaxAct also had offerings for small business owners consisting of separate offerings for sole proprietors, partnerships, C corporations, and S corporations.

TaxAct's professional tax preparer software focuses on the unique needs of small tax offices and solo tax preparers and provides the tools for these professional tax preparers to prepare and file individual and business returns for their clients. TaxAct offers flexible pricing and packaging options that help tax professionals save money by paying only for the specific services that they need. In addition, the professional tax preparer software includes valuable features that tax professionals count on to maximize their efficiency and productivity, including the option of entering data directly into tax forms, utilizing a question-and-answer interview method to enter data, or easily toggling between the two data entry methods. TaxAct generates revenue primarily through its digital service offerings at www.TaxAct.com and its mobile applications.

## Our History

We were formed in 1996 as a Delaware corporation. Significant recent events in our history include:

- In January 2012, we acquired TaxAct, a provider of digital tax preparation solutions.
- In December 2015, we acquired HDV Holdings, Inc. and its subsidiaries (***"HD Vest"***), a provider of wealth management and advisory solutions specifically for tax professionals, and announced our plans to focus on the technology-enabled financial solutions market.
- On May 6, 2019, we closed the acquisition of all of the issued and outstanding common stock of 1st Global, Inc. and 1st Global Insurance Services, Inc. (together, ***"1st Global"***), a tax-focused wealth management company (the ***"1st Global Acquisition"***). The 1st Global Acquisition was strategically important as it expanded our presence as the leading tax-focused independent broker-dealer while also providing the scale to compete more broadly in the wealth management market.

- On September 9, 2019, we announced a rebranding of our Wealth Management business to Avantax Wealth Management (the ***"2019 Rebranding"***). In connection with the 2019 Rebranding, HD Vest (which comprised all of the Wealth Management business prior to the 1st Global Acquisition) was renamed Avantax Wealth Management in mid-September 2019, and 1st Global converted in late October 2019.
- On July 1, 2020, we acquired all of the issued and outstanding common stock of HKFS (the ***"HKFS Acquisition"***). HKFS operates as a captive, or employee-based, RIA and wealth management business that partners with CPA firms in order to provide their consumer and small business clients with holistic financial planning and advisory services. The HKFS Acquisition enabled us to expand the ways we can work with CPA firms and tax professionals to deliver wealth management services to clients, increase our addressable market, and enhance our growth opportunities.
- On January 4, 2021, we announced the rebranding of HKFS to Avantax Planning Partners (the ***"2021 Rebranding"***). The 2021 Rebranding was designed to create tighter brand alignment, bringing our Wealth Management business under one common and recognizable brand.

### Industry Trends

In the wealth management industry, we believe that we are benefiting and will continue to benefit from several positive industry trends, including growth of investable assets, a continued migration to independent financial professional channels, and a continued shift toward household use of fee-based financial professionals. In addition, the captive or employee-based RIA market segment, in which Avantax Planning Partners belongs, is the fastest-growing market segment within the wealth management industry.

In the tax preparation industry, TaxAct participates in the consumer digital do-it-yourself (***"DDIY"***) tax preparation solutions market, which is the fastest growing market segment in the tax preparation industry and is bolstered by a growing population that continues to adopt technology-enabled financial solutions that drive value and ease in their everyday lives.

### Growth Strategy

Our growth strategy begins with our mission to empower people to improve their financial wellness with data and technology-driven, tax-focused financial solutions. Taxes are one of life's largest expenses, yet the tax preparation industry primarily focuses consumers on maximizing a once-a-year refund. Historically, the wealth management industry has largely ignored the impacts of taxes or only executed tax-advantaged strategies for the wealthiest segment of wealth management clients. Through our Wealth Management and Tax Preparation businesses, we seek to execute holistic, long-term tax minimization strategies for our clients and customers while expanding access to those strategies to a broader group of taxpayers. We believe this approach will drive better outcomes for our clients leading to higher customer acquisition, greater lifetime values, and overall better retention. Our growth strategies include:

- ***In the Wealth Management business, accelerating organic growth in the tax-focused wealth management space by:***
  - enhancing our financial professional experience with continued investment in service quality and team training to deliver a superior capability;
  - completing remaining elements of integration from acquisitions to drive efficiencies across the business;
  - when in the client's best interest, improving client asset retention and monetization through the continued shift of client assets into advisory accounts through appropriate coaching, tools, training, and programs;
  - continuing to invest in our technology and product offerings to create positive experiences for our financial professionals and their clients;
  - leveraging the software development capabilities of TaxAct to improve the service and performance of products offered to our financial professionals; and
  - expanding our product and service offerings for our financial professionals utilizing best practices. This includes expanding our turn-key retirement planning solutions business to a nationwide footprint through Avantax Planning Partners.

- ***In the Tax Preparation business, creating continued growth and momentum by:***
  - implementing new marketing programs to drive customer acquisition;
  - expanding our tax preparation offerings with hybrid or "live-assisted" capabilities to provide more options for customers in how to complete their returns;
  - refining pricing strategy to enable us to win in the market and drive robust growth;
  - expanding our value-generating partner ecosystem to increase our distribution capabilities and provide compelling offers for more potential customers;
  - continuing to invest in our core product experience based on direct customer feedback and research to create best-in-class user experiences for our existing customers and target markets;
  - differentiating the TaxAct experience from experiences on other platforms by offering unique product capabilities and features that reinforce our brand's deep expertise in tax for both consumers and tax professionals;
  - driving heightened awareness of our TaxAct professional software to meet the needs of solo practitioners and small tax offices;
  - innovating and testing new solutions and models that expand the DDIY category; and
  - providing ancillary services and partnerships to our customers that enhance our value and brand promise.
- ***Across Blucora, driving incremental growth and realizing the value of our holistic strategy by realizing synergies between Tax Preparation and Wealth Management, initially including:***
  - converting TaxAct Professionals into Avantax Wealth Management financial professionals or affiliate partners;
  - leveraging sophisticated online marketing capabilities from the Tax Preparation segment to offer to financial professionals in the Wealth Management segment; and
  - improving the tools needed to make our financial professionals more productive by leveraging the product and technology leadership from TaxAct.

A key element of our growth strategy is to create a culture of learning and innovation to test specific opportunities across our business and scale those opportunities that show value. For example, we have more than 23,000 tax professionals using our TaxAct Professional software. This base of professionals represents a significant population of potential future financial professionals or referral sources for our Wealth Management business. Additionally, TaxAct possesses significant lead generation and marketing capabilities that we seek to leverage in order to better support wealth management financial professionals with their marketing needs. We intend to conduct focused testing on these concepts to evaluate their value potential and intend to scale the concepts that show the highest promise.

Underlying this learning and innovation approach is a consolidated information technology and data architecture, coupled with a focused effort on the human capital necessary to support our business. As part of this overall strategy, we are investing in our infrastructure to drive higher efficiencies, speed execution, and unlock new opportunities.

We believe that if we successfully execute on the above growth strategies, we will improve performance and deliver on the key financial metrics that drive our organization. These key metrics currently include revenue growth, net income growth, adjusted EBITDA growth, and non-GAAP net income growth. Adjusted EBITDA and non-GAAP net income are non-GAAP financial measures. For more information on these non-GAAP financial measures, including definitions of such measures, see the "*Non-GAAP Financial Measures*" section contained in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

### Seasonality

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

expenses continue. In March 2020 and as a result of the coronavirus pandemic, the Internal Revenue Service (***"IRS"***) extended the filing and payment deadline for federal tax returns from April 15, 2020 to July 15, 2020. This extension resulted in the shifting of a significant portion of Tax Preparation segment revenue that would typically be expected to be earned in the first and second quarters of 2020 to the third quarter of 2020. In addition, sales and marketing expenses were elevated in 2020 due to incremental investment in March 2020 to address weak performance through the first two months of the tax season, as well as increased marketing required due to the extended tax season. The IRS delayed the start of the 2021 tax season and did not begin accepting and processing 2020 tax year returns until February 12, 2021. It is currently unknown if the IRS will need to extend the tax filing deadline in 2021; however, the IRS has revoked its earlier commitments to end the 2021 tax season on time. An extension of the tax filing deadline in 2021 could result in customer and revenue disruptions and increased expenses in 2021.

## Competition

The markets in which our businesses operate continue to evolve and are highly competitive. For our businesses to be successful, we must effectively compete in the wealth management and tax preparation markets, as described in more detail below.

### *Wealth Management Competition*

The wealth management industry is a highly competitive and fragmented global industry. We and the financial professionals with whom we partner compete directly with a variety of financial institutions, including traditional wirehouses, independent broker-dealers, registered investment advisers (including CPA firms that have their own in-house registered investment advisor), asset managers, banks and insurance companies, direct distributors, and larger broker-dealers. These competitors may have greater financial, technological, and marketing resources, broader infrastructure and distribution networks, greater brand recognition, and broader product and service offerings than us. We compete directly with these financial institutions for the provision of products and services to clients, as well as for recruitment and retention of financial professionals.

We believe that our competitive position in the wealth management industry is a function of providing effective, differentiated service and tools to tax professionals, while understanding the needs of these tax professionals with respect to wealth management, in order to maximize the opportunity to provide tax-advantaged financial planning and advice to end clients. We believe that our competitive advantage is centered on the following differentiators:

- We seek to marry tax planning and preparation with financial planning and advisory service for all taxpayers, not just the ultra-high net worth.
- We have the largest network of tax-focused financial professionals who partner with us through multiple affiliation models, which include:
  - an independent broker-dealer for tax and wealth management professionals for whom independence is paramount;
  - multiple referral models for tax professionals who prefer a partnership or affiliation model through which their clients' financial planning needs are met; and
  - an employee-based model serving CPAs and tax professionals who desire to provide tax-advantaged financial solutions for their clients through our in-house RIA;
- We offer tools, training, and support that are uniquely tailored to the needs of tax-focused financial professionals.
- Our understanding of the wealth management and tax businesses enables us to deliver optimal service with both businesses in mind.

### *Tax Preparation Competition*

The market for tax preparation products and services continues to evolve and is highly competitive. We experience significant competition and expect this competitive environment to continue. We encounter direct competition from numerous other tax preparation software products and digital services. These competitors include Intuit's TurboTax and H&R Block's DDIY consumer products and services, which currently serve a significant percentage of the software and digital service market. These competitors may have greater financial, technological, and marketing resources, broader infrastructure and distribution networks, greater brand recognition, and broader

product and service offerings than us. We also encounter competition from alternate methods of tax preparation such as storefront tax preparation services, which includes both local tax preparers and large chains such as H&R Block, Liberty Tax, and Jackson Hewitt. We may also compete against new market entrants who could take a portion of our market share. 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.

We believe that our competitive position in the market for tax preparation software and services is a function of our ability to differentiate our brand versus those of our competitors by:

- optimizing or minimizing the taxes paid by each of our customers;
- continuing to offer reliable, easy-to-use, and accessible software and services that are compelling to consumers;
- providing unique features not offered by the competition, including:
  - ProTips — Contextually relevant insights on often overlooked or unknown tax guidelines that enable customers to save money on their taxes;
  - Deduction Maximizer — A tool that checks each customer's return for certain potentially overlooked tax savings or credits, in addition to data issues or potentially missing data;
  - My TaxPlan — A personalized action plan for each TaxAct customer that provides several concrete things they can do in the coming year to improve their tax outcome for the following year;
  - Efile Concierge — A unique add-on offering that proactively notifies customers with a phone call when their e-filed return has been accepted by the IRS. In the case of a rejection by the IRS, the customer receives a phone call guiding them through the process of updating and resubmitting the return;
  - $100k Accuracy Guarantee — The only provider willing to not only guarantee the customer's return is 100% accurate, but also back that promise up to pay for any errors up to $100k;
- offering competitive pricing;
- offering software that is backed by financial and tax-expertise;
- ensuring the privacy and security of user data submitted through our products;
- marketing our software and services in a cost-effective way;
- offering ancillary services that are attractive to users;
- appealing to our customers as a "challenger" brand; and
- continually innovating new tax preparation services that meet the needs of our customers.

## Governmental Regulation

Blucora is a publicly traded company that is subject to SEC and NASDAQ Global Select Market rules and regulations regarding public disclosure, financial reporting, internal controls, and corporate governance. Our Wealth Management and Tax Preparation segments are subject to federal and state government requirements, including regulations related to consumer protection, user privacy, security, pricing, taxation, intellectual property, labor, advertising, broker-dealers, securities, investment advisers, asset management, insurance, listing standards, and product and services quality.

Our Wealth Management segment is subject to enhanced regulatory scrutiny and is heavily regulated by multiple agencies, including the SEC, FINRA, state securities and insurance regulators, and other regulatory authorities. Our Wealth Management subsidiary, Avantax Investment Services, Inc., is a broker-dealer registered with the SEC, a member of FINRA, and a member of the Securities Investor Protection Corporation and the Depository Trust & Clearing Corporation. Broker-dealers and their representatives are subject to laws, rules and

regulations covering all aspects of the securities business, including sales and trading practices, use and safekeeping of clients' funds and securities, capital adequacy, recordkeeping and reporting, the conduct of directors, officers, and employees, and general anti-fraud provisions. Broker-dealers and their representatives are also regulated by state securities administrators in those jurisdictions where they do business. Compliance with many of the laws, rules and regulations applicable to us involves a number of risks, because laws, rules and regulations frequently change and are subject to varying interpretations, among other reasons. Regulators make periodic examinations of our broker-dealer operations and review annual, monthly, and other reports on our operations and financial condition. Violations of laws, rules and regulations governing a broker-dealer's actions could result in censure, penalties and fines, the issuance of cease-and-desist orders, the restriction, suspension, or expulsion from the securities industry of such broker-dealer, its representatives or its officers or employees, or other similar adverse consequences.

Our Wealth Management subsidiaries, Avantax Advisory Services and Avantax Planning Partners, are registered with the SEC as RIAs and are subject to the requirements of the Investment Advisers Act of 1940, as amended (the ***"Advisers Act"***), and the regulations promulgated thereunder. Such requirements relate to, among other things, fiduciary duties to clients, advisory fees, maintaining an effective compliance program, solicitation arrangements, conflicts of interest, advertising, limitations on agency cross and principal transactions between the advisor and advisory clients, recordkeeping and reporting requirements, disclosure requirements, and general anti-fraud provisions. The SEC periodically examines our investment advisor operations and reviews annual, monthly, and other reports on our operations and financial condition. The SEC is authorized to institute proceedings and impose sanctions for violations of the Advisers Act and other federal securities laws, ranging from fines and censure to termination of an investment advisor's registration. Investment advisor representatives also are subject to certain state securities laws and regulations. Failure to comply with the Advisers Act or other federal and state securities laws and regulations could result in investigations, sanctions, profit disgorgement, fines, or other similar adverse consequences.

Our Wealth Management subsidiaries, Avantax Insurance Agency LLC, Avantax Insurance Services, Inc., and Avantax Planning Partners, Inc., are insurance agencies licensed with the state licensing authority in the jurisdictions where they do business. Insurance agencies and their agents are subject to laws, rules and regulations covering all aspects of the insurance business, including sales practices, use and safekeeping of clients' funds, recordkeeping and reporting, the conduct of directors, officers, and employees, and general anti-fraud provisions. Insurance agencies and their agents are regulated by state insurance administrators in those jurisdictions where they do business. Compliance with many of the laws, rules, and regulations applicable to us involves a number of risks, because laws, rules, and regulations frequently change and are subject to varying interpretations, among other reasons. Violations of laws, rules, and regulations governing an insurance agency's actions could result in censure, penalties, and fines, the issuance of cease-and-desist orders, the restriction, suspension, or expulsion of the agency or its agent or its officers or employees, from the insurance industry of a jurisdiction where they do business, or other similar adverse consequences.

Our Wealth Management subsidiaries offer certain products and services subject to the Employee Retirement Income Security Act of 1974, as amended (***"ERISA"***) and Section 4975 of the Internal Revenue Code of 1986, as amended (the ***"Code"***), and to regulations promulgated under ERISA or the Code, insofar as they provide services with respect to plan clients, or otherwise deal with plan clients that are subject to ERISA or the Code. ERISA imposes certain duties on persons who are "fiduciaries" (as defined in Section 3(21) of ERISA) and prohibits certain transactions involving plans subject to ERISA and fiduciaries or other service providers to such plans. Non-compliance with these provisions may expose an ERISA fiduciary or other service provider to liability under ERISA, which may include monetary penalties as well as equitable remedies for the affected plan. Section 4975 of the Code prohibits certain transactions involving plans (as defined in Section 4975(e)(1) of the Code, which includes individual retirement accounts and Keogh plans) and service providers, including fiduciaries, to such plans. Section 4975 of the Code imposes excise taxes for violations of these prohibitions.

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

compliance date for Reg. BI and its related rules was June 30, 2020. Reg. BI heightens the standard of care for broker-dealers when making investment recommendations and imposes disclosure and policy and procedural obligations that impact the compensation our Wealth Management business and its representatives receive for selling certain types of products, particularly those that offer different compensation across different share classes (such as mutual funds and variable annuities). In addition, Reg. BI prohibits a broker-dealer and its associated persons from using the term "adviser" or "advisor" if the broker-dealer is not an RIA or the associated person is not a supervised person of an RIA. This prohibition required us to change the titles of certain of our advisors. The implementation of the regulations required us to create, review, and modify certain policies and procedures and review and change the products that we offer, and also resulted in associated increases in training and supervisory and compliance controls, all of which lead to additional costs and may lead to decreased revenue. In addition to the SEC, various state securities and insurance regulators have proposed or are considering adopting laws and regulations seeking to impose new standards of conduct on broker-dealers and insurance agencies that, as written, differ from the SEC's new regulations and may lead to additional implementation costs if adopted. For further discussion of the risks to our business related to Reg. BI, see the paragraph in "Item 1A. Risk Factors" under the heading "Our Wealth Management business is subject to extensive regulation, and failure to comply with these regulations or interpretations thereof could have a Material Adverse Effect."

Our Tax Preparation segment is subject to federal and state government requirements, including regulations related to the electronic filing of tax returns, the provision of tax preparer assistance, and the use and disclosure of customer information. We are also required to comply with Federal Trade Commission requirements and a variety of state revenue agency standards. In addition, we offer certain other products and services to small businesses and consumers, which are also subject to regulatory requirements. As we expand our products and services, we may become subject to additional government regulation. Further, regulators may adopt new laws or regulations, or their interpretation of existing laws or regulations may differ from ours or expand to cover additional products and services. These increased regulatory requirements could impose 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.

We are subject to federal and state laws and government regulations concerning employee safety and health and environmental matters. The Occupational Safety and Health Administration, the Environmental Protection Agency, and other federal and state agencies have the authority to promulgate regulations that may have an impact on our operations.

See the section entitled "Risks Associated With Our Businesses" in Part I, Item 1A of this Form 10-K for additional information regarding governmental regulation of our business and risks related to such regulation.

### Privacy and Security of Customer Information and Transactions

Regulatory activity in the areas of privacy and data protection continues to grow worldwide, driven in part by the growth of technology and related concerns about the rapid and widespread dissemination and use of information. To the extent they are applicable to us, we must comply with various federal, state, and international laws and regulations and to financial institution and healthcare provider regulatory requirements relating to the privacy and security of the personal information of our customers and employees. In the United States, these include rules and regulations promulgated under the authority of the Federal Trade Commission, the Health Insurance Portability and Accountability Act of 1996, federal and state labor and employment laws, state data breach notification laws, and state privacy laws such as the California Consumer Privacy Act of 2018, the California Privacy Rights Act of 2020, the New York Stop Hacks and Improve Electronic Data Security (SHIELD) Act, the Gramm-Leach-Bliley Act of 1999, SEC Regulation S-P, the Fair Credit Reporting Act of 1970, as amended, and Regulation S-ID, and further potential federal and state requirements.

Many of these laws and regulations provide consumers and employees with a private right of action if a covered company suffers a data breach related to a failure to implement reasonable data security measures. In addition, we are subject to other privacy laws and regulations that apply to internet advertising, online behavioral tracking, mobile applications, messaging, telemarketing, email communication, data hosting, data retention, financial and health information, and credit reporting. The legal framework around privacy issues is rapidly evolving, as various federal and state government bodies are considering adopting new privacy laws and regulations, which could result in significant limitations on or changes to the ways in which we can collect, use, host, store, or transmit the personal information and other data of our customers or employees. These laws could also affect the ways we communicate with our customers, deliver products and services, and could significantly increase our compliance

costs. As our business expands to new industry segments or otherwise becomes subject to rules and regulations of jurisdictions outside the United States with stricter data protection regimes, such as the E.U. General Data Protection Regulation, our compliance requirements and costs will increase.

Through a privacy policy framework designed to be consistent with the principles of individual consent, data subject access, and privacy-by-design, we strive to help ensure that customers and employees are aware of, and can control, how we use personal information about them. The TaxAct.com website and its digital products have been certified by TRUSTe, an independent organization that offers certification to organizations that have demonstrated responsible data collection and processing practices consistent with regulatory expectations and external standards for privacy accountability. We also use privacy statements to provide notice to customers of our privacy practices, as well as provide them the opportunity to furnish instructions with respect to use of their personal information. We participate in industry groups whose purpose is to develop or shape industry best practices, and to influence public policy, for privacy and security.

To address data security concerns, we use standard data security safeguards to help protect our computer systems and the information customers give to us from loss, misuse, and unauthorized alteration. Whenever customers transmit credit card information or tax return data to us through one of our websites or products, we use industry-standard encryption as the data is transmitted to us. We work to protect our computer systems from unauthorized internal or external access using commercially-available computer security products as well as internally-developed security procedures and practices.

See the section entitled “Risks Associated With Our Businesses” in Part I, Item 1A of this Form 10-K for additional information regarding risks related to privacy and security of customer information and transactions.

### Intellectual Property

Our success is bolstered by our technology and intellectual property rights. We seek to protect such rights and the value of our corporate brands and reputation through a variety of measures, including: domain name registrations, confidentiality and intellectual property assignment agreements with employees and third parties, protective contractual provisions, and laws regarding copyrights, trademarks, and trade secrets. We hold multiple registered trademarks in the United States and in various foreign countries, and we may apply for additional trademarks as business needs require. See the section entitled “Risks Associated With Our Businesses” in Part I, Item 1A of this Form 10-K for additional information regarding protecting and enforcing intellectual property rights and defending third-party infringement claims.

### Human Capital

We strive to attract, develop, and retain the most talented employees by offering competitive compensation and benefits that support their health, financial, and emotional well-being. We believe that our future success will depend in part on our continued ability to attract and retain qualified personnel. As of December 31, 2020, we had 846 full-time employees.

*Employee and Board Diversity.* Diversity serves as an integral component of our human capital objectives, and we seek to promote an inclusive work environment that represents a broad spectrum of backgrounds and cultures. As of December 31, 2020, 42% of our employee base, including 34% of our senior leadership team, was female, and 34% of our employee base was comprised of individuals with ethnically or racially diverse backgrounds. Furthermore, as of December 31, 2020, 63% of the independent members of our Board of Directors were either female, or racially or ethnically diverse, and 63% of our executive leadership reporting to our chief executive officer were either female or ethnically and racially diverse. During 2020, we established a diversity and inclusion advisory council made up of a diverse group of employees and led by diverse executive sponsors. Our diversity and inclusion initiatives have already led to the roll out of diversity and inclusion focused engagements and increased focus on diversity and inclusion as part of our hiring and promotions process.

*Utilization of Independent Contractors and Referring Representatives.* Our Wealth Management business distributes its products and services and generates a substantial portion of its revenues through a nationwide network of 3,770 financial professionals as of December 31, 2020. Of these 3,770 financial professionals, 3,748 financial professionals either: (1) partner with Avantax Wealth Management and operate as independent contractors, or (2) partner with Avantax Planning Partners and operate as licensed referring representatives. We believe that our ability to attract, retain, support, and compensate these independent financial professionals and licensed referring representatives will continue to contribute to the growth and success of our Wealth Management business.

*Human Capital Optimization During the COVID-19 Pandemic.* While the COVID-19 pandemic did impact our human capital management practices in 2020, we believe we are able to effectively conduct our business while operating in a largely work-from-home environment. As a result of the COVID-19 pandemic, we instituted safety protocols and procedures for our essential employees who continued to work onsite. We also greatly enhanced our communication programs to create open communication at all levels of our business, which enabled our employees to achieve their professional objectives while also maintaining a healthy work-from-home lifestyle. In addition, there were no employee layoffs in calendar year 2020 that were directly related to the COVID-19 pandemic. We believe that retaining our strong employee team and the continued transformation of our culture will accelerate our business transformation.

## Company Internet Site and Availability of SEC Filings

Our corporate website is located at www.blucora.com. We make available on our website, 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 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 “Investors” section of our website and are available free of charge. Amendments to our Code of Ethics and Conduct and any grant of a waiver from a provision of the Code of Ethics and Conduct requiring disclosure under applicable SEC rules will be disclosed on our website. 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. Furthermore, on our site, we post important information, including press releases, investor presentations, and notices of upcoming events and utilize our site as a channel of distribution to reach public investors and as a means of disclosing material non-public information for complying with disclosure obligations under Regulation FD. Investors may be notified of posting to the website by signing up for email alerts on the “Investors” page of our site.

## ITEM 1A. Risk Factors

Our business and future results may be affected by a number of risks and uncertainties that should be considered carefully. In addition, this Form 10-K also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks described below. The occurrence of one or more of the events listed below could also have a material adverse effect on the Company’s business, prospects, results of operations, reputation, financial condition, cash flows or ability to continue current operations without any direct or indirect impairment or disruption, which is referred to throughout these Risk Factors as a “Material Adverse Effect.”

## RISK FACTOR SUMMARY

Below is a summary of our risk factors with a more detailed discussion following.

### Risks Related to Our Businesses

- The current COVID-19 pandemic could have a Material Adverse Effect.
- The wealth management and tax preparation markets are very competitive, and failure to effectively compete could result in a Material Adverse Effect.
- Deficiencies in service or performance of the financial or software products we offer, competitive pressures on pricing of such services or products, or other market declines may cause our Wealth Management and Tax Preparation businesses to decline.
- Our business depends on fees generated from the distribution of financial products and fees earned from management of advisory accounts, and changes in market values or in the fee structure of such products or accounts could adversely affect our revenues, business, and financial condition.
- If we are unable to attract and retain productive financial professionals, including our in-house financial professionals and our independent contractor financial professionals, our financial results will be negatively impacted.
- Changes in economic, political and other factors could have a Material Adverse Effect on our business.

- If we are unable to develop, manage, and maintain critical third-party business relationships for our Tax Preparation and Wealth Management businesses, it could result in a Material Adverse Effect.
- The products and services offered by our Wealth Management and Tax Preparation businesses are reliant on third-party products, tools, platforms, systems and services provided by key vendors and partners, which, if they do not operate as anticipated, could result in a Material Adverse Effect.
- If our goodwill or other intangible assets become impaired, we have been, and in the future may be, required to record a significant impairment charge, which could result in a Material Adverse Effect.
- We have had recent senior leadership transitions, and if we are not effective in managing those transitions, our business could be adversely impacted and we could experience a Material Adverse Effect.
- 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 businesses.
- Future growth of our business and revenue growth depends upon our ability to adapt to technological change and successfully introduce new and enhanced products and services.
- Our operating systems and network infrastructure, could fail, become unavailable or otherwise be inadequate, are subject to significant and constantly evolving cybersecurity and other technological risks, and the security measures that we have implemented to secure confidential and personal information may be breached.
- If our Tax Preparation business fails to process transactions effectively or fails to adequately protect against disputed or potential fraudulent activities, it could have a Material Adverse Effect, and stolen identity refund fraud could result in negative publicity and/or impede our Tax Preparation customers' ability to timely and successfully file their tax returns and receive their tax refunds.
- The specialized and highly seasonal nature of our Tax Preparation business presents financial risks and operational challenges, which, if not satisfactorily addressed, could result in a Material Adverse Effect.
- The United States government's inability to agree on a federal budget and/or its decision to issue additional Economic Impact Payments may adversely impact our operations and financial results.
- If our enterprise risk management and compliance frameworks, including our policies and procedures, are not effective at mitigating risk and loss to us, we could be exposed to unidentified or unanticipated risks, suffer unexpected claims or losses, experience reputational harm, and/or cause a Material Adverse Effect.

**Legal and Regulatory Risks**

- Our Wealth Management business is subject to extensive regulation, and failure to comply with these regulations or interpretations thereof could have a Material Adverse Effect.
- Government regulation of our business, including increased regulation or the interpretation of existing laws, rules or regulations, could have a Material Adverse Effect.
- Current and future litigation, regulatory proceedings or adverse court interpretations of the laws and regulations under which the Company operates could have a Material Adverse Effect.
- Complex and evolving U.S. and international laws and regulation regarding privacy and data protection and concerns about the current privacy and cybersecurity environment could have a Material Adverse Effect.
- We may be negatively impacted by any future changes in tax laws.
- If third parties claim that our services infringe upon 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.

**Risks Related to Acquisitions**

- We may fail to realize all of the anticipated benefits of the HKFS Acquisition or those benefits may take longer to realize than expected.

- We may fail to realize all of the anticipated benefits of the 1st Global Acquisition or those benefits may take longer to realize than expected. We may also encounter significant difficulties in integrating the operations of 1st Global.
- We may seek to acquire companies or assets that complement our Wealth Management and Tax Preparation businesses, and we may be unsuccessful in completing any such acquisitions on favorable terms or integrating any company acquired.

**Risks Related to Our Financing Arrangements**

- We have incurred a significant amount of indebtedness, which may materially and adversely impact our financial condition and future financial results.
- Existing cash and cash equivalents and cash generated from operations may not be sufficient to meet our anticipated cash needs for servicing debt, working capital, and capital expenditures.

**Risks Related to Our Common Stock**

- Our stock price has been highly volatile and such volatility may continue.
- Our financial results may fluctuate, which could cause our stock price to be volatile or decline.
- We cannot assure you we will continue to repurchase shares of our common stock pursuant to our stock repurchase plan.
- Our utilization of our federal net operating losses (***"NOLs"***) may be severely limited or potentially eliminated.
- Delaware law and our organizational documents may impede or discourage a takeover that would be beneficial to our stockholders.

## RISKS RELATED TO OUR BUSINESSES

***The current COVID-19 pandemic could have a Material Adverse Effect.***

The COVID-19 pandemic has caused economic instability and uncertainty in the U.S. and globally. The various precautionary measures and accommodations taken by many governmental authorities in the U.S. and around the world in order to limit the spread of COVID-19, as well as the societal response, have had, and could continue to have, an adverse effect on the U.S. and global markets and economy, including on the availability of and costs associated with employees, resources, and other aspects of the global economy. The availability of key employees may be limited because of illness, death, quarantine, or caring for family members due to COVID-19 disruptions or illness. These factors have caused, and could continue to cause, significant disruptions to our business and operations and the operations of our financial professionals and increased costs and burdens associated with staffing and conducting our operations and could also increase our risk of being subject to contract performance claims or increase the risk that our counterparties fail to perform under their respective contracts or commitments, if we or they are unable to deliver according to the terms of such contracts or commitments and do not have the ability to claim force majeure.

Our Wealth Management segment, which provides tax-focused wealth management solutions for financial professionals, tax professionals, certified public accounting firms, and their clients, primarily generates revenue through securities and insurance commissions, quarterly investment advisory fees based on advisory assets, product marketing service agreements, and other agreements and fees. The COVID-19 pandemic has had a material negative impact on the U.S. and global economy as a whole and has caused substantial disruption in the U.S. and global securities and debt markets. This economic and market disruption negatively impacted interest rates as well as the value of some of our clients' assets during the first quarter of 2020, which caused a corresponding decline in the amount of revenue that we derived from these client assets. While positive financial market movement in the second, third and fourth quarters of 2020 increased advisory and brokerage asset balances, there can be no guarantee that there will not be additional economic and market disruption as a result of COVID-19 pandemic that could lead to additional decline in client assets. In addition, our client assets could also materially decline as a result of clients being forced to rely on their investments due to the macroeconomic effect of COVID-19. A decline in client assets would lead to a corresponding decline in revenue from client assets. Further,

as a result of this economic and market disruption, we have experienced and expect that we may continue to experience a decline in commission revenue from lower trading volumes, a reduction in advisory revenue, significantly reduced cash sweep revenue due to changes in prevailing interest rates, losses sustained from our customers' and market participants' failure to fulfill their settlement obligations, reduced net interest earnings, and other losses. The COVID-19 pandemic has also affected the business of our financial professionals in many ways. For example, our financial professionals have not been able to meet with clients face-to-face during the pandemic, and they also had to assist clients through an extended tax season (and may have to do so again if the tax filing deadline in 2021 is extended) and in applying for loans under the U.S. Small Business Administration's Paycheck Protection Program. In addition, they have been unable to attend conferences and share ideas with other financial professionals. This sustained change in business or the loss of financial professionals who are not able to continue their business during this difficult time could lead to lower revenue and could have a Material Adverse Effect.

Our Tax Preparation segment, which provides digital do-it-yourself tax preparation solutions for consumers, small business owners, and tax professionals, primarily generates revenue through digital tax preparation services. In March 2020, the IRS extended the deadline for specified U.S. federal income tax payments and federal income tax returns due April 15, 2020 to July 15, 2020 in response to the COVID-19 pandemic. This filing extension resulted in the shifting of a significant portion of Tax Preparation segment revenue that would typically have been expected to be earned in the first and second quarters of 2020 to the third quarter of 2020, as well as increased expenses. Additionally, the IRS was selected by the U.S. Congress as the vehicle for distribution of the first round of Economic Impact Payments (***"EIP1"***), which caused significant disruption to the 2020 tax season. As a result of the extension of the tax season and the EIP1 disruption, our results of operations for our Tax Preparation segment were negatively impacted in 2020 compared to the corresponding periods in prior years. Additionally, in December 2020, the U.S. Congress authorized a second round of Economic Impact Payments (***"EIP2"***). As acknowledged by the IRS, in January 2021, the IRS directed millions of EIP2 payments, including EIP2 payments payable to our customers, to incorrect bank accounts. In order to allow time to correct this error, the IRS has delayed the start of the 2021 tax season. The U.S. Congress is currently considering a third round of Economic Impact Payments (***"EIP3"***). Should the U.S. Congress authorize EIP3 during the 2021 tax season and should the IRS again be selected as the vehicle for distribution of EIP3, it could disrupt and/or delay the tax filing deadline for the 2021 tax season and could cause customer confusion and/or diversion. It is currently unknown if the IRS will need to extend the tax filing deadline in 2021, however the IRS has revoked its earlier commitment to end the 2021 tax season on time. This limits our ability to effectuate our plan for the 2021 tax season and plan for the next tax season, and it could also cause confusion amongst tax filers, which could result in less tax filers who use our product.

In addition, we have historically financed our operations primarily from cash provided by operating activities and access to credit markets. To the extent that COVID-19 pandemic causes a substantial reduction or change in timing of our cash provided by operating activities, we may be required to seek additional capital through issuances of debt or equity securities. We may be unable to complete any such transactions on favorable terms to us, or at all. The instruments governing our existing indebtedness require us to comply with certain restrictive covenants, and any substantial and sustained downturn in our operations due to COVID-19 or other factors may cause us to be in breach of our debt covenants or limit our ability to make interest payments on our indebtedness, which could constitute an event of default and cause our outstanding indebtedness to be declared immediately due and payable. If applicable, such acceleration of our outstanding indebtedness could cause our secured lenders to foreclose against the assets securing their borrowings, and we could be forced into bankruptcy or liquidation. Any inability to obtain additional liquidity as and when needed, or to maintain compliance with the instruments governing our indebtedness, would have a Material Adverse Effect.

Any of the foregoing factors could result in a Material Adverse Effect on our revenues, results of operations and financial condition. The extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new developments that may emerge concerning the actions to contain COVID-19 or treat its impact, among others.

***The wealth management and tax preparation markets are very competitive, and failure to effectively compete could result in a Material Adverse Effect.***

The wealth management industry in which our Wealth Management business operates is highly competitive, and we may not be able to maintain our customers, financial professionals, employees (including our in-house financial professionals), distribution network, or the terms on which we provide our products and services. Our Wealth Management business competes based on a number of factors, including name recognition, service, the quality of investment advice, performance, technology, product offerings and features, price, and perceived financial strength. We and the financial professionals with whom we work compete directly with a variety of financial

institutions, including traditional wirehouses, independent broker-dealers, registered investment advisers (including CPA firms that have their own in-house registered investment advisor), asset managers, banks and insurance companies, direct distributors, and larger broker-dealers. Many of these competitors have greater market share, offer a broader range of products, and have greater financial resources. We have faced significant competition in recent years from lower fees, which could have a material impact on our business. There has also been a trend toward online internet wealth management services and wealth management services that are based on mobile applications or automated processes as clients increasingly seek to manage their investment portfolios digitally. This is leading to increased utilization of "robo" advisor platforms. In addition, over time, certain sectors of the wealth management industry have become considerably more concentrated, as financial institutions involved in a broad range of financial services have been acquired by or merged into other firms. This consolidation could result in our competitors gaining greater resources, and we may experience pressures on our pricing and market share as a result of these factors and as some of our competitors seek to increase market share by reducing prices. In addition, our Wealth Management business seeks to differentiate itself on the basis of offering tax-focused investing advice and solutions. There is no guarantee that this differentiation will be meaningful to our clients and potential clients, or that another competitor will not adopt a similar strategy more effectively. In either case, our ability to compete effectively in the wealth management industry could be damaged.

Our Tax Preparation business also operates in a very competitive marketplace. There are many competing software products and digital services. Intuit's TurboTax and H&R Block's DDIY products and services serve a significant percentage of the software and digital service market. These competitors may have greater financial, technological, and marketing resources, broader infrastructure and distribution networks, greater brand recognition, and broader product and service offerings than us. Our Tax Preparation business must also compete with alternate methods of tax preparation, such as storefront tax preparation services, which include both local tax preparers and large chains such as H&R Block, Liberty Tax and Jackson Hewitt. We may also compete against new market entrants who could take a portion of our market share. As DDIY tax preparation continues to be characterized by intense competition, including heavy marketing expenditures, price-based competition, and new entrants, maintaining and growing market share becomes more challenging unless brand relevance, customer experience, and feature/functionality provide meaningful incremental value. 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 manner, 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, it could result in a Material Adverse Effect.

The IRS's errors in disbursing the EIP2 payments and its subsequent disparate treatment of our Tax Preparation business in connection with the EIP2 payments as compared to certain competitors may also negatively impact our relationships with our customers or our reputation, which may adversely impact our ability to attract or retain Tax Preparation customers. As acknowledged by the IRS, in January 2021, the IRS directed millions of EIP2 payments, including EIP2 payments payable to our customers, to incorrect bank accounts associated with tax preparation software providers. As instructed by the IRS, our bank partner returned the funds to the IRS immediately. Days after the return of funds by many financial institutions, the IRS permitted the financial institutions that had not yet returned the money to the IRS to re-distribute the funds to taxpayers if they were in possession of the accurate banking information. Because their financial partners had not complied with the IRS direction to return funds, certain TaxAct competitors were able to begin distributing stimulus payments to their customers. The negative consumer sentiment arising from the above-described IRS actions may lead some TaxAct customers to move to other tax software providers, and we are unable to estimate the potential impact on our business at this time. Should similar IRS errors and/or similar disparate treatment occur in connection with EIP3 payments, it could have an adverse impact on our Tax Preparation business.

Our Tax Preparation business also faces potential competition from the public sector, where we face the risk of federal and state taxing authorities developing software or other systems to facilitate tax return preparation and electronic filing at no charge to taxpayers, which could reduce the need for TaxAct's software and services. These or similar programs may be introduced or expanded in the future, which may cause us to lose customers and revenue. The Free File Program is currently the sole means by which the IRS offers tax software to taxpayers. The Free File Program is a partnership between the IRS and the Free File Alliance, a group of private sector tax preparation companies of which we are a member that has agreed to offer free electronic tax filing services to taxpayers meeting certain income-based guidelines. The Free File Program's continuation depends on a number of factors, including increasing public awareness of and access to the free program, as well as continued government support. The IRS's current agreement with the Free File Alliance is scheduled to expire in October 2021, although it could be amended or terminated before that date. Recently, we and certain of our competitors have become the subject of legal proceedings and/or regulatory inquiries relating to the provision and marketing of the products that they offer

under the Free File Program. These proceedings and/or the negative publicity associated with these proceedings may decrease the government's or industry members' support of the Free File Program, and increase the likelihood that such program is terminated. If the IRS enters the software development and return preparation space, whether as a result of the Free File Program not being renewed upon expiration of the agreement, the Free File Program being amended or terminated, or for another reason, then the federal government would be a publicly funded direct competitor of us and the U.S. tax services industry as a whole.

In addition, from time to time, U.S. federal and state governments have considered various proposals, including mandating that we and our competitors refer qualifying customers to the Free File Program and governmental taxing authorities utilizing taxpayer information provided by employers, financial institutions, and other payers to "pre-populate," prepare and calculate tax returns and distribute them to taxpayers. Under this "pre-populate" approach, the taxpayer could then review and contest the return or sign and return it, reducing the need for third-party tax return preparation services and the demand for our services and products, which could result in a Material Adverse Effect. We believe that governmental encroachment at both the U.S. federal and state levels in which we operate could present a continued competitive threat to our Tax Preparation business for the foreseeable future.

***Deficiencies in service or performance of the financial or software products we offer, competitive pressures on pricing of such services or products, or other market declines may cause our Wealth Management and Tax Preparation businesses to decline.***

Customer service and performance are important factors in the success of our Wealth Management business, while customer service, ease-of-use, and product performance and accuracy are important factors in the success of our Tax Preparation business. Strong customer service and product performance help increase customer retention and generate sales of products and services. In contrast, poor service or poor performance of our financial or software products could impair our revenues and earnings, as well as our prospects for growth. In our Wealth Management business, clients can terminate their relationships with us or our financial professionals at will, and in our Tax Preparation business, deficiencies in our service or product performance could lead customers to choose a competitor's product or services. There can be no assurance as to how future performance of financial or software products will compare to that of our competitors, and, in the context of financial investment products, historical performance is not indicative of future returns. Particularly, for the Wealth Management business, a decline or perceived decline in performance, on an absolute or relative basis, could cause a decline in sales of mutual funds and other investment products, an increase in redemptions and the termination of asset management relationships. Such actions may reduce our aggregate amount of advisory assets and reduce management fees. Poor performance could also adversely affect our ability to expand the distribution of our products through independent financial professionals.

In addition, the emergence of new financial or software products or services from others, or competitive pressures on pricing of such services or products, may result in the (i) loss of clients or accounts in our Wealth Management business and (ii) loss of customers in our Tax Preparation business. We must also monitor the pricing of our services and financial and software products in relation to competitors and periodically may need to adjust costs and fee structures to remain competitive.

For the Wealth Management business, competition from other financial services firms, such as reduced commissions to attract clients or trading volume, direct-to-investor online financial services, or higher deposit interest rates to attract customer cash balances, or increased recruiting bonuses to attract financial professionals, could adversely impact our business. Clients of our Wealth Management business could also reduce the aggregate amount of their assets managed by us or shift their funds to other types of accounts with different rate structures for any number of reasons, including performance, changes in prevailing interest rates, changes in investment preferences, changes in our (or our financial professionals') reputation in the marketplace, changes in customer management or ownership, loss of key investment management personnel and financial market performance. Our clients (or clients of our financial professionals) can withdraw the assets we manage on short notice, making our future customer and revenue base unpredictable. A reduction in assets and the resulting decrease in revenues and earnings could have a Material Adverse Effect. Moreover, investors in the mutual funds and some other pooled investment vehicles that we advise may redeem their investments in those funds at any time without prior notice, and investors in other types of pooled vehicles we advise may typically redeem their investments with fairly limited or no prior notice, thereby reducing our advisory assets. These investors may redeem their investments for any number of reasons, including general financial market conditions, the absolute or relative performance we have achieved, or their own financial condition and requirements. In a declining stock market, the pace of redemptions could accelerate. Poor performance relative to other funds tends to result in decreased purchases and increased

redemptions of fund shares. In a declining stock market, the pace of redemptions could accelerate, resulting in a decline in our advisory assets, which could negatively impact our fee revenues and result in a Material Adverse Effect.

For the Tax Preparation business, competition from other tax preparation service providers, such a free or reduced fee products to attract customers, could adversely affect our business. Customers of our Tax Preparation business could also select another tax preparation service or software for any number of reasons, including other competitors offering additional rewards and/or bundled or unbundled products and services that we do not currently offer, providing services or software that may provide higher levels of interaction or service, be easier to use, faster, or lower cost. A reduction in the number of customers and the resulting decrease in revenues and earnings could have a Material Adverse Effect.

***Our business depends on fees generated from the distribution of financial products and fees earned from management of advisory accounts, and changes in market values or in the fee structure of such products or accounts could adversely affect our revenues, business, and financial condition.***

A large portion of our revenues are derived from fees generated from the distribution of financial products, such as mutual funds and variable annuities. Changes in the structure or amount of the fees paid by the sponsors of these products could directly affect our revenues, business, and financial condition. In addition, if these products experience losses or increased investor redemptions, we may receive lower fee revenue from the investment management and distribution services we provide on behalf of the mutual funds and annuities. Should issuers of these products leave the market or discontinue offering or paying trail compensation on some or all of their products, our revenues could be negatively impacted. The investment management fees we are paid may also decline over time due to factors such as increased competition, renegotiation of contracts and the introduction of new, lower-priced investment products and services. Changes in market values or in the fee structure of asset management accounts could adversely affect our revenues, business, and financial condition.

Asset management fees often are primarily comprised of base management and incentive fees, and investment advisers generally are experiencing advisory fee compression due to intense competition. Management fees are primarily based on advisory assets, which are impacted by net inflow/outflow of customer assets and market values. Below-market performance by our funds and portfolio managers could result in a loss of managed accounts and could result in reputational damage that might make it more difficult to attract new customers and thus further impact our business and financial condition. If we were to experience the loss of managed accounts, our fee revenue would decline. In addition, as the total amount of our advisory assets increases as a percentage of our total client assets, our results of operations may become substantially more dependent on revenue generated from management fees. In periods of declining market values, our advisory assets may also decline, which would negatively impact our fee revenues. In addition, this risk would become further exacerbated the more dependent our business becomes on revenues from management fees, and our ability to effectively offset declining management fee revenue through commission-based revenues may be limited. Any of the foregoing could result in a Material Adverse Effect.

***If we are unable to attract and retain productive financial professionals, including our in-house financial professionals and our independent contractor financial professionals, our financial results will be negatively impacted.***

Our Wealth Management business derives a large portion of its revenues from commissions and fees generated by its financial professionals, including our in-house financial professionals. Our ability to attract and retain productive independent contractor and in-house financial professionals has contributed significantly to our growth and success. If we fail to attract new financial professionals or to retain and motivate our financial professionals, our business may suffer.

The market for productive financial professionals is highly competitive, and we devote significant resources to attracting and retaining the most qualified financial professionals. In attracting and retaining financial professionals, we compete directly with a variety of financial institutions such as wirehouses, regional broker-dealers, banks, insurance companies, and other independent broker-dealers. Financial industry competitors are increasingly offering guaranteed contracts, upfront payments, and greater compensation to attract successful financial professionals. These can be important factors in a current financial professional’s decision to leave us as well as in a prospective financial professional’s decision to join us, and we may not be able to offer competing packages to successfully recruit financial professionals. We also have experienced and may continue to experience difficulty retaining financial professionals following a material acquisition or as a result of pricing or product changes. We also

have entered, and may in the future enter, into agreements with Avantax Wealth Management financial professionals whereby we acquire their financial services business and, following the consummation of the transaction, we serve their clients through our in-house financial professionals. We might not be successful in consummating these transactions; we may not realize the anticipated benefits from the transactions that we do consummate; and we could lose clients who may be unhappy with these acquisitions following their completion. If any of our in-house financial professionals leave us, clients that worked with such in-house financial professionals may be unhappy and terminate their relationships with us. In addition, our Wealth Management business has recently gone through a series of rebranding initiatives. Our financial professionals may be unhappy with the new branding or with various aspects of the rebranding process and may decide to leave us. There can be no assurance that we will be successful in our efforts to attract and retain the financial professionals needed to achieve our growth objectives.

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

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

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

In addition, as some of our financial professionals grow their advisory assets, they may decide to disassociate from us to establish their own RIAs and take customers and associated assets into those businesses. We seek to deter financial professionals from taking this route by continuously evaluating our technology, product offerings, and service, as well as our financial professional compensation, fees, and pay-out policies, to ensure that we are competitive in the market and attractive to successful financial professionals. We may not be successful in dissuading such financial professionals from forming their own RIAs, which could cause a material volume of customer assets to leave our platform, which would reduce our revenues and could cause a Material Adverse Effect. We also have entered, and may in the future enter, into agreements with Avantax Wealth Management financial professionals to induce them to join our Avantax Planning Partners' in-house team of financial professionals. We might not be successful in consummating these transactions, and we may not realize the anticipated benefits from the transactions that we do consummate.

***Changes in economic, political and other factors could have a Material Adverse Effect on our business.***

Our Wealth Management business operates in the United States with broad exposure to the global financial markets, and our Tax Preparation business offers tax filing services in the federal jurisdiction of the United States and various state jurisdictions. Accordingly, we are affected by United States and global economic and political conditions that directly and indirectly impact a number of factors in the domestic and global financial markets and economies, which may be detrimental to our operating results. In addition, as a result of the SimpleTax sale in September 2019, all of our revenue is now earned within the United States, and therefore, economic conditions in the United States have an even greater impact on us than companies with an international presence.

Domestic and international factors that could affect our business include, but are not limited to, trading levels, investing, origination activity in the securities markets, security and underlying asset valuations, the absolute and relative level and volatility of interest and currency rates, real estate values, the actual and perceived quality of issuers and borrowers, the supply of and demand for loans and deposits, United States and foreign government fiscal and tax policies, United States and foreign government ability, real or perceived, to avoid defaulting on government securities, inflation, decline and stress or recession in the United States and global economies generally, terrorism and armed conflicts, the impact of the United Kingdom's exit from the European Union, and natural disasters such as weather catastrophes and widespread health emergencies, such as the COVID-19 pandemic. Furthermore, changes in consumer economic variables, such as the number and size of personal bankruptcy filings, the rate of unemployment, decreases in property values, certain life events, and the level of consumer confidence and consumer debt, may substantially affect consumer loan levels and credit quality.

In addition, the COVID-19 pandemic has had a material negative impact on the U.S. and global economy as a whole, especially during the first quarter of 2020, and has caused substantial disruption in the U.S. and global securities and debt markets. While the United States and global financial markets experienced increased stability in the second, third and fourth quarters of 2020, uncertainty and potential volatility remain. A period of sustained downturns and/or volatility in the securities markets, changes in interest rates by the Federal Reserve, a return to increased credit market dislocations, reductions in the value of real estate, and other negative market factors could have a Material Adverse Effect on our business. We could experience a decline in commission revenue from lower trading volumes, a decline in fees from reduced portfolio values of securities managed on behalf of our customers, a reduction in revenue from capital markets and advisory transactions due to reduced activity, increased credit provisions and charge-offs, losses sustained from our customers' and market participants' failure to fulfill their settlement obligations, reduced net interest earnings, and other losses. Periods of reduced revenue and other losses could be accompanied by periods of reduced profitability because certain of our expenses, including, but not limited to, our interest expense on debt, rent, facilities and salary expenses are fixed and, our ability to reduce them over short time periods is limited.

Other more specific trends may also affect our financial condition and results of operations, including, for example, changes in the mix of products preferred by investors that may cause increases or decreases in our fee revenues associated with such products, depending on whether investors gravitate towards or away from such products. The timing of such trends, if any, and their potential impact on our financial condition and results of operations are beyond our control.

Challenging economic times and changes to the Federal or various states' tax code (personal and/or corporate) could cause potential new customers not to purchase or to delay purchasing of our products and services, and could cause our existing customers to discontinue purchasing or delay upgrades of our existing products and services, thereby negatively impacting our revenues and future financial results. Poor economic conditions and high unemployment have caused, and could in the future cause, a significant decrease in the number of tax returns filed, which may have a significant effect on the number of tax returns we prepare and file. In addition, weakness in the end-user consumer and small business markets could negatively affect the cash flow of our distributors and resellers who could, in turn, delay paying their obligations to us, which could increase our credit risk exposure and cause delays in our recognition of revenue or future sales to these customers. The issuance of additional Economic Impact Payments via the IRS could disrupt the tax season and cause customer confusion, which could have an impact on our financial results. Any of these events could have a Material Adverse Effect. See "We may be negatively impacted by any future changes in tax laws" for a discussion of additional risks related to changes in the tax code.

Each of these factors could impact customer activity in all of our businesses and have a Material Adverse Effect. In addition, these factors may have an impact on our ability to achieve our strategic objectives and to grow our business.

***If we are unable to develop, manage, and maintain critical third-party business relationships for our Tax Preparation and Wealth Management businesses, it could result in a Material Adverse Effect.***

Our Tax Preparation and Wealth Management businesses are 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 these businesses 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 materially 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.

Our Wealth Management business does not offer any proprietary financial products. Instead, it provides wealth, investment and insurance products through distribution agreements with third-party financial institutions, including banks, mutual funds, and insurance companies. These products are sold by our financial professionals, most of which are independent contractors. Maintaining and deepening relationships with these unaffiliated distributors and financial professionals is an important part of our growth strategy because strong third-party distribution arrangements enhance our ability to market our products and increase our advisory assets, revenues, and profitability. There can be no assurance that the distribution and financial professional relationships we have established will continue, or that they will continue under existing or favorable terms. Our distribution partners and financial professionals may cease to operate, consolidate, institute cost-cutting efforts, discontinue product sales or compensation streams, or otherwise terminate their relationship with us. Any such reduction in access to third-party distributors and financial professionals may have a Material Adverse Effect on our ability to market our products and to generate revenue in our Wealth Management segment. In addition, there are risks associated with our third-party clearing and custody firm that we rely on to provide clearing and custody services for our Wealth Management business.

Access to investment and insurance product distribution channels is subject to intense competition due to the large number of competitors and products in the broker-dealer, investment advisory and insurance industries. Relationships with distributors are subject to periodic negotiation that may result in increased distribution costs and/or reductions in the amount of revenue we realize based on sales of particular products or customer assets. In addition, regulatory changes may negatively impact our revenues and profits related to particular products or services. Any increase in the costs to distribute our products or reduction in the type or amount of products made available for sale, or revenue associated with those products, could have a Material Adverse Effect.

***The products and services offered by our Wealth Management and Tax Preparation businesses are reliant on products, tools, platforms, systems and services provided by key vendors and partners, including in the case of our Wealth Management business, third-party CPA firms and financial professionals. If these third-party products, tools, platforms, systems and services do not operate as anticipated, our ability to conduct and grow our operations and execute our business strategy could be materially harmed and we could incur harm to our business and reputation, as well as potentially significant costs to improve or replace such products and services.***

Our business is reliant upon various providers of financial, accounting, technology, marketing, and business products, tools, platforms, systems and services that we use to conduct operations relating to our Wealth Management and Tax Preparation businesses. In our Wealth Management business, these key relationships include, among others, our network of financial professionals and CPA partner firms, the provider of our clearing platform, and the provider our investment advisory platform, each of which we rely on to conduct many business activities and transactions with clients, financial professionals, vendors and other third parties.

The products, tools, platforms, systems and services provided by key vendors and partners have required, and may continue to require, significant operational, technological, and logistical efforts from our financial professionals, employees and contractors in order to effectively implement and integrate into our operations. We expect to continue to acclimate our current and future employees, financial professionals and clients to these third party's technology, product offerings, processes, procedures, workflows and capabilities from time to time. The technology, service and product offerings of other key vendors and partners may not be accepted by key stakeholders, customers or clients at the levels we anticipate, and may not provide the level of benefits that we expect even if accepted.

If a significant number of our key stakeholders, including financial professionals, customers, or clients, are or become dissatisfied by the different products, tools, platforms, systems and services, including related technology, processes, policies and products, that our key vendors and partners offer and they leave, use a competitor's product or services, or seek contractual terms with us that are less favorable to our business, it could have a Material Adverse Effect.

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

We are required to test goodwill and other intangible assets for impairment at least annually or more frequently if there are indicators that the carrying amount of our goodwill and other intangible assets, which consist primarily of our financial professional, customer, and sponsor relationships, our technology and our trade names, exceed their fair value. For these impairment tests, we use various valuation methods to estimate the fair value of our goodwill and intangible assets. If the fair value of an asset is less than its carrying value, we would recognize an impairment charge for the difference. As of December 31, 2020, we had $454.8 million of goodwill and $322.2 million of other intangible assets on our consolidated balance sheet. For the year ended December 31, 2020, in connection with the Wealth Management reporting unit, we recorded a non-cash impairment charge of $270.6 million, as discussed further in "Item 8. Financial Statements and Supplementary Data—Note 5."

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

***We have had recent senior leadership transitions, and if we are not effective in managing those transitions, our business could be adversely impacted and we could experience a Material Adverse Effect.***

We have had recent senior leadership transitions and have replaced some of our executive officers and senior leadership team. While many of our executive officers have relevant industry experience, many are new to our Company. Changes in senior management are inherently disruptive and can be difficult to manage, and efforts to implement any new strategic or operating goals may not succeed in the absence of a long-term management team. Periods of transition in senior management are often difficult due to cultural differences that may result from changes in strategy and style and the time required for new executives to gain detailed operational knowledge. These changes could also cause concerns to regulatory bodies, ratings agencies and third parties with whom we do business, and may increase the likelihood of turnover of our employees and, in the case of our Wealth Management business, turnover of financial professionals. Additionally, senior leadership transitions have resulted, and in the future may result, in significant transition costs. If we are not effective in managing these leadership and employee transitions, our business could be adversely impacted, and we could experience a Material Adverse Effect.

***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 businesses.***

Our business and operations are substantially dependent on the performance of our key employees and 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, including personnel with experience and expertise in the wealth management, tax preparation, and technology industries. Qualified personnel with experience relevant to our businesses are scarce, and competition to recruit them is intense. Changes of management or key employees may disrupt operations, and if we lose the services of one or more key employees, including potential losses of key employees due to COVID-19 disruptions, illness, or death and are unable to recruit and retain a suitable successor with relevant experience or if we fail to successfully hire, retain and manage a sufficient number of highly qualified employees, we may have difficulties in timely managing, supporting or expanding our businesses which could cause a Material Adverse Effect. 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. There can be no assurance that any retention program we initiate will be successful at retaining employees, including key employees.

We use stock options, restricted stock units, and other equity-based awards, along with cash-based bonus programs, to recruit and retain senior-level employees and financial professionals. With respect to those employees or financial professionals to whom we issue such equity-based awards, we face a significant challenge in retaining them if the value of equity-based awards in the aggregate or individually is either not deemed by the employee or financial professional to be substantial enough or deemed so substantial that the employee or financial professional

leaves after their equity-based awards vest. If the value of equity-based awards granted to our key employees declines, we may be unsuccessful in retaining our key employees and financial professionals. We may undertake or seek stockholder approval to undertake other equity-based programs to retain key personnel, which may be viewed as dilutive to our existing stockholders or may increase our compensation costs. There can be no assurance that any such programs, if approved by our stockholders, or any other incentive programs, would be successful in motivating and retaining our employees.

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

The tax preparation and wealth management industries are characterized by rapidly changing technology, evolving industry and security standards, and frequent new product introductions. Our competitors in these industries offer new and enhanced products and services every year. Consequently, customer expectations are constantly changing. We must successfully innovate and develop or offer new products and features to meet evolving customer needs and demands, while continually updating our technology infrastructure. We must devote significant resources to developing 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 result in a Material Adverse Effect.

We offer our digital tax preparation products and services through our website and through our mobile applications. If our customers do not deem our website or our mobile applications user friendly or if they deem our competitors' websites or mobile applications more user friendly or better than ours, our market share could decline, which could have a Material Adverse Effect. In addition, we regularly make upgrades to the technology we use for our tax preparation products, and these upgrades are expected to provide a better user experience and help us to keep existing customers or attract new customers. If our mobile applications or the other upgrades we make to the technology we use in our Tax Preparation business are not successful, it could result in wasted development costs or damage to our brands and market share, any of which could have a Material Adverse Effect. We may also encounter problems in connection with our mobile application, and we may need to devote significant resources to the creation, support, and maintenance of new user experiences.

***Our operating systems and network infrastructure, including our website, transaction management software, data center systems, or the systems of third-party co-location facilities and cloud service providers, could fail, become unavailable or otherwise be inadequate, are subject to significant and constantly evolving cybersecurity and other technological risks, and the security measures that we have implemented to secure confidential and personal information may be breached. A potential breach or any unavailability, inadequacy or failure of our operating systems and network infrastructure may pose risks to the uninterrupted operation of our systems, expose us to mitigation costs, litigation, investigation, fines and penalties by authorities, claims by third parties (including persons whose information was disclosed), damage to our reputation, and/or result in a material loss of revenues and current or potential customers and have a Material Adverse Effect.***

Our Tax Preparation and Wealth Management businesses collect, use, and retain large amounts of confidential personal and financial information from their customers. Maintaining the integrity of our systems and networks is critical to the success of our business operations, including the retention of our customers and financial professionals, and to the protection of our proprietary information and our customers' personal information. A major breach or failure of our systems or those of our third-party service providers or partners may have materially negative consequences for our businesses, including possible fines, penalties and damages, reduced 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, service providers or public or private agencies that they have detected, vulnerabilities or current or potential failures in our operating systems, network infrastructure, or our software. The existence of vulnerabilities, even if they do not result in a security breach or system failure, may harm customer confidence and require substantial resources to address, and we may not be able to discover or remediate such vulnerabilities, breaches, or failures. Additionally, any system interruptions that result in the unavailability or unreliability of our websites, transaction processing systems, or network infrastructure could materially reduce our revenue and impair our ability to properly process transactions. 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.

In addition, hackers may develop and deploy viruses, worms, and other malicious software programs that can be used to attack our or our third-party service providers' operating systems and network infrastructure. Although we utilize network and application security measures, internal controls, 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. Any such incident could cause a Material Adverse Effect and require us to expend significant resources to address these problems, including notification under data privacy regulations. In addition, our employees (including temporary and seasonal employees) and contractors may have access to sensitive and personal information of our customers and employees. While we conduct background checks on our employees and contractors and limit access to systems and data, it is possible that one or more of these individuals may circumvent these controls, resulting in a security breach. It is also possible that unauthorized access to or disclosure of customer data may occur due to inadequate use of security controls by our customers. Unauthorized persons could gain access to customer accounts if customers do not maintain effective access controls of their systems and software.

While we maintain cyber liability insurance that provides both third-party liability and first-party liability coverages, this insurance is subject to exclusions and may not be sufficient to protect us against all losses. In addition, the trend toward broad consumer and general public notification of such incidents could exacerbate the harm to our business, financial condition, or results of operations. Even if we successfully protect our technology infrastructure and the confidentiality of sensitive data, we may incur significant expenses in connection with our responses to any such attacks as well as the adoption, implementation, and maintenance of appropriate security measures. We could also suffer harm to our business and reputation if attempted security breaches are publicized. We cannot be certain that advances in criminal capabilities, discovery of new vulnerabilities, attempts to exploit vulnerabilities in our systems, data thefts, physical system or network break-ins, inappropriate access, or other developments will not compromise or breach the technology or other security measures protecting the networks and systems used in connection with our businesses.

We rely on third-party vendors to host and store certain of our sensitive and personal information and data through co-location facilities and cloud services. We may not have the ability to effectively monitor or oversee the implementation of the security and control measures utilized by our third-party partners, and, in any event, individuals or third parties may be able to circumvent and/or exploit vulnerabilities that may exist in these security and business controls, resulting in a loss of sensitive and personal customer or employee information and data. Additionally, our systems, operations, data centers and cloud services, and those of our third-party service providers and partners, could be susceptible to damage or disruption, including in cases of 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 disruption 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 any of our services or products are unavailable, we could 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 such services or products. 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, which could result in a Material Adverse Effect. Our Tax Preparation and Wealth Management businesses have business continuity plans that include secondary disaster recovery centers, but if their primary data centers fail and those disaster recovery centers do not fully restore the failed environments, our business could suffer. In particular, if such interruption occurs during the tax season, it could have a Material Adverse Effect on our Tax Preparation business.

***If our Tax Preparation business fails to process transactions effectively or fails to adequately protect against disputed or potential fraudulent activities, it could have a Material Adverse Effect, and stolen identity refund fraud could result in negative publicity and/or impede our Tax Preparation customers' ability to timely and successfully file their tax returns and receive their tax refunds.***

Our Tax Preparation business processes a significant volume and dollar value of transactions on a daily basis, particularly during tax season. 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 may result from any such problems, which may be substantial, a loss of confidence in our controls may materially harm our business and damage our brand. The systems supporting our Tax Preparation business are comprised of multiple technology platforms, some of which 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 could result in a Material Adverse Effect.

Additionally, criminals may utilize stolen information obtained through hacking, phishing, and other means of identity theft in order to electronically file fraudulent federal and state tax returns. As a result, impacted taxpayers must complete additional forms and go through additional steps in order to report to appropriate authorities that their identities have been stolen and their tax returns were filed fraudulently. Though we offer assistance in the refund recovery process, any stolen identity refund fraud could impede our Tax Preparation customers' ability to timely and successfully file their tax returns and receive their tax refunds, and could diminish customers' perceptions of the security and reliability of our tax preparation products and services, resulting in negative publicity, despite there having been no breach in the security of our systems. Moreover, if stolen identity refund fraud is perpetrated at a material level through our tax preparation products or services, state, federal, or foreign tax authorities may refuse to allow us to continue to process our customers' tax returns electronically. Notably, federal, state, and foreign governmental authorities in jurisdictions in which we operate have taken action, and may take action in the future, in an attempt to combat stolen identity refund fraud, which may require changes to our systems and business practices in ways we cannot anticipate. As a result, stolen identity fraud, or any increased governmental regulation relating to our systems and business practices to attempt to combat that fraud, could result in a Material Adverse Effect on our Tax Preparation business.

***The specialized and highly seasonal nature of our Tax Preparation business presents financial risks and operational challenges, which, if not satisfactorily addressed, could result in a Material Adverse Effect.***

Our Tax Preparation business is highly seasonal, with a significant portion of our annual revenue for such services typically earned in the first four months of our fiscal year. The concentration of our revenue-generating activity during this relatively short period presents a number of challenges for us, including cash and resource management during the last eight months of our fiscal year, when our Tax Preparation business generally operates at a loss and incurs fixed costs of preparing for the upcoming tax season, responding to changes in competitive conditions, including marketing, pricing, and new product offerings, which could affect our position during the tax season, and ensuring optimal uninterrupted operations and service delivery during the tax season. If we experience significant business disruptions during the tax season or if we are unable to satisfactorily address the challenges described above and related challenges associated with a seasonal business, it could result in a Material Adverse Effect.

Additionally, due to this seasonality of our Tax Preparation business, a precise development and release schedule is required, and 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 on schedule each year to account for annual changes in tax laws and regulations and ensure that the software and service are accurate. Delayed and unpredictable changes to federal and state tax laws and regulations can cause an already tight development cycle to become even more challenging. 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. Any delays, issues with accuracy or quality, or other errors could result in loss of reputation, lower customer retention, or legal claims, fees, and payouts related to the warranty on our software and service, which could result in a Material Adverse Effect on our Tax Preparation business.

See "*The current COVID-19 pandemic could have a Material Adverse Effect."* for additional information regarding the impact of COVID-19 on the seasonal nature of our Tax Preparation business.

***The United States government's inability to agree on a federal budget, and/or its decision to issue additional Economic Impact Payments, may adversely impact our operations and financial results.***

In the past, the failure of the United States government to timely complete its budget process has resulted in shutdowns of the federal government. During these shutdowns, certain regulatory agencies, such as the IRS and the United States Department of the Treasury, have had to furlough critical employees and cease certain critical activities.

During a prolonged government shutdown, the ability of the IRS to timely review and process tax return filings may be significantly delayed, and representatives of the IRS may be unable to answer crucial taxpayer questions. Even after the shutdown has ended, the IRS may be significantly delayed in processing tax return filings as a result

of accumulating a backlog of filings during the shutdown. These may be further exacerbated in years where there are significant changes to existing tax legislation.

The issuance of additional Economic Impact Payments via the IRS could disrupt the tax season and cause customer confusion or diversion.

Any uncertainty surrounding the ability of the IRS to process tax return filings and Economic Impact Payments and respond to taxpayer questions could cause our customers not to purchase or to delay purchasing our products and services, thereby negatively impacting our revenues and future financial results, which could result in a Material Adverse Effect on our Tax Preparation business.

***If our enterprise risk management and compliance frameworks, including our policies and procedures, are not effective at mitigating risk and loss to us, we could be exposed to unidentified or unanticipated risks, suffer unexpected claims or losses, experience reputational harm, and/or cause a Material Adverse Effect.***

Our enterprise risk management framework seeks to achieve an appropriate balance between risk and return, which is critical to optimizing stockholder value. We have established processes and procedures intended to identify, measure, monitor, report, analyze and control the types of risk to which we are subject. These risks include liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and compliance risk, and reputational risk, among others.

We also maintain a compliance program designed to identify, measure, assess, and report on adherence to applicable laws, policies and procedures to which we and our employees, contractors and financial professionals may be subject. While we seek to assess and improve our programs and policies on an ongoing basis, there can be no assurance that our risk management or compliance programs and policies, along with other related controls, will effectively limit claims or losses and mitigate all risk in our business. As with any risk management or compliance framework, there are inherent limitations to our risk management strategies and certain risks may exist, or develop in the future, that we have not appropriately anticipated or identified, particularly relating to conduct that is difficult to detect and deter. If these frameworks, including the internal controls and other risk-mitigating factors we employ, are not successful in identifying, monitoring and managing risks, we may be subject to the risks of errors and misconduct by our employees, contractors, financial professionals and other parties with whom we conduct business, such as fraud, non-compliance with policies, rules or regulations, recommending transactions that are not suitable, and improperly using or disclosing confidential information. We are further subject to the risk of nonperformance or inadequate performance of contractual obligations by third-party vendors of products and services that are used in our businesses. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk. Insurance and other traditional risk-shifting tools may be held by or available to us in order to manage certain exposures, but they are subject to terms such as deductibles, coinsurance, limits and policy exclusions, as well as the risk of counterparty denial of coverage, default or insolvency. If our risk management and compliance framework prove ineffective, we could suffer unexpected claims or losses, experience reputational harm, and/or cause a Material Adverse Effect.

In our Wealth Management business, prevention and detection of wrongdoing or fraud by our financial professionals, many of which are not our employees and tend to be located remotely from our headquarters, present unique challenges. There cannot be any assurance that misconduct by our financial professionals will not lead to a Material Adverse Effect on our business. RIAs have fiduciary obligations that require us and our financial professionals to act in the best interests of our customers and to disclose any material conflicts of interest. Conflicts of interest are under growing scrutiny by U.S. federal and state regulators. Our risk management processes include addressing potential conflicts of interest that arise in our business. Management of potential conflicts of interest has become increasingly complex. A perceived or actual failure to address conflicts of interest adequately could affect our reputation, the willingness of customers to transact business with us or give rise to litigation or regulatory actions, any of which could have a Material Adverse Effect.

## LEGAL AND REGULATORY RISKS

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

Our Wealth Management business is subject to enhanced regulatory scrutiny and is heavily regulated by multiple agencies, including the SEC, FINRA, state securities and insurance regulators, and other regulatory authorities. Failure to comply with these regulators' laws, rules, and regulations could result in the restriction of the ongoing conduct or growth, or even liquidation of, parts of our business and otherwise cause a Material Adverse Effect. In addition, regulators may adopt new laws, rules or regulations, or their interpretation of existing laws, rules or regulations may differ from our interpretation of the laws, rules or regulations that are applicable to our business. Regulators may undertake certain initiatives or reviews of our business and may also pursue enforcement actions against us based on their initiatives or their interpretation of the laws, rules or regulations that could require or prompt us to change our business practices, increase our costs, including resulting in significant fines, penalties and disgorgement, reduce our revenue, or cause reputational harm, any of which could cause a Material Adverse Effect.

The regulatory environment in which our Wealth Management business operates is continually evolving, and the level of financial regulation to which we are subject has generally increased in recent years. Regulators have adopted, proposed to adopt, and may in the future adopt regulations that could impact the manner in which we will market products and services in our Wealth Management business, manage our Wealth Management business operations, and interact with regulators. The new Biden administration may undertake a broad review of U.S. fiscal laws and regulations. If significant changes are enacted as a result of this review, such changes could negatively impact our Wealth Management business and cause a Material Adverse Effect.

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

The compliance date for Reg. BI and its related rules was June 30, 2020. On April 7, 2020, the SEC stated that for initial examinations of Reg. BI and Form CRS, the SEC would focus on assessing whether broker-dealers have made a good faith effort to implement policies and procedures reasonably designed to comply with Reg. BI and Form CRS. Subsequently, on December 21, 2020, the SEC stated that in January 2021, it will be expanding the scope of Reg. BI and Form CRS examinations to focus on the specific requirements of Reg. BI, including those that go beyond suitability standards and require broker-dealers to have a reasonable basis to believe that recommendations are in retail customers' best interests, as well as whether broker-dealers have effectively implemented written policies and procedures addressing Reg. BI and Form CRS. Although we believe we have taken steps to comply with Reg. BI and Form CRS, we are continuing to implement policies and procedures reasonably designed to comply with Reg. BI and Form CRS. If the SEC does not believe we have sufficiently complied or if we fail to continue to comply with the requirements of Reg. BI and Form CRS, we could be subject to fines or regulatory actions that result in a Material Adverse Effect on our business or financial condition. Because our brokerage business comprises a significant portion of our business, our failure to successfully conform to these standards could negatively impact our results.

Reg. BI's new standards of conduct and other requirements that heighten the duties of broker-dealers and financial professionals have resulted in, and may continue to cause, additional supervisory, compliance, and training costs and burdens, as well as management and financial professional distraction. The additional obligations of the rule could also impact the compensation our Wealth Management business and our financial professionals receive for selling certain types of products, particularly those that offer different compensation across different share classes (such as mutual funds and variable annuities), all of which could have a Material Adverse Effect on our business. In addition, Reg. BI prohibits a broker-dealer and its associated persons from using the term "adviser" or "advisor" if the associated person is not an investment advisor representative of an RIA. This prohibition has required us to change the titles of certain of our advisors to "financial professionals," which could lead to confusion regarding the appropriate use of the term.

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

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

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

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

In addition, the risks we face with respect to complying with regulatory requirements for our Wealth Management business may be exacerbated by the effects of COVID-19, particularly with respect to risks associated with our ability to comply with new regulations. Given the unprecedented nature of the COVID-19 pandemic, it is difficult for us to predict how it will continue to impact our business and our ability to adopt new policies, procedures, and training programs and employ the personnel necessary to ensure compliance with new regulations.

***Government regulation of our business, including increased regulation or the interpretation of existing laws, rules or regulations, could have a Material Adverse Effect.***

We are subject to federal, state, and local laws and regulations that affect our business, such as financial services, data privacy, and security requirements, tax, digital content, employment, consumer protection, and fraud protection, among others. In addition, there have been significant new regulations and heightened focus by the government on many of the laws and regulations that affect both our Wealth Management and our Tax Preparation businesses. As we expand our products and services and revise our business models, we may become subject to additional government regulation or increased regulatory scrutiny. Regulators may adopt new laws or regulations, or their interpretation of existing laws or regulations may differ from our interpretation or the laws of other jurisdictions in which we operate. If we are found to not be in compliance with certain laws, rules or regulations, it could have a Material Adverse Effect. Increased or new regulatory requirements or changes in the interpretation of existing laws, rules or regulations could, among other things, result in penalties, fines and disgorgement, impose significant limitations on the way we conduct our business, require changes to our business, require certain notifications to customers or employees, restrict our use of personal information, cause our customers to cease utilizing our

products or services, make our business more costly, less efficient, or impossible to conduct, require us to modify our current or future products or services in a manner that is detrimental to our business and result in additional compliance costs, which could have a Material Adverse Effect.

The tax preparation industry continues to receive heightened attention from federal and state governments. New legislation, regulation, public policy considerations, changes in the cybersecurity environment, litigation by the government or private entities, or new interpretations of existing laws may result in greater oversight of the tax preparation industry, restrict the types of products and services that we can offer or the prices we can charge, or otherwise cause us to change the way we operate our Tax Preparation business or offer our tax preparation products and services. We may not be able to respond quickly to such regulatory, legislative, and other developments, and these changes may in turn increase our cost of doing business and limit our revenue opportunities. In addition, if our practices are not consistent with new interpretations of existing laws, rules, or regulations, we may become subject to lawsuits, penalties, fines, and other liabilities that did not previously apply. We are also required to comply with Federal Trade Commission (the ***"FTC"***) requirements and a variety of state revenue agency standards. Requirements imposed by the FTC or state agencies, including new requirements or their interpretation of existing laws, rules, or regulations, could be burdensome on our business, cause us to lose market share due to product changes we are required to implement, or may significantly increase the costs of providing those services to our customers and may prevent us from delivering a quality product to our customers in a timely manner and at an acceptable price, all of which could have a Material Adverse Effect. In addition, in our Tax Preparation business, we generate revenue from certain financial products related to our tax preparation software and services. 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 materially and adversely impact our revenue from these financial products.

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

If we fail to comply with applicable laws, rules, regulations and guidance, such failure could have a Material Adverse Effect.

***Current and future litigation, regulatory proceedings or adverse court interpretations of the laws and regulations under which the Company operates could have a Material Adverse Effect.***

Many aspects of our business involve substantial risks of liability and regulatory oversight. We are currently subject to certain legal and regulatory proceedings and are likely to be subject to such proceedings in the future. In highly volatile markets, the volume of claims and amount of damages sought in litigation and regulatory proceedings against financial institutions have historically increased. Any proceedings to which we are subject, such as regulatory proceedings (including investigations or inquiries), purported class actions, shareholder derivative lawsuits, or claims by wealth management clients, could result in substantial expenditures, generate adverse publicity and could significantly impair our business, or force us to change our business practices. Involvement in any regulatory proceeding or the defense of any lawsuit, even if successful, could require substantial time and attention of our management and could require the expenditure of significant amounts for legal fees, insurance costs, and other related costs. In addition, litigation or regulatory proceedings (including those brought by state or federal agencies) relating to our business practices may result in additional costs, such as fines, penalties and disgorgement, or otherwise restrict or limit our business practices, including the offering of certain of our products or services. To the extent that any such additional costs are incurred, or restrictions implemented that limit or restrict certain business practices, it could result in a Material Adverse Effect.

Further, as required by GAAP, we estimate loss contingencies and establish reserves based on our assessment of contingencies where liability is deemed probable and reasonably estimable in light of the facts and circumstances known to us at a particular point in time. Subsequent developments in legal or regulatory proceedings may affect our assessment and estimates of the loss contingency recorded as a liability or as a reserve

against assets in our financial statements. See “Item 3. Legal Proceedings” along with “Item 8. Financial Statements and Supplementary Data—Note 10.” Because litigation, regulatory proceedings, and other disputes are inherently unpredictable, the results of any of these matters may have a Material Adverse Effect.

***Complex and evolving U.S. and international laws and regulation regarding privacy and data protection could result in claims, changes to our business practices, penalties, increased cost of operations or otherwise harm our business, and concerns about the current privacy and cybersecurity environment, generally, could deter current and potential customers from adopting our products and services and damage our reputation.***

Regulation related to the provision of online services is evolving as federal, state, and foreign governments continue to adopt new, or modify existing, laws and regulations addressing data privacy and the collection, processing, storage, transfer, and use of data. This includes, for example, the European Union’s General Data Protection Regulation, the California Consumer Protection Act of 2018, which became effective on January 1, 2020, the California Privacy Rights Act of 2020, which expands upon the California Consumer Protection Act and was passed in November 2020, and the New York Stop Hacks and Improve Electronic Data Security (SHIELD) Act. If we are unable to engineer products that meet these evolving requirements or help our customers meet their obligations under these or other new data regulations, we might experience reduced demand for our offerings. Further, penalties for non-compliance with these laws may be significant.

Other governmental authorities throughout the U.S. and around the world are considering similar types of legislative and regulatory proposals concerning data protection. Each of these privacy, security, and data protection laws and regulations could impose significant limitations, require changes to our business, require notification to customers or workers of a security breach, restrict our use or storage of personal information, or cause changes in customer purchasing behavior, 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 make customers less likely to purchase our products and may harm our future financial results. Additionally, any actual or alleged noncompliance with these laws and regulations could result in negative publicity and subject us to investigations, claims, or other remedies, including demands that we modify or cease existing business practices, and expose us to significant fines, penalties, and other damages. We have incurred, and may continue to incur, significant expenses to comply with existing privacy and security standards and protocols imposed by law, regulation, industry standards, or contractual obligations.

Additionally, the continued occurrence of cyberattacks and data breaches on governments, businesses and consumers in general, indicates that we operate in an external environment where cyberattacks and data breaches are becoming increasingly common. If the global cybersecurity environment worsens, and there are increased instances of security breaches of third-party offerings where consumers’ data and sensitive information is compromised, consumers may be less willing to use online offerings, particularly offerings like ours in which customers often share sensitive financial data. In addition, the increased availability of data obtained as a result of breaches of third-party offerings could make our own products more vulnerable to fraudulent activity. Even if our products are not affected directly by such incidents, they could damage our reputation and deter current and potential customers from adopting our products and services or lead customers to cease using online and connected software products to transact financial business altogether.

We have begun, and currently plan to continue, increasing our capture and use of user data for marketing purposes. In connection with our use of user data for marketing efforts, concerns may be expressed about whether our products, services, or processes compromise the privacy of users, customers and others. Concerns about our practices with regard to the collection, use, disclosure or security of personal information or other privacy related matters, even if unfounded, could damage the reputation of our business and our brands and adversely affect our operating results.

***We may be negatively impacted by any future changes in tax laws.***

Changes in state and federal tax laws and/or filing deadlines, including changes associated with the Economic Impact Payments, have required, and may in the future require updates to our tax preparation software used in our Tax Preparation business. Such updates are costly and may be time consuming to ensure that they accurately reflect the new laws that are adopted. In addition, further changes in the way that state and federal governments structure their taxation regimes could also cause a Material Adverse Effect on our Tax Preparation business. The introduction of a simplified or flattened federal or state taxation structure may make our services less necessary or attractive to individual filers, which could reduce revenue and the number of units sold. 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 or cause a decline in customers, it could cause a Material Adverse Effect.

***If third parties claim that our services infringe upon 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 industry have frequently resorted to litigation regarding intellectual property rights. These parties have in the past made, 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. 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. If a successful claim of infringement were 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 could experience a Material Adverse Effect.

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 related to our services and technology, we rely on a combination of copyright and trademark laws, 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. 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. If we do not effectively protect our intellectual property, or if others independently develop substantially equivalent intellectual property, our competitive position could be materially weakened.

## RISKS RELATED TO ACQUISITIONS

***We may fail to realize all of the anticipated benefits of the HKFS Acquisition or those benefits may take longer to realize than expected.***

We may fail to realize all of the anticipated benefits of the HKFS Acquisition, including the expected operational, revenue, and cost synergies with our Wealth Management business and the level of revenue and profitability growth that we are expecting, or these benefits may not be achieved within the anticipated timeframe. In addition, we have faced, and may in the future face, difficulties in attracting and retaining key financial professional employees of Avantax Planning Partners. Departures of financial professionals have in the past resulted, and could in the future result, in lost relationships with CPA firms and clients, which has led, and could in the future lead, to a reduction in client asset levels and a corresponding reduction in advisory revenue, as well as the loss of referrals. We may also face certain integration challenges, which could divert management's attention from ongoing operations and opportunities.

Furthermore, we have incurred significant transaction costs in connection with the HKFS Acquisition, including payment of certain fees and expenses incurred in connection with the HKFS Acquisition and the financing of the HKFS Acquisition, and our future financial results could be impacted if goodwill or other intangible assets we acquired in the HKFS Acquisition become impaired.

In addition, we may also face difficulties in managing the expanded operations of a significantly larger and more complex company. The failure to realize the anticipated benefits of the HKFS Acquisition could cause an interruption of, or a loss of momentum in, our operations and could result in a Material Adverse Effect.

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

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

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

- diversion of management's and our employees' attention to integration matters;
- higher than anticipated integration costs and difficulties in achieving anticipated cost savings, synergies, business opportunities, and growth prospects from the 1st Global Acquisition;
- difficulties in the integration of operations and systems, including the use of our clearing platform;
- difficulties in conforming standards, controls, procedures and accounting and other policies, business cultures and compensation structures;
- difficulties in keeping financial professionals and clients;
- difficulties in managing the expanded operations of a significantly larger and more complex company; and
- the impact of potential liabilities inherited from 1st Global, including potential liability related to a regulatory inquiry. See "Item 8. Financial Statements and Supplementary Data—Note 3" for additional information.

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

Even if 1st Global's business is integrated successfully, the full anticipated benefits of the 1st Global Acquisition may not be realized, including the synergies, cost savings or sales or growth opportunities that are anticipated. These benefits may not be achieved within the anticipated time frame. Further, additional unanticipated costs may be incurred in the integration process. All of these factors could cause reductions in our earnings per share, decrease or delay the expected accretive effect of the 1st Global Acquisition and negatively impact the price of shares of our common stock. As a result, it cannot be assured that the 1st Global Acquisition will result in the realization of the full anticipated benefits and potential synergies.

***We may seek to acquire companies or assets that complement our Wealth Management and Tax Preparation businesses, and we may be unsuccessful in completing any such acquisitions on favorable terms or integrating any company acquired.***

We may seek to acquire companies or assets that complement our Wealth Management and Tax Preparation businesses. 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 we will be able to successfully integrate businesses that we have acquired or may in the future acquire.

If we are successful in our pursuit of any complementary acquisition opportunities, we intend to use available cash, debt and/or equity financing, 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 businesses, taking into account potential benefits of operational synergies. However, these new business additions and acquisitions, if any, involve a number of risks and may not achieve our expectations, and, therefore, we could be materially and adversely impacted 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.

## RISKS RELATED TO OUR FINANCING ARRANGEMENTS

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

We are party to a senior secured credit facility, which consists of a term loan (the ***"Term Loan"***) and revolving line of credit (the ***"Revolver"***) for future working capital, capital expenditures and general business purposes. As of December 31, 2020, we had $563.2 million in principal amount of outstanding indebtedness under the Term Loan and no amounts outstanding under the Revolver. The final maturity date of the Term Loan and Revolver is May 22, 2024 and May 22, 2022, respectively. Under the terms of the Revolver, we may borrow up to $65.0 million, subject to customary terms and conditions.

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

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

Our senior secured credit facility imposes certain restrictions on us, including restrictions on our ability to create liens, incur indebtedness and make investments. In addition, our senior secured credit facility includes certain financial covenants, the breach of which may cause the outstanding indebtedness to be declared immediately due and payable. If we fail to comply with our financial and other restrictive covenants contained in the agreements governing our indebtedness, we may be required to refinance all or part of our debt, sell important strategic assets at unfavorable prices or borrow more money. Our borrowings under the senior secured credit facility, and our ability to repay such borrowings, may also negatively impact our ability to obtain additional financing in the future and may affect the terms of any such financing.

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

***Existing cash and cash equivalents and cash generated from operations may not be sufficient to meet our anticipated cash needs for servicing debt, working capital, and capital expenditures.***

Although we believe that existing cash and cash equivalents and cash generated from operations will be sufficient to meet our anticipated cash needs for servicing debt, working capital, acquisition earn-out payments, 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. As of December 31, 2020, we had $563.2 million in principal amount of outstanding indebtedness under the Term Loan and no amounts outstanding under the Revolver. Servicing this debt 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 the seasonality of our Tax Preparation segment, as well as other economic, financial, competitive, and other factors beyond our control. Our businesses may not continue to generate cash flow from operations 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. Changes in the debt and capital markets, including market disruptions, limited liquidity, an increase in interest rates, changes in our credit rating, and our financial condition and results at such time, among other potential factors, may limit our ability to obtain or increase the cost of financing, as well as the risks of refinancing maturing debt. This may affect our ability to raise needed financing and reduce the amount of cash available to fund our operations, acquisitions, or other growth initiatives.

In addition, we may evaluate complementary acquisitions of businesses, products, or technologies from time to time. Any such transactions, if completed, may use a significant portion of our cash and cash equivalents. If we are unable to liquidate our investments when we need liquidity for complementary 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 materially and adversely impacted 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. Any sale of a substantial amount of our common stock in the public market, either in the initial issuance or in a subsequent resale, could have a Material Adverse Effect on the market price of our common stock. 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 materially harm our business.

## RISKS RELATED TO OUR COMMON STOCK

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

The trading price of our common stock has been highly volatile, and such volatility does not always correspond to fluctuations in the market. Between January 1, 2019 and December 31, 2020, our closing stock price ranged from $8.82 to $36.32. On February 19, 2021, the closing price of our common stock was $16.18. Our stock price could decline or fluctuate significantly in response to many factors, including the other risks discussed in this Form 10-K and the following:

- actual or anticipated variations in quarterly and annual results of operations;
- impairment charges, changes in or loss of material contracts and relationships, dispositions or announcements of complementary acquisitions, or other business developments by us, our partners, or our competitors;
- changes in executive officers;
- conditions or trends in the tax preparation or wealth management markets or changes in market share;
- changes in general conditions in the United States and global economies or financial markets;
- effects of the COVID-19 pandemic on economies, markets, the tax season, IRS operations, trends in wealth management, and changes to interest rates;

- 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;
- adverse publicity (whether justified or not) with respect to our business; and
- announcements or publicity relating to litigation or governmental enforcement actions.

In addition, the equities market 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:

- the inability of any of our businesses to implement business plans and to meet our expectations;
- the seasonality of our Tax Preparation business and the resulting large quarterly fluctuations in our revenues;
- variable demand for our services, rapidly evolving technologies and markets, and consumer preferences;
- the level and mix of total client assets and advisory assets, which are subject to fluctuation based on market conditions and client activity;
- the mix of revenues generated by existing businesses or other businesses that we develop or acquire;
- changes in interest rates or reductions in our cash sweep revenue;
- volatility in stock markets impacting the value of our advisory assets;
- effects of the COVID-19 pandemic;
- gains or losses driven by fair value accounting;
- litigation expenses and settlement costs;
- misconduct by employees, contractors and/or financial professionals, which is difficult to detect and deter;
- expenses incurred in finding, evaluating, negotiating, consummating, and integrating acquisitions;
- impairment or negative performance of the many different industries and counterparties we rely on and are exposed to;
- any restructuring charges we may incur;
- any economic downturn, which could result in lower acceptance rates on premium products and services offered by our Wealth Management business and impact the commissions and fee revenues of our financial advisory services;
- new court rulings, or the adoption of new or interpretation of existing laws, rules, or regulations, that adversely affect our business 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, 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 cannot assure you we will continue to repurchase shares of our common stock pursuant to our stock repurchase plan.***

On March 19, 2019, we announced that our board of directors authorized a stock repurchase plan pursuant to which we may repurchase up to $100.0 million of our common stock. Pursuant to the plan, share repurchases may be made through a variety of methods, including open market or privately negotiated transactions. The timing and number of shares repurchased will depend on a variety of factors, including price, general business and market conditions, our capital allocation policy, and alternative investment opportunities. Our repurchase program does not obligate us to repurchase any specific number of shares and may be suspended or discontinued at any time. For the year ended December 31, 2020, we did not repurchase any shares of our common stock under the stock repurchase plan, and as of December 31, 2020, there was approximately $71.7 million in remaining capacity under the stock repurchase plan. Any repurchases of our stock pursuant to the stock repurchase plan may materially reduce the amount of cash we have available and may not materially enhance the long-term value of our business or our stock.

***Our utilization of our federal NOLs may be severely limited or potentially eliminated.***

As of December 31, 2020, we had federal NOLs of $249.2 million that will expire primarily between 2021 and 2037, with the majority of them expiring between 2021 and 2024. In recent years, we have been able to offset all of our federal cash tax liabilities with our federal NOLs, but we may not generate sufficient taxable income in future years to utilize all of our federal NOLs prior to their expiration. If our federal NOLs expire unused, their full benefit will not be realized. In addition, in years where our taxable income exceeds our federal NOLs, we will be required to make federal cash income tax payments.

In addition, if we were to have a change of ownership within the meaning of Section 382 of the 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. Our certificate of incorporation imposes certain limited transfer restrictions on our common stock that we expect would 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.

***Delaware law and our organizational documents may impede or discourage a takeover that would be beneficial to our stockholders.***

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, even if doing so would be beneficial to our stockholders. Provisions of our organizational documents that could have an anti-takeover effect or limit the activities of stockholders include:

- the requirement for supermajority 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; and
- 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.

Our certificate of incorporation also restricts any person or entity from attempting to transfer our stock, without prior permission from our 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. Pursuant to our certificate of incorporation, any transfer that violates this provision 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 acquiring Blucora more expensive to the acquirer and could significantly delay, discourage, or prevent third parties from acquiring us without the approval of our board of directors.

## ITEM 1B. Unresolved Staff Comments

None.

## ITEM 2. Properties

Our principal corporate office is located in Dallas, Texas. Our Wealth Management segment primarily operates out of our Dallas corporate office, with additional office space located in Dubuque, Iowa (obtained in connection with the HKFS Acquisition). The Wealth Management segment also has smaller operational offices for its in-house financial professionals in various locations throughout the United States. The headquarters for our Tax Preparation segment is in Cedar Rapids, Iowa, with additional personnel who operate out of our Dallas corporate office. All of our facilities are leased.

## ITEM 3. Legal Proceedings

See "Item 8. Financial Statements and Supplementary Data—Note 10" 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." On February 19, 2021, the last reported sale price for our common stock on the NASDAQ Global Select Market was $16.18 per share.

### Holders

As of February 19, 2021, there were 325 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.

### Share Repurchases

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

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

For additional information regarding our stock repurchase program, see "Item 8. Financial Statements and Supplementary Data—Note 11."

## ITEM 6. Selected Financial Data

The following data is derived from our audited consolidated financial statements and should be read along with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and notes in "Item 8. Financial Statements and Supplementary Data," and the other financial information included elsewhere in this report.

| | | Years Ended December 31, | | | | |
|---|---|---|---|---|---|---|
| | | 2020 | 2019 | 2018 | 2017 | 2016 |
| *Consolidated Statements of Operations Data:* | (1) (2) | (In thousands, except per share data) | | | | |
| Revenue: | | | | | | |
| Wealth management services revenue | | $ 546,189 | $ 507,979 | $ 373,174 | $ 348,620 | $ 316,546 |
| Tax preparation services revenue | | 208,763 | 209,966 | 187,282 | 160,937 | 139,365 |
| Total revenue | | 754,952 | 717,945 | 560,456 | 509,557 | 455,911 |
| Operating income (loss) | | (269,120) | 9 | 67,677 | 48,037 | 37,117 |
| Other loss, net | | (31,304) | (16,915) | (15,797) | (44,551) | (39,781) |
| Income (loss) from continuing operations before income taxes | | (300,424) | (16,906) | 51,880 | 3,486 | (2,664) |
| Income tax benefit (expense) | | (42,331) | 65,054 | (311) | 25,890 | 1,285 |
| Income (loss) from continuing operations | | (342,755) | 48,148 | 51,569 | 29,376 | (1,379) |
| Discontinued operations, net of income taxes | (3) | — | — | — | — | (63,121) |
| Net income (loss) | | (342,755) | 48,148 | 51,569 | 29,376 | (64,500) |
| Net income attributable to noncontrolling interests | | — | — | (935) | (2,337) | (658) |
| Net income (loss) attributable to Blucora, Inc. | | $ (342,755) | $ 48,148 | $ 50,634 | $ 27,039 | $ (65,158) |
| Basic net income (loss) per share attributable to Blucora, Inc.: | | | | | | |
| Continuing operations | | $ (7.14) | $ 1.00 | $ 0.94 | $ 0.61 | $ (0.05) |
| Discontinued operations | (3) | — | — | — | — | (1.52) |
| Basic net income (loss) per share | | $ (7.14) | $ 1.00 | $ 0.94 | $ 0.61 | $ (1.57) |
| Basic weighted average shares outstanding | | 47,978 | 48,264 | 47,394 | 44,370 | 41,494 |
| Diluted net income (loss) per share attributable to Blucora, Inc.: | | | | | | |
| Continuing operations | | $ (7.14) | $ 0.98 | $ 0.90 | $ 0.57 | $ (0.05) |
| Discontinued operations | (3) | — | — | — | — | (1.52) |
| Diluted net income (loss) per share | | $ (7.14) | $ 0.98 | $ 0.90 | $ 0.57 | $ (1.57) |
| Diluted weighted average shares outstanding | | 47,978 | 49,282 | 49,381 | 47,211 | 41,494 |
| | | | | | | |
| *Consolidated Balance Sheet Data:* | (1) (2) | | | | | |
| Cash, cash equivalents, and investments | | $ 150,125 | $ 80,820 | $ 84,524 | $ 59,965 | $ 58,814 |
| Working capital | | 99,552 | 45,611 | 83,532 | 47,641 | 43,480 |
| Total assets | | 1,064,192 | 1,137,572 | 997,725 | 1,001,671 | 1,022,659 |
| Total long-term liabilities | (1) (2) (4) | 650,786 | 400,525 | 316,905 | 390,495 | 535,577 |
| Total stockholders' equity | | 312,290 | 643,515 | 607,595 | 541,387 | 417,019 |

(1) On May 6, 2019, we acquired 1st Global, a tax-focused wealth management company that, in combination with HD Vest, was renamed Avantax Wealth Management as part of the 2019 Rebranding. The purchase price was partially paid using the proceeds from a $125.0 million increase in the term loan under our credit agreement. The operations of 1st Global are included in our operating results as part of the Wealth Management segment from the date of the 1st Global Acquisition.

(2) On July 1, 2020, we acquired HKFS, a wealth management business that was renamed Avantax Planning Partners as part of the 2021 Rebranding. The upfront cash purchase price of $104.4 million was partially paid using the proceeds from a $175.0 million increase in the term loan under our credit agreement. The operations of HKFS are included in our operating results as part of the Wealth Management segment from the date of the HKFS Acquisition.

(3) On October 14, 2015, we announced plans to divest our Search and Content and E-Commerce businesses. Accordingly, the operating results of these businesses have been presented as discontinued operations for the year ended December 31, 2016. We sold the Search and Content business and the E-Commerce business on August 9, 2016 and November 17, 2016, respectively.

(4) As of December 31, 2016, our convertible senior notes were classified as a long-term liability with an outstanding balance, net of discount and issuance costs, of $164.2 million. We redeemed the convertible senior notes in June 2017.

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

*The following discussion should be read in conjunction with the Selected Financial Data and our consolidated financial statements and notes thereto included elsewhere in this Form 10-K. The following discussion contains forward-looking statements that are subject to risks and uncertainties. See "Cautionary Statement Regarding Forward-Looking Statements" for a discussion of the uncertainties, risks, and assumptions associated with those statements. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Form 10-K, particularly in the section titled "Risk Factors."*

*In addition, the following discussion and analysis compares our financial condition and results of operations for the year ended December 31, 2020 to the year ended December 31, 2019. For a discussion of the financial condition and results of operations for the year ended December 31, 2019 compared to the year ended December 31, 2018, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K for the year ended December 31, 2019 that was filed with the Securities and Exchange Commission (the **"SEC")** on February 28, 2020.*

### Overview

Blucora, Inc. (the ***"Company," "Blucora," "we," "our,"*** or ***"us"***) is a leading provider of integrated tax-focused wealth management services and software, assisting consumers, small business owners, tax professionals, financial professionals, and certified public accounting (***"CPA"***) firms in achieving better long-term outcomes via holistic, tax-advantaged solutions. Our mission is to empower people to improve their financial wellness through data and technology-driven solutions. We conduct our operations through two primary businesses: (1) the Wealth Management business and (2) the Tax Preparation business. Our common stock is listed on the NASDAQ Global Select Market under the symbol "BCOR."

#### *Wealth Management*

The Wealth Management business consists of the operations of Avantax Wealth Management and Avantax Planning Partners (collectively, the ***"Wealth Management business"*** or the ***"Wealth Management segment"***).

Avantax Wealth Management provides tax-focused wealth management solutions for financial professionals, tax professionals, CPA firms, and their clients. Avantax Wealth Management offers its services through its registered broker-dealer, registered investment advisor (***"RIA"***), and insurance agency subsidiaries and is the largest U.S. tax-focused independent broker-dealer. Avantax Wealth Management works with a nationwide network of financial professionals that operate as independent contractors. Avantax Wealth Management provides these financial professionals with an integrated platform of technical, marketing, practice, compliance, and product support tools to assist in making each financial professional a comprehensive financial service center for his or her clients. Our ongoing investments in technology and data analytics are designed to drive meaningful growth in assets over time. Avantax Wealth Management formerly operated under the HD Vest and 1st Global brands prior to the rebranding of these businesses to Avantax Wealth Management in 2019 (the ***"2019 Rebranding"***).

On July 1, 2020, we acquired all of the issued and outstanding common stock of Honkamp Krueger Financial Services, Inc. (***"HKFS,"*** and such acquisition, the ***"HKFS Acquisition"***). HKFS operates as a captive, or employee-based, RIA and wealth management business that partners with CPA firms in order to provide their consumer and small business clients with holistic financial planning and advisory services, as well as retirement plan solutions. The operations of HKFS are included in our operating results as part of the Wealth Management segment from the date of the HKFS Acquisition. For additional information, see "*Business Developments—HKFS Acquisition*" below.

On January 4, 2021, we announced the rebranding of HKFS to Avantax Planning Partners (the ***"2021 Rebranding"***). The 2021 Rebranding was designed to create tighter brand alignment, bringing the Wealth Management business under one common and recognizable brand.

As of December 31, 2020, the Wealth Management business worked with a nationwide network of 3,770 financial professionals and supported $83.0 billion of total client assets, including $35.6 billion of advisory assets.

### *Tax Preparation*

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

## Business Developments

### *COVID-19 Pandemic*

Beginning in March 2020, the COVID-19 pandemic had a significant negative impact on the U.S. and global economy and caused substantial disruption in the U.S. and global securities markets, and as a result, negatively impacted both our Wealth Management and Tax Preparation businesses.

In our Wealth Management business, the economic and financial market disruption caused by the COVID-19 pandemic negatively impacted the value of some of our clients' assets during the first quarter of 2020, which caused a corresponding decline in the amount of revenue that we generated from these client assets. Further, we have experienced a decline in transaction-based commission revenue from lower trading volumes, as well as significantly reduced cash sweep revenue due to changes in prevailing interest rates. Positive financial market movement in the second, third, and fourth quarters of 2020 increased advisory and brokerage asset balances, with higher client asset balances benefiting advisory fees and trailing commissions. Overall, we expect that revenues in our Wealth Management business will remain susceptible to being adversely affected in future periods in which pandemic-influenced economic and market factors remain present.

In our Tax Preparation segment, our revenue and operating income generation is highly seasonal, with a significant portion of our annual revenue typically earned in the first four months of our fiscal year. During the third and fourth quarters, the Tax Preparation segment typically reports losses because revenue from the segment during this period is minimal while core operating expenses continue. As a result of the COVID-19 pandemic, the Internal Revenue Service (***"IRS"***) extended the filing and payment deadline for tax year 2019 federal tax returns to July 15, 2020. This extension resulted in the shifting of a significant portion of Tax Preparation segment revenue that would typically have been expected to be earned in the first and second quarters of 2020 to the third quarter of 2020. In addition, sales and marketing expenses were elevated in 2020 due to incremental investment in March 2020 to address weak performance through the first two months of the tax season, as well as increased marketing required due to the extended tax season. Additionally, the IRS was selected by the U.S Congress as the vehicle for distribution of the EIP1 payments, which caused significant disruption to the 2020 tax season. As a result of the extension of the 2020 tax season and the EIP1 disruption, our results of operations for our Tax Preparation segment were negatively impacted in 2020 compared to prior years. In December 2020, the U.S. Congress authorized EIP2. As acknowledged by the IRS, in January 2021, the IRS directed millions of EIP2 payments, including EIP2 payments payable to our customers, to incorrect bank accounts. In order to allow time to correct this error, the IRS delayed the start of the 2021 tax season. The U.S. Congress is currently considering EIP3. Should the U.S. Congress authorize EIP3 during the 2021 tax season, and should the IRS again be selected as the vehicle for distribution of EIP3, it could disrupt and/or delay the tax filing deadline for the 2021 tax season and could cause customer confusion and/or diversion. It is currently unknown if the IRS will need to extend the tax filing deadline in 2021, however, the IRS has revoked its earlier commitment to end the 2021 tax season on time. An extension of the tax filing deadline in 2021 could result in customer and revenue disruptions and increased expenses in 2021.

For additional information on the effects of the COVID-19 pandemic on our results of operations, see "*Results of Operations*" below. For more information on the risks related to the COVID-19 pandemic, see Part I, Item 1A under the subheading, "*The current COVID-19 pandemic could have a Material Adverse Effect.*"

### *HKFS Acquisition*

On July 1, 2020, we closed the HKFS Acquisition for an upfront cash purchase price of $104.4 million, which was paid with a portion of the proceeds from the $175.0 million increase in the Term Loan (as defined and discussed in *"Liquidity and Capital Resources—Indebtedness"*). The purchase price is subject to customary adjustment and two potential post-closing earn-out payments (the ***"HKFS Contingent Consideration"***) by us, as well as a customary indemnity escrow.

The amount of the HKFS Contingent Consideration is determined based on advisory asset levels and the achievement of certain performance goals (i) for the period beginning on July 1, 2020 and ending on July 1, 2021 and (ii) for the period beginning on July 1, 2021 and ending on July 1, 2022. Pursuant to the Stock Purchase

Agreement, dated as of January 6, 2020, by and among the Company, HKFS, the selling stockholders named therein (the ***"Sellers"***), and JRD Seller Representative, LLC, as the Sellers' representative (as amended, the ***"Purchase Agreement"***), the maximum aggregate amount that we would be required to pay for each earn-out period is $30.0 million, provided that any unearned amounts during the first earn-out period may also be earned during the second earn-out period. If the asset values on the applicable measurement date fall below certain specified thresholds, we would not be required to make any earn-out payment to the Sellers for such period.

We believe the complementary nature of the HKFS Acquisition has expanded our established leadership in tax-aware investing and enhanced our ability to better service clients and enable better outcomes for our Wealth Management business through the following primary drivers:

- increasing our total addressable market by swiftly entering the large, adjacent captive RIA space;
- expanding our product offerings, enabling us to serve an expanded set of CPA firms and tax professionals, as well as enabling us to offer end-to-end retirement plan services for small business clients; and
- providing multiple avenues for enhancing future growth opportunities by improving asset retention, increasing prospect conversion, and offering turn-key retirement plan services to the full Avantax Wealth Management financial professional and client base, all on top of a highly scalable HKFS platform.

For additional information, see "Item 8. Financial Statements and Supplementary Data—Note 3."

*1st Global Acquisition*

On May 6, 2019, we closed the acquisition of all of the issued and outstanding common stock of 1st Global, Inc. and 1st Global Insurance Services, Inc. (together, ***"1st Global"***), a tax-focused wealth management company, for a cash purchase price of $180.0 million (the ***"1st Global Acquisition"***). The 1st Global Acquisition was strategically important as it expanded our presence as the leading tax-focused independent broker-dealer while also providing the scale to compete more broadly in the wealth management market. The operations of 1st Global are included in our operating results as part of the Wealth Management segment from the date of the 1st Global Acquisition.

## RESULTS OF OPERATIONS

### Summary

| (In thousands, except percentages) | Years Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2020 | 2019 | $ | % |
| Revenue: | | | | |
| Wealth Management | $ 546,189 | $ 507,979 | $ 38,210 | 8 % |
| Tax Preparation | 208,763 | 209,966 | (1,203) | (1)% |
| Total revenue | $ 754,952 | $ 717,945 | $ 37,007 | 5 % |
| Operating income (loss): | | | | |
| Wealth Management | $ 72,195 | $ 68,292 | $ 3,903 | 6 % |
| Tax Preparation | 49,621 | 96,249 | (46,628) | (48)% |
| Corporate-level activity | (390,936) | (164,532) | (226,404) | (138)% |
| Total operating income (loss) | (269,120) | 9 | (269,129) | NM (1) |
| Other loss, net | (31,304) | (16,915) | (14,389) | (85)% |
| Loss before income taxes | (300,424) | (16,906) | (283,518) | (1,677)% |
| Income tax benefit (expense) | (42,331) | 65,054 | (107,385) | (165)% |
| Net income (loss) attributable to Blucora, Inc. | $ (342,755) | $ 48,148 | $ (390,903) | (812)% |

______________________________

(1) Calculation is not meaningful.

For the year ended December 31, 2020 compared to the year ended December 31, 2019, net income decreased $390.9 million primarily due to the following factors:

- Wealth Management segment operating income increased $3.9 million primarily due to a $38.2 million increase in revenue, partially offset by a $34.3 million increase in operating expenses. Wealth Management operating results benefited from an increase in advisory revenue as a result of the 1st Global Acquisition and the HKFS Acquisition, partially offset by lower cash sweep revenue and lower commission revenue.

- Tax Preparation segment operating income decreased $46.6 million primarily due to a $45.4 million increase in operating expenses. The increase in operating expenses was primarily due to increased marketing spend as a result of incremental investment required in March 2020 due to weak performance through the first two months of the tax season, as well as increased marketing required due to the extended tax season.

- Corporate-level expenses increased $226.4 million primarily due to goodwill impairment of $270.6 million recognized in the first quarter of 2020. The increase in corporate-level expenses was partially offset by a $50.9 million intangible asset impairment recognized for the year ended December 31, 2019.

- Other loss, net, increased $14.4 million primarily due to increased interest expense and non-capitalized debt issuance expense.

- The Company recorded income tax expense of $42.3 million for the year ended December 31, 2020, which was driven by an increase in the valuation allowance on our deferred tax assets. This compared to an income tax benefit of $65.1 million for the year ended December 31, 2019, which was driven by a partial release of the valuation allowance on our deferred tax assets.

## SEGMENT REVENUE & OPERATING INCOME

The revenue and operating income amounts in this section are presented on a basis consistent with accounting principles generally accepted in the United States (***"GAAP"***) and include certain reconciling items attributable to our segments. We have two reportable segments: (1) the Wealth Management segment and (2) the Tax Preparation segment. Segment information 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 acquired intangible assets, acquisition and integration costs, executive transition costs, headquarters relocation costs, or impairment of goodwill and an intangible asset to the reportable segments. Such amounts are reflected under the heading "Corporate-level activity." In addition, we do not allocate other loss, net, or income taxes to the reportable segments.

### Wealth Management

| (In thousands, except percentages) | Years Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2020 | 2019 | $ | % |
| Revenue | $ 546,189 | $ 507,979 | $ 38,210 | 8 % |
| Operating income | $ 72,195 | $ 68,292 | $ 3,903 | 6 % |
| Segment margin | 13 % | 13 % | | |

For the year ended December 31, 2020 compared to the year ended December 31, 2019, Wealth Management operating income increased $3.9 million due to a $38.2 million increase in revenue partially offset by a $34.3 million increase in operating expenses.

- Wealth Management revenue increased $38.2 million primarily due to a $62.4 million increase in advisory revenue and a $6.2 million increase in client fees and financial professional fees as a result of the 1st Global Acquisition and the HKFS Acquisition. These increases were partially offset by a $20.8 million decrease in cash sweep revenue, a $5.8 million decrease in commission revenue, and a $4.2 million decrease in revenue generated from financial product manufacturer sponsorship programs.
- Wealth Management operating expenses increased $34.3 million primarily due to an increase in cost of revenue, mainly as a result of the 1st Global Acquisition and the HKFS Acquisition.

#### *Sources of revenue*

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

| (In thousands, except percentages) | | | Years Ended December 31, | | Change | |
|---|---|---|---|---|---|---|
| | Sources of Revenue | Primary Drivers | 2020 | 2019 | $ | % |
| Financial professional-driven (1) | Advisory | - Advisory asset levels | $ 314,751 | $ 252,367 | $ 62,384 | 25 % |
| | Commission | - Transactions<br>- Asset levels<br>- Product mix | 185,201 | 191,050 | (5,849) | (3)% |
| Other revenue | Asset-based | - Cash balances<br>- Interest rates<br>- Number of accounts<br>- Client asset levels | 23,688 | 48,182 | (24,494) | (51)% |
| | Transaction and fee | - Account activity<br>- Number of financial professionals<br>- Number of clients<br>- Number of accounts | 22,549 | 16,380 | 6,169 | 38 % |
| | Total revenue | | $ 546,189 | $ 507,979 | $ 38,210 | 8 % |
| | Total recurring revenue | | $ 464,944 | $ 422,128 | $ 42,816 | 10 % |
| | Recurring revenue rate | | 85.1 % | 83.1 % | | |

(1) Our "financial professionals" were formerly referred to as "advisors."

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

*Business metrics*

| (In thousands, except percentages and as otherwise indicated) | December 31, | | Change | |
|---|---|---|---|---|
| | 2020 | 2019 | $ | % |
| *Client assets balances:* | | | | |
| Total client assets | $ 82,961,244 | $ 70,644,385 | $ 12,316,859 | 17 % |
| Brokerage assets | $ 47,357,687 | $ 43,015,221 | $ 4,342,466 | 10 % |
| Advisory assets | $ 35,603,557 | $ 27,629,164 | $ 7,974,393 | 29 % |
| Advisory assets as a percentage of total client assets | 42.9 % | 39.1 % | | |
| | | | | |
| *Number of financial professionals (in ones) (1):* | | | | |
| Independent financial professionals (2) | 3,748 | 3,984 | (236) | (6)% |
| In-house financial professionals (3) | 22 | — | 22 | N/A |
| Total number of financial professionals | 3,770 | 3,984 | (214) | (5)% |
| | | | | |
| Advisory and commission revenue per financial professional (1) (4) | 132.6 | 111.3 | 21.3 | 19 % |

(1) Our "financial professionals" were formerly referred to as "advisors."
(2) The number of independent financial professionals includes licensed financial professionals that work with Avantax Wealth Management and operate as independent contractors, as well as licensed referring representatives at CPA firms that partner with Avantax Planning Partners.
(3) The number of in-house financial professionals includes licensed financial planning consultants, all of which are employees of Avantax Planning Partners.
(4) Calculation based on advisory and commission revenue for the years ended December 31, 2020 and 2019, respectively.

***Client Assets.*** Total client assets includes assets that we hold directly or indirectly on behalf of clients under a safekeeping or custody arrangement or for which we provide administrative services for clients. To the extent that we provide more than one service for a client's assets, the value of the asset is only counted once in the total amount of total client assets. Total client assets include advisory assets, non-advisory brokerage accounts, annuities, and mutual fund positions held directly with fund companies. These assets are not reported on the consolidated balance sheets.

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

Brokerage assets represent total clients assets other than advisory assets.

Total client assets increased $12.3 billion at December 31, 2020 compared to December 31, 2019 primarily due to $9.6 billion of favorable market change and client reinvestment levels and $4.5 billion in client assets acquired in the HKFS Acquisition. Partially offsetting this increase were net client outflows of $1.8 billion, which primarily occurred during the pandemic-influenced market disruption in the second quarter of 2020. In addition, net client outflows of $1.8 billion included $0.4 billion of outflows due to the departure of two in-house financial professionals.

At this time, we cannot predict with certainty the extent of the impact of the COVID-19 pandemic and future financial market fluctuations on our client assets. However, the continued volatility in the U.S. and global economy and uncertainty in economic and financial markets due to the pandemic may cause declines in the amount of our

total client assets. For more information on the risks associated with our Wealth Management business, see Part I, Item 1A under the subheading, "*The current COVID-19 pandemic could have a Material Adverse Effect.*"

***Financial professionals.*** The Wealth Management business worked with a nationwide network of 3,770 financial professionals as of December 31, 2020. Avantax Wealth Management offers its tax-focused wealth management solutions through its network of financial professionals that operate as independent contractors. Avantax Planning Partners operates as a captive, or employee-based, RIA and wealth management business and utilizes a team of in-house financial professionals who partner with CPA firms in order to provide their consumer and small business clients with holistic planning and financial advisory services.

The number of our financial professionals decreased by 5% at December 31, 2020 compared to December 31, 2019, with the decrease primarily due to expected attrition following the integration of HD Vest and 1st Global, as well as the impact of financial professionals leaving the wealth management industry. The large majority of this attrition related to lower-producing financial professionals. The decrease in the number of financial professionals was partially offset by our recruitment of independent financial professionals, as well as the addition of financial professionals as a result of the HKFS Acquisition, which (as of the HKFS Acquisition date) included the addition of 19 in-house financial professionals and 131 licensed referring representatives at CPA firms that partner with Avantax Planning Partners.

***Advisory revenue.*** Advisory revenue includes fees charged to clients in advisory accounts for which we are the RIA. These fees are based on the value of assets within these advisory accounts. For advisory revenues generated by Avantax Wealth Management, advisory fees are typically billed quarterly, in advance, and the related advisory revenues are deferred and recognized ratably over the period in which our performance obligations have been completed. For advisory revenues generated by Avantax Planning Partners, advisory fees are typically billed quarterly, in arrears, and the related advisory revenues are accrued and recognized ratably over the period in which our performance obligations were completed.

Advisory asset balances were as follows:

| (In thousands) | Years Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2020 | 2019 | $ | % |
| Advisory assets—independent financial professionals (1) | $ 30,804,532 | $ 27,629,164 | $ 3,175,368 | 11 % |
| Advisory assets—in-house financial professionals (2) (4) | 3,553,422 | — | 3,553,422 | N/A |
| Retirement advisory assets—in-house financial professionals (3) (4) | 1,245,603 | — | 1,245,603 | N/A |
| Total advisory assets | $ 35,603,557 | $ 27,629,164 | $ 7,974,393 | 29 % |

(1) Represents individual client and retirement advisory assets for which Avantax Wealth Management serves as the RIA.
(2) Represents individual client advisory assets for which Avantax Planning Partners serves as the RIA.
(3) Represents advisory assets for which Avantax Planning Partners provides retirement plan services and serves as the RIA.
(4) The advisory assets associated with our in-house professionals were acquired in connection with the HKFS Acquisition.

The activity within our advisory assets was as follows:

| (In thousands) | Years Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Balance, beginning of the period | $ 27,629,164 | $ 12,555,405 |
| Net increase in new advisory assets | 91,543 | 997,968 |
| Inflows from acquisitions (1) | 4,178,729 | 11,397,301 |
| Market impact and other | 3,704,121 | 2,678,490 |
| Balance, end of the period | $ 35,603,557 | $ 27,629,164 |
| Advisory revenue | $ 314,751 | $ 252,367 |
| Average advisory fee rate | 110 bps | 118 bps |

(1) Inflows from acquisitions for the year ended December 31, 2020 related to the HKFS Acquisition. Inflows from acquisitions for the year ended December 31, 2019 related to the 1st Global Acquisition.

For the year ended December 31, 2020, advisory assets increased $8.0 billion primarily due to $4.2 billion in advisory assets acquired in the HKFS Acquisition and $3.7 billion of favorable market change and client reinvestment levels. Advisory assets also benefited from a net increase in new advisory assets, although this increase was tempered by net outflows that occurred during the pandemic-influenced market disruption in the

second quarter of 2020, as well as $0.4 billion of outflows that primarily occurred after the departure of two in-house financial professionals.

For the year ended December 31, 2020 compared to the year ended December 31, 2019, advisory revenue increased by $62.4 million primarily due to advisory assets acquired in the 1st Global Acquisition and HKFS Acquisition. Partially offsetting this increase in advisory revenue for the year ended December 31, 2020, advisory revenue was negatively affected by suppressed advisory asset levels in the first quarter of 2020 that resulted from the financial market disruption and the COVID-19 pandemic. Advisory asset levels subsequently recovered but remain susceptible to future financial market disruptions. In addition, the average advisory fee rate decreased due to the lower advisory fee structures of 1st Global and HKFS.

***Commission revenue.*** The Wealth Management segment generates two types of commissions: (1) transaction-based commissions and (2) trailing commissions. Transaction-based commissions, which occur when clients trade securities or purchase investment products, represent gross commissions generated by our financial professionals. The level of transaction-based commissions can vary from period-to-period based on the overall economic environment, number of trading days in the reporting period, market volatility, interest rate fluctuations, and investment activity of our financial professionals' clients. We earn trailing commissions (a commission or fee that is paid periodically over time) on certain mutual funds and variable annuities held by clients. Trailing commissions are recurring in nature and are based on the market value of investment holdings in trail-eligible assets.

Our commission revenue, by product category and by type of commission revenue, was as follows:

| (In thousands, except percentages) | Years Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2020 | 2019 | $ | % |
| *By product category:* | | | | |
| Mutual funds | $ 90,112 | $ 90,407 | $ (295) | — % |
| Variable annuities | 63,014 | 63,420 | (406) | (1)% |
| Insurance | 16,313 | 19,282 | (2,969) | (15)% |
| General securities | 15,762 | 17,941 | (2,179) | (12)% |
| Total commission revenue | $ 185,201 | $ 191,050 | $ (5,849) | (3)% |
| | | | | |
| *By type of commission:* | | | | |
| Transaction-based | $ 74,788 | $ 82,604 | $ (7,816) | (9)% |
| Trailing | 110,413 | 108,446 | 1,967 | 2 % |
| Total commission revenue | $ 185,201 | $ 191,050 | $ (5,849) | (3)% |

For the year ended December 31, 2020 compared to the year ended December 31, 2019, transaction-based commission revenue decreased $7.8 million primarily due to decreased trade volumes and low alternative investment product sales, which resulted from the coronavirus pandemic and related financial market disruption. Partially offsetting this decrease, trailing commission revenue increased $2.0 million primarily due to incremental trailing commission revenue from 1st Global. Trailing commissions revenue and transaction-based commission revenue remain susceptible to being adversely affected in future periods in which pandemic-influenced economic and market factors remain present.

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

For the year ended December 31, 2020 compared to the year ended December 31, 2019, asset-based revenue decreased $24.5 million, primarily due to a $20.8 million decrease in cash sweep revenue as a result of lower interest rates. In addition, revenue generated from financial product manufacturer sponsorship programs decreased by $4.2 million.

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

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

For the year ended December 31, 2020 compared to the year ended December 31, 2019, transaction and fee revenue increased $6.2 million primarily due to an increase in client fees and financial professional fees as a result of the 1st Global Acquisition, in addition to incremental transaction and fee revenue as a result of the HKFS Acquisition.

## Tax Preparation

| (In thousands, except percentages) | Years Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2020 | 2019 | $ | % |
| Revenue | $ 208,763 | $ 209,966 | $ (1,203) | (1)% |
| Operating income | $ 49,621 | $ 96,249 | $ (46,628) | (48)% |
| Segment margin | 24 % | 46 % | | |

For the year ended December 31, 2020 compared to the year ended December 31, 2019, Tax Preparation operating income decreased $46.6 million due to a $45.4 million increase in operating expenses, as well as a $1.2 million decrease in revenue.

- Tax Preparation revenue decreased $1.2 million primarily due to a $2.8 million decrease in consumer revenue, partially offset by a $1.6 million increase in professional revenue.
- Tax Preparation operating expenses increased $45.4 million primarily due to increased marketing spend as a result of incremental investment in March 2020 to address weak performance through the first two months of the tax season, as well as increased marketing required due to the extended tax season.

### *Sources of revenue*

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

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

Revenue by category was as follows:

| (In thousands, except percentages) | Years Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2020 | 2019 | $ | % |
| Consumer | $ 192,226 | $ 195,004 | $ (2,778) | (1)% |
| Professional | 16,537 | 14,962 | 1,575 | 11 % |
| Total revenue | $ 208,763 | $ 209,966 | $ (1,203) | (1)% |

### *Business metrics*

We measure the performance of our Tax Preparation business using three sets of non-financial metrics, which we consider to be important indicators of the performance of our Tax Preparation business and are especially relevant through the end of a completed tax season. These non-financial metrics include key performance indicators for our total Tax Preparation business, in addition to the consumer and professional tax preparation portions of the Tax Preparation business:

- We measure our total tax preparation customers using the total number of accepted federal tax e-files completed by both our consumer tax preparation customers and our professional tax preparer customers.

- We measure our consumer tax preparation customers using the number of accepted federal tax e-files made through our software and digital services.
- We measure our professional tax preparer customers using three metrics: (1) the number of accepted federal tax e-files made through our software, (2) the number of units sold, and (3) the number of e-files per unit sold.

Total, consumer, and professional metrics were as follows:

| (In thousands, except percentages and as otherwise indicated) | Years Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2020 | 2019 | Units | % |
| Total e-files (1) | 5,319 | 5,250 | 69 | 1 % |
| Consumer: | | | | |
| Consumer e-files (1) | 3,178 | 3,239 | (61) | (2)% |
| Professional: | | | | |
| Professional e-files | 2,141 | 2,011 | 130 | 6 % |
| Units sold (in ones) | 20,360 | 20,746 | (386) | (2)% |
| Professional e-files per unit sold (in ones) | 105.2 | 96.9 | 8.3 | 8.6 % |

(1) We participate in the Free File Alliance that is part of an IRS partnership that provides free electronic tax filing services to taxpayers meeting certain income-based guidelines. Free File Alliance e-files are included within consumer e-files above.

For the year ended December 31, 2020 compared to the year ended December 31, 2019, total e-files increased primarily due to a 6% increase in professional e-files, partially offset by a 2% decrease in consumer e-files.

## Corporate-Level Activity

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

Corporate-level activity by category was as follows:

| (In thousands, except percentages) | Years Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2020 | 2019 | $ | % |
| General and administrative expenses | $ 26,689 | $ 27,361 | $ (672) | (2)% |
| Stock-based compensation | 10,066 | 16,300 | (6,234) | (38)% |
| Acquisition and integration costs | 31,085 | 25,763 | 5,322 | 21 % |
| Executive transition costs | 10,701 | — | 10,701 | N/A |
| Headquarters relocation costs | 1,863 | — | 1,863 | N/A |
| Depreciation | 10,162 | 6,851 | 3,311 | 48 % |
| Amortization of acquired intangible assets | 29,745 | 37,357 | (7,612) | (20)% |
| Impairment of goodwill and an intangible asset | 270,625 | 50,900 | 219,725 | 432 % |
| Total corporate-level activity | $ 390,936 | $ 164,532 | $ 226,404 | 138 % |

For the year ended December 31, 2020 compared to the year ended December 31, 2019, corporate-level activity increased $226.4 million primarily due to the following factors:

- For the year ended December 31, 2020, we recognized a goodwill impairment charge of $270.6 million related to our Wealth Management reporting unit in the first quarter of 2020. For additional information, see “Item 8. Financial Statements and Supplementary Data—Note 5.” For the year ended December 31, 2019, we recognized an impairment charge of $50.9 million related to the HD Vest trade name intangible asset following the 2019 Rebranding of the Wealth Management business in the third quarter of 2019.

- Executive transition costs of $10.7 million were recognized for the year ended December 31, 2020 due to the departure of certain Company executives.

Partially offsetting this increase in corporate-level expenses:

- Amortization of acquired intangible assets decreased $7.6 million primarily due to TaxAct customer relationship intangible assets that completed their useful lives and ceased amortizing in early 2020, partially offset by an increase in amortization due to intangible assets acquired in the 1st Global Acquisition and the HKFS Acquisition.

- Stock-based compensation decreased $6.2 million primarily due to stock award forfeitures resulting from executive departures in the first quarter of 2020 and the reversal of stock-based compensation expense for performance-based awards that are not expected to vest.

- Acquisition and integration costs increased $5.3 million. For the year ended December 31, 2020, acquisition and integration expenses included $19.7 million related to the HKFS Acquisition and $11.4 million related to the 1st Global Acquisition. For the year ended December 31, 2019, acquisition and integration expense included $22.7 million related to the 1st Global Acquisition and $3.1 million related to the HKFS Acquisition.

## OPERATING EXPENSES

### Cost of Revenue

| (In thousands, except percentages) | Years Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2020 | 2019 | $ | % |
| Wealth management services cost of revenue | $ 385,962 | $ 352,081 | $ 33,881 | 10 % |
| Tax preparation services cost of revenue | 12,328 | 10,691 | 1,637 | 15 % |
| Total cost of revenue | $ 398,290 | $ 362,772 | $ 35,518 | 10 % |
| Percentage of revenue | 53 % | 51 % | | |

Cost of revenue consists of costs related to our Wealth Management and Tax Preparation businesses, which include commissions and advisory fees paid to independent financial professionals, payments made to CPA firms under fee sharing arrangements, third-party costs, and costs associated with the technical support team and the operation of our data centers. Data center costs include personnel expenses, the cost of temporary help and contractors, professional services fees, software support and maintenance, bandwidth and hosting costs, and depreciation (including depreciation related to TaxAct software development costs). Cost of revenue does not include compensation paid to in-house financial professionals in our Wealth Management business. As the in-house financial professionals are employees of Avantax Planning Partners, their compensation is reflected in “Sales and marketing” expense.

For the year ended December 31, 2020 compared to the year ended December 31, 2019, cost of revenue increased $35.5 million primarily due to the following factors:

- a $33.9 million increase in Wealth Management services cost of revenue, primarily due to an increase in commissions paid to financial professionals added as a result of the 1st Global Acquisition; and

- a $1.6 million increase in Tax Preparation services cost of revenue, primarily due to increased depreciation related to additional capitalized software costs for TaxAct.

In future periods, we expect increased Tax Preparation cost of revenue due to increased depreciation related to additional capitalized software costs.

### Engineering and Technology

| (In thousands, except percentages) | Years Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2020 | 2019 | $ | % |
| Engineering and technology | $ 27,258 | $ 30,931 | $ (3,673) | (12)% |
| Percentage of revenue | 4 % | 4 % | | |

Engineering and technology expenses are associated with the research, development, support, and ongoing enhancements of our offerings, which include personnel expenses, the cost of temporary help and contractors, software support and maintenance, bandwidth and hosting, and professional services fees. Engineering and technology expenses do not include the costs of computer hardware and software that are capitalized, depreciated over their useful lives, and recognized on the consolidated statements of comprehensive income (loss) as either "cost of revenue" or "depreciation." For more information, see the "Cost of Revenue" and "Depreciation and Amortization of Acquired Intangible Assets" sections contained within this discussion of "Operating Expenses."

For the year ended December 31, 2020 compared to the year ended December 31, 2019, engineering and technology expenses decreased $3.7 million, primarily due to reduced expenses in our Wealth Management business, which were partially offset by increased headcount and consulting fees in our Tax Preparation business.

### Sales and Marketing

| (In thousands, except percentages) | Years Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2020 | 2019 | $ | % |
| Sales and marketing | $ 177,618 | $ 126,205 | $ 51,413 | 41 % |
| Percentage of revenue | 24 % | 18 % | | |

Sales and marketing expenses primarily consist of marketing expenses associated with our Tax Preparation business (including expenses related to marketing agencies and media companies) and our Wealth Management business, personnel expenses, compensation paid to Avantax Planning Partners in-house financial professionals, the cost of temporary help and contractors, and back office processing support expenses for our Wealth Management business.

For the year ended December 31, 2020 compared to the year ended December 31, 2019, sales and marketing expenses increased $51.4 million primarily due to increased advertising costs in our Tax Preparation business during the extended tax season, as well as incremental sales and marketing costs resulting from the 1st Global Acquisition and HKFS Acquisition.

Assuming a return to a typical season in our Tax Preparation business (other than the delayed start date to tax season), we expect sales and marketing costs in our Tax Preparation business for 2021 to be lower than 2020 levels.

### General and Administrative

| (In thousands, except percentages) | Years Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2020 | 2019 | $ | % |
| General and administrative | $ 82,158 | $ 78,529 | $ 3,629 | 5 % |
| Percentage of revenue | 11 % | 11 % | | |

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

For the year ended December 31, 2020 compared to the year ended December 31, 2019, G&A expenses increased $3.6 million, primarily due to $10.7 million of executive transition costs and $1.9 million of headquarters relocation costs, partially offset by reduced stock-based compensation expense due to $8.5 million in stock award forfeitures resulting from executive departures in 2020 and the reversal of stock-based compensation expense for performance-based awards that are not expected to vest. The executive transition costs primarily related to the departure of certain Company executives primarily in the first quarter of 2020.

### Acquisition and Integration

| (In thousands, except percentages) | Years Ended December 31, 2020 | 2019 | Change $ | % |
|---|---|---|---|---|
| Employee-related expenses | $ 1,615 | $ 5,241 | $ (3,626) | (69)% |
| Professional services | 13,602 | 17,752 | (4,150) | (23)% |
| Change in fair value of HKFS Contingent Consideration | 8,300 | — | 8,300 | N/A |
| Other expenses | 7,568 | 2,770 | 4,798 | 173 % |
| Total | $ 31,085 | $ 25,763 | $ 5,322 | 21 % |
| Percentage of revenue | 4 % | 4 % | | |

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

For the year ended December 31, 2020, acquisition and integration expenses included $19.7 million related to the HKFS Acquisition and $11.4 million related to the 1st Global Acquisition. Acquisition and integration expenses for the HKFS Acquisition in 2020 included an $8.3 million loss related to the fair value change of the HKFS Contingent Consideration liability. Acquisition and integration expenses for the 1st Global Acquisition in 2020 included a $4.1 million right-of-use asset impairment expense related to our former headquarters building lease (acquired in the 1st Global Acquisition). For the year ended December 31, 2019, acquisition and integration expense included $22.7 million related to the 1st Global Acquisition and $3.1 million related to the HKFS Acquisition.

### Depreciation and Amortization of Acquired Intangible Assets

| (In thousands, except percentages) | Years Ended December 31, 2020 | 2019 | Change $ | % |
|---|---|---|---|---|
| Depreciation | $ 7,293 | $ 5,479 | $ 1,814 | 33 % |
| Amortization of acquired intangible assets | 29,745 | 37,357 | $ (7,612) | (20)% |
| Total | $ 37,038 | $ 42,836 | $ (5,798) | (14)% |
| Percentage of revenue | 5 % | 6 % | | |

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

For the year ended December 31, 2020 compared to the year ended December 31, 2019, depreciation and amortization expense decreased $7.6 million primarily due to TaxAct customer relationship intangible assets that completed their useful lives and ceased amortizing in early 2020, partially offset by an increase in amortization due to intangibles acquired in the 1st Global Acquisition and the HKFS Acquisition, an increase in depreciation resulting from additional depreciable assets obtained in the 1st Global Acquisition and HKFS Acquisition, and additional depreciation from property and equipment put into service at our new headquarters in July 2020.

### Impairment of Goodwill and an Intangible Asset

| (In thousands, except percentages) | Years Ended December 31, 2020 | 2019 | Change $ | % |
|---|---|---|---|---|
| Impairment of goodwill and an intangible asset | $ 270,625 | $ 50,900 | $ 219,725 | 432 % |
| Percentage of revenue | 36 % | 7 % | | |

For the year ended December 31, 2020, we recognized goodwill impairment of $270.6 million related to our Wealth Management reporting unit in the first quarter of 2020. For additional information, see “Item 8. Financial Statements and Supplementary Data—Note 5.” For the year ended December 31, 2019, we recognized impairment of $50.9 million related to the HD Vest trade name intangible asset following the 2019 Rebranding of the Wealth Management business in the third quarter of 2019.

## OTHER LOSS, NET

| (In thousands, except percentages) | Years Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2020 | 2019 | $ | % |
| Interest expense | $ 24,570 | $ 19,017 | $ 5,553 | 29 % |
| Amortization of debt issuance costs | 1,372 | 1,042 | 330 | 32 % |
| Accretion of debt discounts | 693 | 228 | 465 | 204 % |
| Total interest expense | 26,635 | 20,287 | 6,348 | 31 % |
| Interest income | (65) | (449) | 384 | 86 % |
| Gain on the sale of a business | (349) | (3,256) | 2,907 | 89 |
| Non-capitalized debt issuance expenses | 3,687 | — | 3,687 | N/A |
| Other | 1,396 | 333 | 1,063 | 319 % |
| Other loss, net | $ 31,304 | $ 16,915 | $ 14,389 | 85 % |

For the year ended December 31, 2020 compared to the year ended December 31, 2019, other loss, net, increased $14.4 million primarily due to the following factors:

- Total interest expense increased $6.3 million due to higher outstanding debt balances as a result of the $175.0 million increase in the Term Loan in the third quarter of 2020 and the $125.0 million increase in the Term Loan in the second quarter of 2019. In addition, the increase in the Term Loan in the third quarter of 2020 resulted in the recognition of $3.7 million of non-capitalized debt issuance expenses.
- For the year ended December 31, 2019, we recognized a $3.3 million gain on the sale of SimpleTax Software Inc. (***"SimpleTax"***), a provider of digital tax preparation services for individuals in Canada.

## INCOME TAXES

| (In thousands, except percentages) | Years Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2020 | 2019 | $ | % |
| Income tax benefit (expense) | $ (42,331) | $ 65,054 | $ (107,385) | (165)% |

For 2020, we recorded income tax expense of $42.3 million. Our effective income tax rate differed from the 21% statutory rate in 2020 primarily due to a $56.8 million expense related to the impairment of goodwill (which is not deductible for tax purposes), $23.9 million tax expense related to the increase in the valuation allowances, and $21.1 million in write off of expired federal net operating loss.

At December 31, 2020, we had deferred tax assets recorded for gross temporary differences representing future tax deductions of $489.0 million, primarily comprised of $249.2 million of federal net operating loss carryforwards and $108.3 million of federal capital loss carryforwards. We currently estimate that approximately $206.7 million of federal net operating loss carryforwards will expire, if unutilized, in 2021 through 2024, and $108.3 million of federal capital loss carryforwards will expire, if unutilized, in 2021 through 2023. We recorded a valuation allowance against deferred tax assets related to the federal net operating and capital loss carryforwards that are anticipated to expire unutilized. The ultimate realization of our deferred tax assets depends on our ability to generate future taxable income. Our actual future taxable income may differ from our projected taxable income as a result of differences in pre-tax income, as well as future originating book-tax differences, including excess tax benefits (windfalls) for stock compensation, which, due to inherent uncertainty, we do not forecast. In the future, if we determine more or less of the recognized net deferred tax assets is more likely than not to be realized, we will record a charge or benefit to the income statement to account for the further change in valuation allowance.

For 2019, we recorded income tax benefit of $65.1 million. Our effective income tax rate differed from the 21% statutory rate in 2019 primarily due to a $56.9 million tax benefit related to the partial release of valuation allowances and $4.1 million in excess tax benefits (windfalls) for stock compensation.

### Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) attributable to Blucora, Inc., determined in accordance with GAAP, excluding the effects of stock-based compensation, depreciation and amortization of acquired intangible assets, other loss, net, acquisition and integration costs, impairment of goodwill and an intangible asset, executive transition costs, headquarters relocation costs, and income tax (benefit) expense. Acquisition and integration costs primarily relate to the 1st Global Acquisition and the HKFS Acquisition. Impairment of goodwill relates to the impairment of our Wealth Management reporting unit goodwill that was recognized in the first quarter of 2020. Impairment of an intangible asset relates to the impairment of the HD Vest trade name intangible asset following the 2019 Rebranding of the Wealth Management business in the third quarter of 2019. Executive transition costs relate to the departure of certain Company executives primarily in the first quarter of 2020. Headquarters relocation costs relate to the process of moving from our original Dallas office and Irving office to our new headquarters.

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

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

| **(In thousands)** | **Years Ended December 31,** | |
|---|---|---|
| | **2020** | **2019** |
| Net income (loss) attributable to Blucora, Inc. | $ (342,755) | $ 48,148 |
| Stock-based compensation | 10,066 | 16,300 |
| Depreciation and amortization of acquired intangible assets | 39,907 | 44,208 |
| Other loss, net | 31,304 | 16,915 |
| Acquisition and integration—Excluding change in fair value of HKFS Contingent Consideration | 22,785 | 25,763 |
| Acquisition and integration—Change in fair value of HKFS Contingent Consideration | 8,300 | — |
| Income tax expense (benefit) | 42,331 | (65,054) |
| Impairment of goodwill and an intangible asset | 270,625 | 50,900 |
| Executive transition costs | 10,701 | — |
| Headquarters relocation costs | 1,863 | — |
| Adjusted EBITDA | $ 95,127 | $ 137,180 |

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

We define non-GAAP net income (loss) as net income (loss) attributable to Blucora, Inc., determined in accordance with GAAP, excluding the effects of stock-based compensation, amortization of acquired intangible assets (including acquired technology), impairment of goodwill and an intangible asset, gain on the sale of a business, acquisition and integration costs, executive transition costs, headquarters relocation costs, non-capitalized debt issuance expenses, the related cash tax impact of those adjustments, and non-cash income tax (benefit) expense. We exclude the non-cash portion of income taxes because of our ability to offset a substantial portion of our cash tax liabilities by using deferred tax assets, which primarily consist of U.S. federal net operating losses. The majority of these net operating losses will expire, if unutilized, between 2021 and 2024. Gain on the sale of a business relates to the disposition of SimpleTax in the third quarter of 2019 and the subsequent working capital adjustment in the third quarter of 2020. Non-capitalized debt issuance expense relates to the expense recognized as a result of the Term Loan increase in the third quarter of 2020. For more information on our Term Loan, see “Item 8. Financial Statements and Supplementary Data—Note 6.”

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 that have not been, or are not expected to be, settled in cash. Additionally, we believe that non-GAAP net income and non-GAAP net income per share are common measures used by investors and analysts to evaluate our performance and the valuation of our business. Non-GAAP net income and non-GAAP net income per share should be evaluated in light of our financial results prepared in accordance with GAAP and should be considered as a supplement to, and not as a substitute for or superior to, GAAP net income (loss) and GAAP net income (loss) per share. Other companies may calculate these non-GAAP measures differently, and, therefore, our non-GAAP net income and non-GAAP net income per share may not be comparable to similarly titled measures of other companies.

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

| **(In thousands, except per share amounts)** | **Years Ended December 31,** | |
|---|---|---|
| | **2020** | **2019** |
| Net income (loss) attributable to Blucora, Inc. | $ (342,755) | $ 48,148 |
| Stock-based compensation | 10,066 | 16,300 |
| Amortization of acquired intangible assets | 29,745 | 37,357 |
| Impairment of goodwill and an intangible asset | 270,625 | 50,900 |
| Gain on sale of a business | (349) | (3,256) |
| Acquisition and integration—Excluding change in fair value of HKFS Contingent Consideration | 22,785 | 25,763 |
| Acquisition and integration—Change in fair value of HKFS Contingent Consideration | 8,300 | — |
| Executive transition costs | 10,701 | — |
| Headquarters relocation costs | 1,863 | — |
| Non-capitalized debt issuance expenses | 3,687 | — |
| Cash tax impact of adjustments to GAAP net income | (1,647) | (2,396) |
| Non-cash income tax (benefit) expense | 41,059 | (68,618) |
| Non-GAAP net income | $ 54,080 | $ 104,198 |
| *Per diluted share:* | | |
| Net income (loss) attributable to Blucora, Inc. (1) | $ (7.10) | $ 0.98 |
| Stock-based compensation | 0.21 | 0.33 |
| Amortization of acquired intangible assets | 0.61 | 0.76 |
| Impairment of goodwill and an intangible asset | 5.61 | 1.03 |
| Gain on sale of a business | (0.01) | (0.07) |
| Acquisition and integration—Excluding change in fair value of HKFS Contingent Consideration | 0.47 | 0.52 |
| Acquisition and integration—Change in fair value of HKFS Contingent Consideration | 0.17 | — |
| Executive transition costs | 0.22 | — |
| Headquarters relocation costs | 0.04 | — |
| Non-capitalized debt issuance expenses | 0.08 | — |
| Cash tax impact of adjustments to GAAP net income | (0.03) | (0.05) |
| Non-cash income tax (benefit) expense | 0.85 | (1.39) |
| Non-GAAP net income | $ 1.12 | $ 2.11 |
| Weighted average shares outstanding used in calculating Non-GAAP net income per share | 48,244 | 49,282 |

(1) Any difference in the “per diluted share” amounts between this table and the consolidated statements of comprehensive income is due to using different weighted average shares outstanding in the event that there is GAAP net loss but non-GAAP net income and vice versa.

## Cash and Cash Equivalents

Our principal source of liquidity is our cash and cash equivalents. As of December 31, 2020, we had cash and cash equivalents of $150.1 million. Our Avantax Wealth Management broker-dealer subsidiary operates in a highly regulated industry and is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have substantial monetary and non-monetary impacts on Avantax Wealth Management's operations. As of December 31, 2020, Avantax Wealth Management met all capital adequacy requirements to which it was subject.

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

Historically, we have financed our operations primarily from cash provided by operating activities and access to credit markets. Our historical uses of cash have been funding our operations, capital expenditures, business combinations that enhance our strategic position, and share repurchases under share repurchase programs. We plan to finance our operating, working capital, regulatory capital requirements at our broker-dealer subsidiary, and capital expenditure requirements for at least the next 12 months largely through cash and cash equivalents. However, the underlying levels of revenues and expenses that we project may not prove to be accurate, and, from time to time, we may make a determination to draw on the Revolver (as defined below) or increase the principal amount of the Term Loan to meet our capital requirements, subject to customary terms and conditions.

Since our results of operations are sensitive to various factors, including, among others, the level of competition we face, regulatory and legal impacts, and political and economic conditions, such factors could adversely affect our liquidity and capital resources. In addition, due to the COVID-19 pandemic, we have experienced and may continue to experience near- to mid-term volatility in our results of operations that could further increase our liquidity needs. Due to this volatility, we have taken several measures to ensure proper liquidity levels. We are maintaining flexibility in our cash flows by applying a heightened sense of focus in monitoring and managing our cash needs. In the first quarter of 2020, we accessed our Revolver for temporary liquidity needs and subsequently repaid such borrowings in full. In addition, we increased the principal outstanding under our Term Loan to fund the HKFS Acquisition and provide additional working capital flexibility. Overall, we believe these measures provide us with the capital flexibility to satisfy our obligations, fund our operations, and invest in our businesses.

For further discussion of the risks to our business related to liquidity, see "Item 1A. Risk Factors" under the heading "*Existing cash and cash equivalents and cash generated from operations may not be sufficient to meet our anticipated cash needs for servicing debt, working capital, and capital expenditures*."

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

## Indebtedness

In May 2017, we entered into a credit agreement (as the same has been amended, the ***"Credit Agreement"***) with a syndicate of lenders that provides for a term loan facility (the ***"Term Loan"***) and a revolving line of credit (including a letter of credit sub-facility) (the ***"Revolver"***) for working capital, capital expenditures, and general business purposes (as amended, the ***"Senior Secured Credit Facility"***). The Revolver and the Term Loan mature on May 22, 2022 and May 22, 2024, respectively.

On July 1, 2020, we increased our Term Loan by $175.0 million. Approximately $104.4 million of the proceeds from the increase to the Term Loan were used to fund the purchase price of the HKFS Acquisition, as well as to pay related fees and expenses. We intend to use the remainder of the proceeds from the increase to the Term Loan for general corporate purposes. The Company is required to make principal amortization payments on the Term Loan quarterly on the last business day of each March, June, September, and December, beginning on September 30,

2020, in an amount equal to $0.5 million (subject to reduction for prepayments), with the remaining principal amount of the Term Loan due on the maturity date of May 22, 2024.

At December 31, 2020, we had $563.2 million principal amount outstanding under the Term Loan and no amounts outstanding under the Revolver. Based on aggregate loan commitments as of December 31, 2020, approximately $65.0 million was available for future borrowing under the Senior Secured Credit Facility, subject to customary terms and conditions.

For additional information on the Term Loan, Revolver, and the Credit Agreement, see, "Item 8. Financial Statements and Supplementary Data—Note 6."

### Share Repurchase Plan

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

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

### Contractual Obligations and Commitments

Our contractual obligations and commitments are as follows for years ending December 31:

| (In thousands) | 2021 | 2022 | 2023 | 2024 | 2025 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Operating lease commitments: | | | | | | | |
| Operating lease obligations (1) | $ 2,758 | $ 5,151 | $ 5,236 | $ 5,119 | $ 5,014 | $ 30,323 | $ 53,601 |
| Sublease income | (443) | (544) | (557) | (570) | (583) | (198) | (2,895) |
| Net operating lease commitments | 2,315 | 4,607 | 4,679 | 4,549 | 4,431 | 30,125 | 50,706 |
| Purchase commitments (2) | 16,072 | 8,930 | 7,629 | 5,546 | 4,671 | 7,969 | 50,817 |
| Debt commitment—Term Loan | 1,812 | 1,812 | 1,812 | 557,720 | — | — | 563,156 |
| Interest payable | 28,844 | 28,559 | 28,330 | 11,770 | — | — | 97,503 |
| HKFS Contingent Consideration | 17,900 | 18,000 | — | — | — | — | 35,900 |
| Total | $ 66,943 | $ 61,908 | $ 42,450 | $ 579,585 | $ 9,102 | $ 38,094 | $ 798,082 |

(1) Operating lease obligations include obligations due to short-term leases. In accordance with the short-term lease practical expedient in Accounting Standards Codification 842, *Leases*, we do not record a lease liability for short-term leases.
(2) Our purchase commitments primarily consist of outsourced IT and marketing services, commitments to our portfolio management tool vendor, commitments to our clearing firm provider, and commitments for financial professional support programs.

The contractual obligations and commitments table presented above does not reflect unrecognized tax benefits of approximately $7.5 million, the timing of which is uncertain. For additional discussion on unrecognized tax benefits, see "Item 8. Financial Statements and Supplementary Data—Note 15."

As part of HKFS Acquisition, the purchase price paid by us is subject to two potential post-closing earn-out payments. The amount of the HKFS Contingent Consideration is determined based on advisory asset levels and the achievement of certain performance goals (i) for the period beginning on July 1, 2020 and ending on July 1, 2021 and (ii) for the period beginning on July 1, 2021 and ending on July 1, 2022. Pursuant to the Purchase Agreement, the maximum aggregate amount that we would be required to pay for each earn-out period is $30.0 million, provided that any unearned amounts during the first earn-out period may also be earned during the second earn-out

period. If the asset values on the applicable measurement date fall below certain specified thresholds, we would not be required to make any earn-out payment to the Sellers for such period.

The estimated fair value (as calculated in accordance with GAAP) of the HKFS Contingent Consideration liability was $35.9 million as of December 31, 2020. While this amount was calculated in accordance with the fair value guidance contained in ASC 820, *Fair Value Measurements*, there are a number of assumptions and estimates factored into these fair values (including a risk-adjusted discount rate), and actual earn-out payments could differ from these estimated fair values.

### Off-balance Sheet Arrangements

We have no off-balance sheet arrangements.

### Cash Flows

Our cash flows were comprised of the following:

| (In thousands) | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | Change ($) |
| Net cash provided by operating activities | $ 44,079 | $ 92,804 | $ (48,725) |
| Net cash used by investing activities | (140,706) | (169,594) | 28,888 |
| Net cash provided by financing activities | 160,939 | 77,836 | 83,103 |
| Net increase in cash, before the effect of exchange rate changes | 64,312 | 1,046 | 63,266 |
| Effect of exchange rate changes on cash and cash equivalents | — | 38 | (38) |
| Net increase in cash, cash equivalents, and restricted cash | $ 64,312 | $ 1,084 | $ 63,228 |

#### *Net cash from operating activities*

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

| (In thousands) | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | Change ($) |
| Net income (loss) | $ (342,755) | $ 48,148 | $ (390,903) |
| Non-cash adjustments | 384,011 | 47,032 | 336,979 |
| Operating cash flows before changes in operating assets and liabilities | 41,256 | 95,180 | (53,924) |
| Changes in operating assets and liabilities | 2,823 | (2,376) | 5,199 |
| Net cash provided by operating activities | $ 44,079 | $ 92,804 | $ (48,725) |

Net cash provided by operating activities for 2020 included $41.3 million of operating cash flows before changes in operating assets and liabilities and $2.8 million of changes in operating assets and liabilities. For the year ended December 31, 2020 compared to the year ended December 31, 2019, the $53.9 million decrease in operating cash flows before changes in operating assets and liabilities was primarily due to the following factors:

- Operating income from our Tax Preparation business decreased $46.6 million; and
- Executive transition costs of $10.7 million were recognized due to the departure of certain Company executives.

The changes in operating assets and liabilities of $5.2 million were primarily due to working capital adjustments from the 1st Global Acquisition in 2019.

*Net cash from investing activities*

Net cash used by investing activities consists of business acquisitions, net of cash acquired, purchases of property and equipment, proceeds from the sale of a business, and the acquisition of a customer relationship. Investing cash flows were as follows:

| (In thousands) | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | Change ($) |
| Business acquisition, net of cash acquired | $ (101,910) | $ (166,560) | $ 64,650 |
| Purchases of property and equipment | (36,002) | (10,501) | (25,501) |
| Proceeds from sale of a business, net of cash | 349 | 7,467 | (7,118) |
| Acquisition of customer relationships | (3,143) | — | $ (3,143) |
| Net cash used by investing activities | $ (140,706) | $ (169,594) | $ 28,888 |

Net cash used by investing activities was $140.7 million and $169.6 million for the year ended December 31, 2020 and 2019, respectively. The $28.9 million decrease in cash used by investing activities was primarily due to cash outlays for the HKFS Acquisition in July 2020 as compared to the 1st Global Acquisition in May 2019. This decrease was partially offset by an increase in cash outlays for office equipment and leasehold improvements related to the new headquarters office building, as well as additional capitalized software costs. Net cash from investing activities for the year ended December 31, 2019 also included $7.5 million in net proceeds received from the sale of SimpleTax.

*Net cash from financing activities*

Net cash from the 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. Financing cash flows were as follows:

| (In thousands) | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | Change ($) |
| Proceeds from credit facilities, net of debt issuance costs and debt discount | $ 226,278 | $ 131,489 | $ 94,789 |
| Payments on credit facilities | (66,531) | (313) | (66,218) |
| Stock repurchases | — | (28,399) | 28,399 |
| Payment of redeemable noncontrolling interests | — | (24,945) | 24,945 |
| Proceeds from stock option exercises | 97 | 4,387 | (4,290) |
| Proceeds from issuance of stock through employee stock purchase plan | 2,258 | 2,212 | 46 |
| Tax payments from shares withheld for equity awards | (1,163) | (5,652) | 4,489 |
| Contingent consideration payments for business acquisition | — | (943) | 943 |
| Net cash provided by financing activities | $ 160,939 | $ 77,836 | $ 83,103 |

Net cash provided by financing activities for the year ended December 31, 2020 primarily consisted of $226.3 million of additional borrowings under the Senior Credit Facility (which included a $175.0 million increase to our Term Loan in July 2020 in order to fund the HKFS Acquisition), partially offset by $66.5 million of repayments on existing indebtedness.

Net cash provided by financing activities for the year ended December 31, 2019 primarily consisted of $131.5 million of additional borrowings under the Senior Credit Facility to finance the 1st Global Acquisition and $6.6 million of combined proceeds from the issuance of common stock related to stock option exercises and the employee stock purchase plan. These cash inflows were partially offset by cash outflows of $28.4 million for share repurchases, $24.9 million to settle redeemable noncontrolling interests related to the acquisition of HD Vest in 2015, and $5.7 million in tax payments from shares withheld for equity awards.

## Critical Accounting Policies and Estimates

This Management's Discussion and Analysis of Financial Condition and Results of Operations and the disclosures included elsewhere in this Annual Report on Form 10-K are 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 assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and disclosure 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 most significant judgments and estimates used in the preparation of our consolidated financial statements, and we continually update and assess the facts and circumstances regarding all of these critical accounting matters and other significant accounting matters affecting estimates in our financial statements. These critical accounting estimates are also described in "Item 8. Financial Statements and Supplementary Data—Note 2."

### *Wealth Management revenue recognition*

Wealth management revenue primarily consists of advisory revenue, commission revenue, asset-based revenue, and transaction and fee revenue. Wealth management revenue is earned from customers primarily located in the United States.

Revenue is recognized upon the transfer of services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those services. Payments received by us in advance of the performance of service are deferred and recognized as revenue when we have satisfied our performance obligation.

Advisory revenue includes fees charged to clients in advisory accounts for which we are the RIA. These fees are based on the value of assets within these advisory accounts. For advisory revenues generated by Avantax Wealth Management, advisory fees are typically billed quarterly, in advance, and the related advisory revenues are deferred and recognized ratably over the period in which our performance obligations have been completed. For advisory revenues generated by Avantax Planning Partners, advisory fees are typically billed quarterly, in arrears, and the related advisory revenues are accrued and recognized over the period in which our performance obligations were completed.

Commissions represent amounts generated by clients' purchases and sales of securities and investment products. We serve as the registered broker-dealer or insurance agent for those trades. We generate two types of commissions: (1) transaction-based commissions and (2) trailing commissions. Transaction-based commissions are generated on a per-transaction basis and are recognized as revenue on the trade date, which is when our performance obligations have been substantially completed. Trailing commissions are earned by us based on our ongoing account support to clients. Trailing commissions are based on a percentage of the current market value of clients' investment holdings in trail-eligible assets and recognized over the period during which our services are performed. Since trailing commission revenue is generally paid in arrears, we estimate it based on a number of factors, including stock market index levels and the amount of trailing commission revenues received in prior periods. These estimates are primarily based on historical information, and there is not significant judgment involved.

A substantial portion of advisory revenue and commission revenue is ultimately paid to our financial professionals. In Avantax Wealth Management, advisory fee payments to financial professionals typically occur at the beginning of the quarter, in advance, and therefore do not result in an advisory fee payable amount at quarter end. In Avantax Planning Partners, advisory fee payments (which are primarily composed of payments to CPA firms under fee sharing arrangements) are typically made quarterly, in arrears, and we record an estimate for the advisory fee payable based on the historical payout ratios and financial market movement for the period. For transaction-based commissions, we record an estimate for commissions payable based upon the payout rate of the financial professional generating the accrued commission revenue. For trailing commissions, we record an estimate for

trailing commissions payable based upon historical payout ratios. Such amounts are recorded as “Commissions and advisory fees payable” on the consolidated balance sheets and “Wealth management services cost of revenue” on the consolidated statements of comprehensive income.

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

Transaction and fee revenue primarily includes (1) support fees charged to financial professionals, which are recognized over time as advisory services are provided, (2) fees charged for executing certain transactions in client accounts, which are recognized on a trade-date basis, and (3) other fees related to services provided and other account charges as generally outlined in agreements with financial professionals, clients, and financial institutions, which are recognized as services are performed or as earned, as applicable.

*Tax Preparation revenue recognition*

We generate revenue from the sale of tax preparation digital services, packaged tax preparation software, ancillary services, and multiple element arrangements that may include a combination of these items. Tax Preparation revenue is earned from customers primarily located in the United States.

Digital revenues include revenues associated with our digital software products sold to customers and businesses primarily for the preparation of individual or business tax returns, and digital revenues are generally recognized when customers and businesses complete and file returns. Digital revenues are recognized net of an allowance for the portion of the returns filed using our refund payment transfer services (as explained below) that we estimate will not be accepted and funded by IRS.

Packaged tax preparation software revenues are generated from the sale of our downloadable software products and are recognized when legal title transfers, which is when customers download the software.

Ancillary service revenues primarily include fees we charge for refund payment transfer services, audit defense services, and referral and marketing arrangements with third party partners. Refund payment transfer services allow the cost of TaxAct software products to be deducted from a taxpayer’s refund instead of being paid at the time of filing. The fees the customer pays for refund payment transfer services and audit defense services are recognized as revenue at the time of filing. Revenue for our referral and marketing arrangements with third party partners is recognized at a point in time or over time based on the nature of the performance obligation under each arrangement.

Certain of our Tax Preparation software packages marketed towards professional tax preparers contain multiple elements, including a software element and an unlimited e-filing capability element. For these software packages that contain multiple elements, we allocate the total consideration of the package to the two elements. We then recognize revenue for the software element upon download or shipment and recognize revenue for the unlimited filing element over time based on an estimated filing timeline. The impact of multiple element arrangements is not material and only impacts the timing of revenue recognition over the tax filing season, which is typically concentrated within the first two quarters of each year.

*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 it is more likely than not that 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.

We record liabilities to address uncertain tax positions that have been taken in previously filed tax returns or that are expected to be taken in a future tax return. The determination for required liabilities is based upon an analysis of each individual tax position, taking into consideration whether it is more likely than not that the tax position, based on technical merits, will be sustained upon examination. The tax benefit to be recognized in the financial statements from such a position is measured as the largest amount of benefit that has a greater than 50%

cumulative likelihood of being realized upon ultimate settlement with the taxing authority. The difference between the amount recognized and the total tax position is recorded as a liability. The ultimate resolution of these tax positions may be greater or less than the liabilities recorded.

*Business combinations*

We account for business combinations, including the 1st Global Acquisition and the HKFS Acquisition, using the acquisition method.

Under the acquisition method, the purchase price of the acquisition is allocated to the acquired tangible and identifiable intangible assets and assumed liabilities based on their estimated fair values at the time of the acquisition. This allocation involves a number of assumptions, estimates, and judgments that could materially affect the timing or amounts recognized in our financial statements. The most subjective areas of the acquisition accounting method include determining the fair value of the following:

- intangible assets, including the valuation methodology, estimates of future cash flows, discount rates, growth rates, and attrition rates (if applicable), as well as the estimated useful life of intangible assets;
- contingent consideration, including the valuation methodology, estimates of future advisory asset levels, discount rates, growth rates, and volatility levels; and
- goodwill, as measured as the excess of consideration transferred over the acquisition date fair value of the assets acquired, including the amount assigned to identifiable intangible assets, and the liabilities assumed.

Our assumptions and estimates are based upon comparable market data and information obtained from the management of the acquired entities.

*Impairment of goodwill*

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

Beginning in March 2020, the COVID-19 pandemic had a significant negative impact on the U.S. and global economy and caused substantial disruption in the U.S. and global securities markets, and as a result, negatively impacted certain key Wealth Management business drivers, such as client asset levels and interest rates. These macroeconomic and Company-specific factors, in totality, served as a triggering event that resulted in the testing of the goodwill of the Wealth Management reporting unit and the Tax Preparation reporting unit for potential impairment.

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

For the Wealth Management reporting unit, the carrying value of the reporting unit exceeded its fair value by $270.6 million. Therefore, we recorded an impairment of goodwill of $270.6 million in the first quarter of 2020. For the Tax Preparation reporting unit, the carrying value of the reporting unit was significantly below its fair value, and therefore, no impairment of goodwill was deemed necessary.

No goodwill impairment triggering events were identified for the remainder of the year ended December 31, 2020. In addition, we performed our annual goodwill impairment evaluation as of November 30, 2020 and concluded that there were no indicators of impairment. The Wealth Management reporting unit is considered to be at risk for a future impairment of its goodwill in the event of a further decline in general economic, market, or business conditions, or any significant unfavorable changes in our forecasted revenue, expenses, cash flows, weighted average cost of capital, and/or market valuation multiples. We will continue to monitor for events and circumstances that could negatively impact the key assumptions in determining the fair value of the Wealth Management reporting unit.

## Recent Accounting Pronouncements

See "Item 8. Financial Statements and Supplementary Data—Note 2" for more information on recently issued and adopted accounting pronouncements.

## ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial market risk and interest rate risk.

*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 to us, are: to preserve capital, maintain ease of conversion into immediate liquidity, and achieve a rate of return over a pre-determined benchmark. As of December 31, 2020, we were principally invested in money market fund securities. We consider the market value, default, and liquidity risks of our investments to be low at December 31, 2020.

*Interest rate risk*: At December 31, 2020, our cash equivalent balance of $4.3 million was held in money market funds. We consider the interest rate risk for our cash equivalent securities held at December 31, 2020 to be low. For further detail on our cash equivalents, see "Item 8. Financial Statements and Supplementary Data—Note 2."

In addition, as of December 31, 2020, we had $563.2 million in principal amount of debt outstanding under the Senior Secured Credit Facility, which carries a degree of interest rate risk. This debt has a floating portion of its interest rate tied to the London Interbank Offered Rate (***"LIBOR"***). For further information on our outstanding debt, see "Item 8. Financial Statements and Supplementary Data—Note 6." A hypothetical 100 basis point increase in LIBOR on December 31, 2020 would result in a $19.4 million increase in our interest expense until the scheduled maturity date in 2024.

The following table provides information about our cash equivalent securities as of December 31, 2020, including principal cash flows for 2021 and thereafter and the related weighted average interest rates. Principal amounts and weighted average interest rates by expected year of maturity are as follows (in thousands, except percentages):

| | Amount | Weighted Average Interest rate |
|---|---|---|
| 2021 | $ 4,290 | 0.63 % |
| Thereafter | — | — |
| Total | $ 4,290 | 0.63 % |
| Fair Value | $ 4,290 | |

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS


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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Blucora, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Blucora, Inc. (the Company) as of December 31, 2020 and 2019, the related consolidated statements of comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, 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) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, 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, 2021 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

***Business Combination***

| | |
|---|---|
| *Description of the Matter* | On July 1, 2020, the Company completed its acquisition of Honkamp Krueger Financial Services, “HKFS”, for total purchase consideration of $131.5 million, which included contingent consideration with an initial fair value of $27.6 million related to two potential earn-out payments with a maximum payout of $60 million, as disclosed in Note 3 to the consolidated financial statements. $52.8 million of the total purchase consideration was allocated to the fair value of the customer relationships intangible asset. The transaction was accounted for as a business combination.<br><br>Auditing management’s accounting for the HKFS acquisition was complex and highly judgmental due to the significant estimation required in determining the initial fair value of the contingent consideration and the customer relationships intangible asset of $27.6 million and $52.8 million, respectively, as of July 1, 2020.<br><br>The significant estimation was primarily due to the complexity of the valuation models used by management to measure the fair value of the contingent consideration and customer relationships and the sensitivity of the respective fair values to the significant underlying assumptions. The Company used a Monte Carlo simulation model to measure the fair value of the contingent consideration, which is required to be remeasured at fair value each reporting period until settled. The significant assumptions used in the simulation included forecasted advisory asset levels at July 1, 2021 and July 1, 2022, the risk-adjusted discount rate reflecting the risk in the advisory asset projection and the volatility. The Company used a discounted cash flow model to measure the customer relationships intangible asset. The significant assumptions used to estimate the value of the customer relationships included the discount rate, customer attrition rate and projections of revenue growth. These significant assumptions are forward looking and could be affected by future economic and market conditions. |
| *How We Addressed the Matter in Our Audit* | We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company’s process to account for acquisitions, including management’s review of the valuation models and assumptions underlying the recognition and valuation of the contingent consideration and customer relationships intangible asset.<br><br>To test the fair value of the contingent consideration, we performed audit procedures that included, among others, assessing the terms of the arrangement, including the conditions that must be met for the contingent consideration to become payable. We performed procedures to test the completeness and accuracy of the underlying data and to assess the Company’s projected asset forecasts given past performance and economic trends. We also involved our valuation specialists to assist in evaluating the Company's use of a Monte Carlo simulation model and testing the significant assumptions used in the model, including volatility and the risk-adjusted discount rate. To test the fair value of the customer relationships intangible asset, we performed audit procedures that included, among others, testing the significant assumptions used in the model, including the completeness and accuracy of the underlying data. For example, we compared the significant assumptions to current market and economic trends, and to HKFS’ past performance and future forecasts. We involved our valuation specialists to assist in our evaluation of the valuation methodology used and significant assumptions. We have also evaluated the Company’s disclosures in relation to this matter. |

***Impairment of Goodwill***

| | |
|---|---|
| *Description of the Matter* | As disclosed in Note 2 and Note 5 to the consolidated financial statements, goodwill is tested for impairment annually as of November 30, or more frequently if indicators of impairment require the performance of an interim impairment assessment. During the first quarter of 2020, as a result of the market impacts related to the coronavirus outbreak, COVID-19, the Company determined that an interim goodwill impairment triggering event had occurred. The Company performed a quantitative impairment analysis for goodwill, which indicated the goodwill for the Wealth Management reporting unit was impaired. As a result, a non-cash impairment charge of $270.6 million was recorded in the quarter ended March 31, 2020. The Company performed their annual test as of November 30 and concluded that there was no indicator of impairment.<br><br>Auditing management's impairment test related to goodwill was complex and highly judgmental due to the significant estimation required in determining the fair value of the reporting unit. The fair value estimate for the reporting unit was sensitive to significant assumptions such as projected future revenue growth rates, future operating margins, the selected discount rate and valuation multiples. |
| *How We Addressed the Matter in Our Audit* | We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment assessment process. This included testing controls over the review of the Company's forecast as well as controls over the review of the significant assumptions used to estimate the fair value of the reporting unit.<br><br>To test the fair value of the reporting unit, our audit procedures included, among others, assessing methodologies and testing the significant assumptions and underlying data used by the Company, specifically the projected financial information including the future revenue growth rates, future operating margins and the selected discount rate. We also evaluated the completeness and accuracy of the underlying data supporting the assumptions. Additionally, we compared the significant assumptions used by management to current market and economic trends as well as the Wealth Management reporting unit's past performance and future forecast. We performed sensitivity analyses on significant assumptions to evaluate the change in the fair value of the reporting unit and assessed the historical accuracy of management's estimates. In addition, we involved our valuation specialists to assist in evaluating the significant assumptions in the fair value estimate. We have also evaluated the Company's disclosures in relation to this matter. |

***/s/ Ernst & Young LLP***

We have served as the Company's auditor since 2012.
Dallas, Texas
February 26, 2021

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

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 150,125 | $ 80,820 |
| Cash segregated under federal or other regulations | 637 | 5,630 |
| Accounts receivable, net of allowance | 12,736 | 16,266 |
| Commissions and advisory fees receivable | 26,132 | 21,176 |
| Other receivables | 717 | 2,902 |
| Prepaid expenses and other current assets, net | 10,321 | 12,349 |
| Total current assets | 200,668 | 139,143 |
| Long-term assets: | | |
| Property and equipment, net | 58,500 | 18,706 |
| Right-of-use assets, net | 23,455 | 10,151 |
| Goodwill, net | 454,821 | 662,375 |
| Other intangible assets, net | 322,179 | 290,211 |
| Deferred tax asset, net | — | 9,997 |
| Other long-term assets | 4,569 | 6,989 |
| Total long-term assets | 863,524 | 998,429 |
| Total assets | $ 1,064,192 | $ 1,137,572 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 9,290 | $ 10,969 |
| Commissions and advisory fees payable | 19,021 | 19,905 |
| Accrued expenses and other current liabilities | 56,419 | 36,144 |
| Deferred revenue—current | 12,298 | 12,014 |
| Lease liabilities—current | 2,304 | 3,272 |
| Current portion of long-term debt, net | 1,784 | 11,228 |
| Total current liabilities | 101,116 | 93,532 |
| Long-term liabilities: | | |
| Long-term debt, net | 552,553 | 381,485 |
| Deferred tax liability, net | 30,663 | — |
| Deferred revenue—long-term | 6,247 | 7,172 |
| Lease liabilities—long-term | 36,404 | 5,916 |
| Other long-term liabilities | 24,919 | 5,952 |
| Total long-term liabilities | 650,786 | 400,525 |
| Total liabilities | 751,902 | 494,057 |
| | | |
| Commitments and contingencies (Note 10) | | |
| | | |
| Stockholders' equity: | | |
| Common stock, par $0.0001—900,000 authorized shares; 49,483 shares issued and 48,177 shares outstanding at December 31, 2020; 49,059 shares issued and 47,753 shares outstanding at December 31, 2019 | 5 | 5 |
| Additional paid-in capital | 1,598,230 | 1,586,972 |
| Accumulated deficit | (1,257,546) | (914,791) |
| Accumulated other comprehensive loss | — | (272) |
| Treasury stock, at cost—1,306 shares at December 31, 2020 and December 31, 2019 | (28,399) | (28,399) |
| Total stockholders' equity | 312,290 | 643,515 |
| Total liabilities and stockholders' equity | $ 1,064,192 | $ 1,137,572 |

See notes to consolidated financial statements.

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

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Revenue: | | | |
| Wealth management services revenue | $ 546,189 | $ 507,979 | $ 373,174 |
| Tax preparation services revenue | 208,763 | 209,966 | 187,282 |
| Total revenue | 754,952 | 717,945 | 560,456 |
| Operating expenses: | | | |
| Cost of revenue: | | | |
| Wealth management services cost of revenue | 385,962 | 352,081 | 253,580 |
| Tax preparation services cost of revenue | 12,328 | 10,691 | 10,040 |
| Amortization of acquired technology | — | — | 99 |
| Total cost of revenue | 398,290 | 362,772 | 263,719 |
| Engineering and technology | 27,258 | 30,931 | 19,332 |
| Sales and marketing | 177,618 | 126,205 | 111,361 |
| General and administrative | 82,158 | 78,529 | 60,124 |
| Acquisition and integration | 31,085 | 25,763 | — |
| Depreciation | 7,293 | 5,479 | 4,468 |
| Amortization of other acquired intangible assets | 29,745 | 37,357 | 33,487 |
| Impairment of goodwill and an intangible asset | 270,625 | 50,900 | — |
| Restructuring | — | — | 288 |
| Total operating expenses | 1,024,072 | 717,936 | 492,779 |
| Operating income (loss) | (269,120) | 9 | 67,677 |
| Other loss, net | (31,304) | (16,915) | (15,797) |
| Income (loss) before income taxes | (300,424) | (16,906) | 51,880 |
| Income tax benefit (expense) | (42,331) | 65,054 | (311) |
| Net income (loss) | (342,755) | 48,148 | 51,569 |
| Net income attributable to noncontrolling interests | — | — | (935) |
| Net income (loss) attributable to Blucora, Inc. | $ (342,755) | $ 48,148 | $ 50,634 |
| Net income (loss) per share attributable to Blucora, Inc. (1): | | | |
| Basic | $ (7.14) | $ 1.00 | $ 0.94 |
| Diluted | $ (7.14) | $ 0.98 | $ 0.90 |
| Weighted average shares outstanding: | | | |
| Basic | 47,978 | 48,264 | 47,394 |
| Diluted | 47,978 | 49,282 | 49,381 |
| Comprehensive income (loss): | | | |
| Net income (loss) | $ (342,755) | $ 48,148 | $ 51,569 |
| Other comprehensive income (loss) | 272 | 174 | (442) |
| Comprehensive income (loss) | (342,483) | 48,322 | 51,127 |
| Comprehensive income attributable to noncontrolling interests | — | — | (935) |
| Comprehensive income (loss) attributable to Blucora, Inc. | $ (342,483) | $ 48,322 | $ 50,192 |

(1) Net income per share for the year ended December 31, 2018 included the the impact of the noncontrolling interest redemption discussed further in “Note 11—Stockholders' Equity” and in “Note 16—Net Income (Loss) Per Share.”

See notes to consolidated financial statements.

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

| | Redeemable noncontrolling interests | Common stock | | Additional paid-in capital | Accumulated deficit | Accumulated other comprehensive income (loss) | Treasury stock | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | Shares | Amount | | | | Shares | Amount | |
| Balance as of December 31, 2017 | $ 18,033 | 46,366 | $ 5 | $1,555,560 | $ (1,014,174) | $ (4) | — | $ — | $541,387 |
| Common stock issued for stock options, restricted stock units, and employee stock purchase plan | — | 1,678 | — | 15,251 | — | — | — | — | 15,251 |
| Other comprehensive loss | — | — | — | — | — | (442) | — | — | (442) |
| Stock-based compensation | — | — | — | 13,253 | — | — | — | — | 13,253 |
| Tax payments from shares withheld for equity awards | — | — | — | (8,362) | — | — | — | — | (8,362) |
| Impact of adoption of new accounting guidance related to revenue recognition | — | — | — | — | 1,851 | — | — | — | 1,851 |
| Adjustment of redeemable noncontrolling interests to redemption value | 5,977 | — | — | (5,977) | — | — | — | — | (5,977) |
| Net income | 935 | — | — | — | 50,634 | — | — | — | 50,634 |
| Balance as of December 31, 2018 | $ 24,945 | 48,044 | $ 5 | $1,569,725 | $ (961,689) | $ (446) | — | $ — | $607,595 |
| Common stock issued for stock options, restricted stock units, and employee stock purchase plan | — | 1,015 | — | 6,599 | — | — | — | — | 6,599 |
| Stock repurchases | — | — | — | — | — | — | (1,306) | (28,399) | (28,399) |
| Other comprehensive income | — | — | — | — | — | 174 | — | — | 174 |
| Stock-based compensation | — | — | — | 16,300 | — | — | — | — | 16,300 |
| Tax payments from shares withheld for equity awards | — | — | — | (5,652) | — | — | — | — | (5,652) |
| Impact of adoption of new leases accounting standard | — | — | — | — | (1,636) | — | — | — | (1,636) |
| Impact of ASC 842 consolidated deferred tax | — | — | — | — | 386 | — | — | — | 386 |
| Reclassification of mandatorily redeemable noncontrolling interests | (22,428) | — | — | — | — | — | — | — | — |
| Redemption of noncontrolling interests | (2,517) | — | — | — | — | — | — | — | — |
| Net income | — | — | — | — | 48,148 | — | — | — | 48,148 |
| Balance as of December 31, 2019 | $ — | 49,059 | $ 5 | $1,586,972 | $ (914,791) | $ (272) | (1,306) | $(28,399) | $643,515 |
| Common stock issued for stock options, restricted stock units, and employee stock purchase plan | — | 424 | — | 2,355 | — | — | — | — | 2,355 |
| Other comprehensive loss | — | — | — | — | — | 272 | — | — | 272 |
| Stock-based compensation | — | — | — | 10,066 | — | — | — | — | 10,066 |
| Tax payments from shares withheld for equity awards | — | — | — | (1,163) | — | — | — | — | (1,163) |
| Net loss | — | — | — | — | (342,755) | — | — | — | (342,755) |
| Balance as of December 31, 2020 | $ — | 49,483 | $ 5 | $1,598,230 | $ (1,257,546) | $ — | (1,306) | $(28,399) | $312,290 |

See notes to consolidated financial statements.

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

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Operating activities: | | | |
| Net income (loss) | $ (342,755) | $ 48,148 | $ 51,569 |
| Adjustments to reconcile net income (loss) to net cash from operating activities: | | | |
| Stock-based compensation | 10,066 | 16,300 | 13,253 |
| Depreciation and amortization of acquired intangible assets | 39,907 | 44,208 | 38,589 |
| Impairment of goodwill and an intangible asset | 270,625 | 50,900 | — |
| Reduction of right-of-use lease assets | 8,908 | 4,425 | — |
| Deferred income taxes | 41,059 | (67,549) | (3,039) |
| Amortization of debt issuance costs | 1,372 | 1,042 | 833 |
| Accretion of debt discounts | 693 | 228 | 163 |
| Loss on debt extinguishment and modification expense | — | — | 1,534 |
| Gain on sale of a business | (349) | (3,256) | — |
| Change in fair value of acquisition-related contingent consideration | 8,300 | — | — |
| Accretion of lease liability | 1,922 | 599 | — |
| Other | 1,508 | 135 | 73 |
| Cash provided (used) by changes in operating assets and liabilities: | | | |
| Accounts receivable | 10,705 | 871 | (4,286) |
| Commissions and advisory fees receivable | (4,956) | (471) | 1,260 |
| Other receivables | 2,185 | 4,506 | (3,851) |
| Prepaid expenses and other current assets | 1,662 | 10,537 | (815) |
| Other long-term assets | 2,232 | 3,377 | 3,450 |
| Accounts payable | (4,192) | 29 | (615) |
| Commissions and advisory fees payable | (884) | 432 | (2,614) |
| Lease liabilities | (3,894) | (7,335) | — |
| Deferred revenue | (796) | (17,367) | 9,930 |
| Accrued expenses and other current and long-term liabilities | 761 | 3,045 | 114 |
| Net cash provided by operating activities | 44,079 | 92,804 | 105,548 |
| Investing activities: | | | |
| Business acquisition, net of cash acquired | (101,910) | (166,560) | — |
| Purchases of property and equipment | (36,002) | (10,501) | (7,633) |
| Proceeds from sale of a business, net of cash | 349 | 7,467 | — |
| Acquisition of customer relationships | (3,143) | — | — |
| Net cash used by investing activities | (140,706) | (169,594) | (7,633) |
| Financing activities: | | | |
| Proceeds from credit facilities, net of debt issuance costs and debt discount | 226,278 | 131,489 | — |
| Payments on credit facilities | (66,531) | (313) | (80,000) |
| Stock repurchases | — | (28,399) | — |
| Payment of redeemable noncontrolling interests | — | (24,945) | — |
| Proceeds from stock option exercises | 97 | 4,387 | 12,773 |
| Proceeds from issuance of stock through employee stock purchase plan | 2,258 | 2,212 | 2,100 |
| Tax payments from shares withheld for equity awards | (1,163) | (5,652) | (8,362) |
| Contingent consideration payments for business acquisition | — | (943) | (1,315) |
| Net cash provided (used) by financing activities | 160,939 | 77,836 | (74,804) |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | — | 38 | (56) |
| Net increase in cash, cash equivalents, and restricted cash | 64,312 | 1,084 | 23,055 |
| Cash, cash equivalents, and restricted cash, beginning of period | 86,450 | 85,366 | 62,311 |
| Cash, cash equivalents, and restricted cash, end of period | $ 150,762 | $ 86,450 | $ 85,366 |
| Supplemental cash flow information: | | | |
| Cash paid for income taxes | $ 1,776 | $ 3,106 | $ 1,806 |
| Cash paid for interest | $ 24,279 | $ 18,852 | $ 15,335 |
| Non-cash investing activities: | | | |
| Purchases of property and equipment through leasehold incentives (investing) | $ 9,726 | $ — | $ — |

See notes to consolidated financial statements.

## Note 1: Description of the Business

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

*Wealth Management*

The Wealth Management business consists of the operations of Avantax Wealth Management and Avantax Planning Partners (collectively, the ***"Wealth Management business"*** or the ***"Wealth Management segment"***).

Avantax Wealth Management provides tax-focused wealth management solutions for financial professionals, tax professionals, certified public accounting (***"CPA"***) firms, and their clients. Avantax Wealth Management offers its services through its registered broker-dealer, registered investment advisor (***"RIA"***), and insurance agency subsidiaries and is the largest U.S. tax-focused independent broker-dealer. Avantax Wealth Management works with a nationwide network of financial professionals that operate as independent contractors. Avantax Wealth Management provides these financial professionals with an integrated platform of technical, practice, compliance, and product support tools to assist in making each financial professional a comprehensive financial service center for his or her clients. Avantax Wealth Management formerly operated under the HD Vest and 1st Global brands prior to the rebranding of these businesses to Avantax Wealth Management in 2019.

Avantax Planning Partners operates as a captive, or employee-based, RIA and wealth management business that partners with CPA firms in order to provide their consumer and small business clients with holistic financial planning and advisory services, as well as retirement plan solutions. Avantax Planning Partners formerly operated as Honkamp Krueger Financial Services, Inc. (***"HKFS"***).

On July 1, 2020, we acquired all of the issued and outstanding common stock of HKFS (the ***"HKFS Acquisition"***). The operations of HKFS are included in operating results as part of the Wealth Management segment from the date of the HKFS Acquisition. For additional information, see "Note 3—Acquisitions and Disposition."

On May 6, 2019, we closed the acquisition of all the issued and outstanding common stock of 1st Global Inc. and 1st Global Insurance Services, Inc. (together, ***"1st Global"***), a tax-focused wealth management company, for a cash purchase price of $180.0 million (the ***"1st Global Acquisition"***).

*Tax Preparation*

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

The Tax Preparation segment is highly seasonal, with a significant portion of its annual revenue typically earned in the first four months of the fiscal year. During the third and fourth quarters, the Tax Preparation segment typically reports losses because revenue from the segment is minimal while core operating expenses continue. In March 2020 and as a result of the COVID-19 pandemic, the Internal Revenue Service (***"IRS"***) extended the filing deadline for federal tax returns from April 15, 2020 to July 15, 2020. This filing extension resulted in the shifting of a significant portion of Tax Preparation segment revenue that is usually earned in the first and second quarters of 2020 to the third quarter of 2020.

*Segments*

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

*Principles of consolidation and use of estimates*

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany accounts and transactions have been eliminated.

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, expenses, and disclosure of contingencies. Actual amounts may differ from estimates.

*Net capital and regulatory requirements*

The Avantax Wealth Management broker-dealer subsidiary operates in a highly regulated industry and is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have substantial monetary and non-monetary impacts to Avantax Wealth Management's operations. As of December 31, 2020, Avantax Wealth Management met all capital adequacy requirements to which it was subject.

## Note 2: Summary of Significant Accounting Policies

*Cash, cash equivalents, and restricted cash*

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

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Cash and cash equivalents | $ 150,125 | $ 80,820 |
| Cash segregated under federal or other regulations | 637 | 5,630 |
| Total cash, cash equivalents, and restricted cash | $ 150,762 | $ 86,450 |

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

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

*Accounts receivable*

Accounts receivable are stated at amounts due from customers, net of an allowance for doubtful accounts. The allowance for doubtful accounts was not material at December 31, 2020 and 2019.

*Property and equipment*

Property and equipment are stated at cost. Depreciation is calculated under the straight-line method over the following estimated useful lives:

| | Estimated Useful Life |
|---|---|
| Computer equipment and software | 3 years |
| Data center servers | 3 years |
| Internally developed software | 3 years |
| Office equipment | 7 years |
| Office furniture | 7 years |
| Airplane (1) | 25 years |
| Leasehold improvements | Shorter of lease term or economic life |

(1) As part of the HKFS Acquisition, we acquired an airplane with a value of $3.8 million.

We capitalize certain internal-use software development costs, consisting primarily of contractor costs and employee salaries and benefits allocated on a project or product basis. We capitalized $19.3 million, $7.4 million, and $6.5 million of internal-use software costs for the years ended December 31, 2020, 2019, and 2018, respectively.

*Business combinations*

We account for business combinations, including the 1st Global Acquisition and the HKFS Acquisition, using the acquisition method.

Under the acquisition method, the purchase price of the acquisition is allocated to the acquired tangible and identifiable intangible assets and assumed liabilities based on their estimated fair values at the time of the acquisition. This allocation involves a number of assumptions, estimates, and judgments that could materially affect the timing or amounts recognized in our financial statements. The most subjective areas of the acquisition accounting method include determining the fair value of the following:

- intangible assets, including the valuation methodology, estimates of future cash flows, discount rates, growth rates, and attrition rates (if applicable), as well as the estimated useful life of intangible assets;
- contingent consideration, including the valuation methodology, estimates of future advisory asset levels, discount rates, growth rates, and volatility levels; and
- goodwill, as measured as the excess of consideration transferred over the acquisition date fair value of the assets acquired, including the amount assigned to identifiable intangible assets, and the liabilities assumed.

Our assumptions and estimates are based upon comparable market data and information obtained from the management of the acquired entities.

Goodwill is assigned to reporting units that are expected to benefit from the synergies of the business combination as of the acquisition date. Our reporting units are consistent with our reportable segments, and accordingly, the goodwill acquired from the 1st Global Acquisition and the HKFS Acquisition was assigned to the Wealth Management reporting unit. Identifiable intangible assets with finite lives are amortized over their useful lives in a pattern in which the asset is consumed. 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 other intangible assets*

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. 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. For additional information on our intangible assets and our impairment assessment methodologies, see "Note 5—Goodwill and Other Intangible Assets."

*Fair value of financial instruments*

We measure cash equivalents and our contingent consideration liability at fair value. See "Note 9—Fair Value Measurements" for additional information.

*Revenue recognition*

We recognize revenue when all five of the following revenue recognition criteria have been satisfied:

- contract(s) with customers have been identified;
- performance obligations have been identified;
- transaction prices have been determined;
- transaction prices have been allocated to the performance obligations; and
- the performance obligations have been fulfilled by transferring control over the promised services to the customer.

The determination of when these criteria are satisfied varies by product or service and is explained in more detail below.

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

Revenue is recognized upon the transfer of services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those services. Payments received by us in advance of the performance of service are deferred and recognized as revenue when we have satisfied our performance obligation.

Advisory revenue includes fees charged to clients in advisory accounts for which we are the RIA. These fees are based on the value of assets within these advisory accounts. For advisory revenues generated by Avantax Wealth Management, advisory fees are typically billed quarterly, in advance, and the related advisory revenues are deferred and recognized ratably over the period in which our performance obligations have been completed. For advisory revenues generated by Avantax Planning Partners, advisory fees are typically billed quarterly, in arrears, and the related advisory revenues are accrued and recognized over the period in which our performance obligations were completed.

Commissions represent amounts generated by clients' purchases and sales of securities and investment products. We serve as the registered broker-dealer or insurance agent for those trades. We generate two types of commissions: (1) transaction-based commissions and (2) trailing commissions. Transaction-based commissions are generated on a per-transaction basis and are recognized as revenue on the trade date, which is when our performance obligations have been substantially completed. Trailing commissions are earned by us based on our ongoing account support to clients. Trailing commissions are based on a percentage of the current market value of clients' investment holdings in trail-eligible assets and recognized over the period during which our services are performed. Since trailing commission revenue is generally paid in arrears, we estimate it based on a number of factors, including stock market index levels and the amount of trailing commission revenues received in prior periods. These estimates are primarily based on historical information, and there is not significant judgment involved.

A substantial portion of advisory revenue and commission revenue is ultimately paid to our financial professionals. In Avantax Wealth Management, advisory fee payments to financial professionals typically occur at the beginning of the quarter, in advance, and therefore do not result in an advisory fee payable amount at quarter end. In Avantax Planning Partners, advisory fee payments (which are primarily composed of payments to CPA firms

under fee sharing arrangements) are typically made quarterly, in arrears, and we record an estimate for the advisory fee payable based on the historical payout ratios and financial market movement for the period. For transaction-based commissions, we record an estimate for commissions payable based upon the payout rate of the financial professional generating the accrued commission revenue. For trailing commissions, we record an estimate for trailing commissions payable based upon historical payout ratios. Such amounts are recorded as "Commissions and advisory fees payable" on the consolidated balance sheets and "Wealth management services cost of revenue" on the consolidated statements of comprehensive income.

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

Transaction and fee revenue primarily includes (1) support fees charged to financial professionals, which are recognized over time as advisory services are provided, (2) fees charged for executing certain transactions in client accounts, which are recognized on a trade-date basis, and (3) other fees related to services provided and other account charges as generally outlined in agreements with financial professionals, clients, and financial institutions, which are recognized as services are performed or as earned, as applicable.

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

Digital revenues include revenues associated with our digital software products sold to customers and businesses primarily for the preparation of individual or business tax returns, and digital revenues are generally recognized when customers and businesses complete and file returns. Digital revenues are recognized net of an allowance for the portion of the returns filed using our refund payment transfer services (as explained below) that we estimate will not be accepted and funded by IRS.

Packaged tax preparation software revenues are generated from the sale of our downloadable software products and are recognized when legal title transfers, which is when customers download the software.

Ancillary service revenues primarily include fees we charge for refund payment transfer services, audit defense services, and referral and marketing arrangements with third party partners. Refund payment transfer services allow the cost of TaxAct software products to be deducted from a taxpayer's refund instead of being paid at the time of filing. The fees the customer pays for refund payment transfer services and audit defense services are recognized as revenue at the time of filing. Revenue for our referral and marketing arrangements with third party partners is recognized at a point in time or over time based on the nature of the performance obligation under each arrangement.

Certain of our Tax Preparation software packages marketed towards professional tax preparers contain multiple elements, including a software element and an unlimited e-filing capability element. For these software packages that contain multiple elements, we allocate the total consideration of the package to the two elements. We then recognize revenue for the software element upon download or shipment and recognize revenue for the unlimited filing element over time based on an estimated filing timeline. The impact of multiple element arrangements is not material and only impacts the timing of revenue recognition over the tax filing season, which is typically concentrated within the first two quarters of each year.

*Advertising expenses*

Costs for advertising are recorded as expense and classified within "Sales and marketing" on the consolidated statements of comprehensive income when the advertisement appears. Advertising expense totaled $80.0 million, $54.5 million, and $53.3 million for the years ended December 31, 2020, 2019, and 2018, respectively.

*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 expense 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, based upon historical data, and revise those estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

For performance-based stock awards, compensation expense is originally based on the number of shares that would vest if we achieve the level of performance that we estimate is the most probable outcome at the grant date. Throughout the requisite service period, we monitor the probability of achievement of the performance condition and adjust stock-based compensation expense if necessary.

*Income taxes*

We account for income taxes under the asset and liability method, under which deferred tax assets, including net operating loss carryforwards, and deferred tax 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 it is more likely than not a portion will not be realized. We consider many factors when assessing the likelihood of future realization of 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.

We record liabilities to address uncertain tax positions that have been taken in previously filed tax returns or that are expected to be taken in a future tax return. The determination for required liabilities is based upon an analysis of each individual tax position, taking into consideration whether it is more likely than not that the tax position, based on technical merits, will be sustained upon examination. The tax benefit to be recognized in the financial statements from such a position is measured as the largest amount of benefit that has a greater than 50% cumulative likelihood of being realized upon ultimate settlement with the taxing authority. The difference between the amount recognized and the total tax position is recorded as a liability. The ultimate resolution of these tax positions may be greater or less than the liabilities recorded. We recognize interest and penalties related to uncertain tax positions in interest expense and general and administrative expense, respectively.

*Concentration of credit risk*

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

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

Accounts receivable are typically unsecured and are derived from revenues earned from customers primarily located in the United States operating in a variety of geographic areas. We perform ongoing credit evaluations of our customers and maintain allowances for potential credit losses.

*Geographic revenue information*

Almost all of our revenue for 2020, 2019, and 2018 was generated from customers located in the United States.

*Recently adopted accounting pronouncements*

Changes to GAAP are established by the Financial Accounting Standards Board (***"FASB"***) in the form of accounting standards updates (***"ASUs"***) to the FASB's Accounting Standards Codification (***"ASC"***). We consider

the applicability and impact of all recent ASUs and ASCs. ASUs and ASCs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position and results of operations. We are currently considering, or have recently adopted, ASUs and ASCs that impact the following areas:

*Leases.* In February 2016, the FASB issued guidance codified in ASC 842, *Leases* (***"ASC 842"***), which supersedes the guidance in ASC 840, *Leases* (***"ASC 840"***). Under ASC 842, lease assets and liabilities resulting from both operating leases and finance leases (formerly known as "capital leases") are recognized on the balance sheet. Lease liabilities are measured as the present value of unpaid lease payments for operating leases under which we are the lessee, and a corresponding right-of-use (***"ROU"***) asset is recognized for the right to use the leased assets.

ASC 842 became effective on a modified retrospective basis for annual reporting periods, including interim reporting periods within those annual reporting periods, beginning after December 15, 2018. Prior comparable periods are presented in accordance with accounting guidance under ASC 840 and were not restated.

We adopted ASC 842 on January 1, 2019 for all open leases with a term greater than one year as of the adoption date, using the modified retrospective method of adoption with a cumulative effect adjustment to retained earnings. We elected to utilize several practical expedients that were available under ASC 842, including: (1) the practical expedients under which there is no requirement to reassess lease existence, classification, and initial direct costs; (2) the hindsight practical expedient, under which we used hindsight in determining certain lease terms; (3) the short-term lease expedient, under which we did not apply the balance sheet recognition requirements of ASC 842 to leases with a term of twelve months or less; and (4) the lease component practical expedient, under which we made a policy election to account for the nonlease components of a lease together with the related lease components as a single lease component. The adoption of ASC 842 resulted in $6.6 million of additional operating lease assets, $9.1 million of additional operating lease liabilities, and a $1.6 million adjustment to the opening balance of retained earnings as a result of reevaluating certain of our lease terms as of the adoption date. Upon adoption, we also reclassified $0.9 million of other lease-related balances to reduce the measurement of lease assets.

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

Our leases are not complex; therefore, there were no significant assumptions or judgments made in applying the requirements of ASC 842, including the determination of whether our contracts contained a lease and the determination of the discount rates for our leases.

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

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

We adopted ASU 2016-13 effective January 1, 2020. Our financial assets within the scope of ASU 2016-13 primarily consisted of our commissions receivable and accounts receivable. While we have implemented the current

expected credit loss model and assessed the impact of this new model on our in-scope financial assets, the adoption of ASU 2016-13 did not have a material impact on our consolidated financial statements and did not result in a cumulative-effect adjustment to retained earnings as of January 1, 2020.

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

We adopted ASU 2017-04 effective January 1, 2020 and applied this new guidance to the goodwill impairment tests we performed as of March 31, 2020 and November 30, 2020. For more information on these impairment tests, see "Note 5—Goodwill and Other Intangible Assets."

## Note 3: Acquisitions and Disposition

### *HKFS Acquisition*

On July 1, 2020, we closed the HKFS Acquisition for an upfront cash purchase price of $104.4 million, which was paid with a portion of the proceeds from the $175.0 million increase in the Term Loan (as defined in "Note 6—Debt"). The purchase price is subject to customary adjustment and two potential post-closing earn-out payments (the ***"HKFS Contingent Consideration"***) by us.

The amount of the HKFS Contingent Consideration is determined based on advisory asset levels and the achievement of certain performance goals (i) for the period beginning on July 1, 2020 and ending on July 1, 2021 and (ii) for the period beginning on July 1, 2021 and ending on July 1, 2022. Pursuant to the Stock Purchase Agreement, dated as of January 6, 2020, by and among the Company, HKFS, the selling stockholders named therein (the ***"Sellers"***), and JRD Seller Representative, LLC, as the Sellers' representative, as amended, the maximum aggregate amount that we would be required to pay for each earn-out period is $30.0 million, provided that any unearned amounts during the first earn-out period may also be earned during the second earn-out period. If the asset values on the applicable measurement date fall below certain specified thresholds, we would not be required to make any earn-out payment to the Sellers for such period. On the HKFS Acquisition date, the fair value of the HKFS Contingent Consideration was $27.6 million. We recorded the short-term and long-term portions of the HKFS Contingent Consideration in "Accrued expenses and other current liabilities" and "Other long-term liabilities," respectively, on the consolidated balance sheet. Subsequent to the HKFS Acquisition date, the HKFS Contingent Consideration is remeasured to an estimated fair value at each reporting date until the contingency is resolved. As of December 31, 2020, the fair value of the HKFS Contingent Consideration was $35.9 million. Changes in estimated fair value are recognized in "Acquisition and integration" expenses on the consolidated statements of comprehensive income (loss) in the period in which they occur. For additional information on the HKFS Contingent Consideration, see "Note 9—Fair Value Measurements."

The purchase price of the HKFS Acquisition was allocated to HKFS's tangible assets, identifiable intangible assets, and assumed liabilities based on their estimated fair values at the time of the HKFS Acquisition. The preliminary fair value of assets acquired and liabilities assumed in the HKFS Acquisition were as follows (in thousands):

| | Purchase Price Allocation at HKFS Acquisition Date | Purchase Price Allocation Adjustments Since HKFS Acquisition Date | Purchase Price Allocation at December 31, 2020 |
|---|---|---|---|
| Assets acquired: | | | |
| Tangible assets acquired, including cash of $1,980 (1) | 15,517 | — | $ 15,517 |
| Identifiable intangible assets | 62,970 | (5,600) | 57,370 |
| Goodwill | 58,137 | 5,600 | 63,737 |
| Liabilities assumed | (5,134) | — | (5,134) |
| Total assets acquired and liabilities assumed | $ 131,490 | — | $ 131,490 |
| Cash paid at HKFS Acquisition date | | | $ 104,404 |
| Post-closing cash consideration adjustment | | | (514) |
| HKFS Contingent Consideration | | | 27,600 |
| Total purchase price | | | $ 131,490 |

(1) Included in tangible assets acquired were accounts receivable of $7.8 million, which primarily consisted of advisory fees receivable. As an insignificant amount of these receivables was expected to be uncollectible, the acquired amount approximates the fair value of the accounts receivable.

The identifiable intangible assets were as follows (in thousands, except as otherwise indicated):

| | Estimated Fair Value | Useful Life at HKFS Acquisition Date (in months) |
|---|---|---|
| Customer relationships | $ 52,800 | 180 |
| CPA firm relationships | 4,070 | 180 |
| Trade name | 500 | 36 |
| Total identified intangible assets | $ 57,370 | 179 |

The excess of the total consideration over the tangible assets, identifiable intangible assets, and assumed liabilities was recorded as goodwill in the amount of $63.7 million. Goodwill consists largely of the cost, revenue, and marketing synergies expected from incorporating HKFS into our existing Wealth Management business. These synergies include, but are not limited to, increased scale, enhanced capabilities, and an integrated platform. All of the acquired goodwill recognized is deductible for income tax purposes.

The preliminary estimates of the net assets acquired were based upon preliminary calculations and valuations, with these calculations and valuations being subject to change as we obtained additional information for such estimates during the measurement period. For the period from the date of the HKFS Acquisition to December 31, 2020, we adjusted the preliminary fair value estimate for our customer relationship intangible asset, resulting in a $5.6 million decrease to the customer relationship intangible asset, offset by a corresponding $5.6 million increase to goodwill. This adjustment and the corresponding impact to amortization expense had an immaterial impact on our operating results. As of December 31, 2020, the purchase price allocation for the HKFS Acquisition was considered final.

We have incurred inception-to-date transaction costs related to the HKFS Acquisition of $10.8 million, of which $7.7 million and $3.1 million were recognized for the years ended December 31, 2020 and December 31, 2019, respectively. These costs were recognized as "Acquisition and integration" expense on the consolidated statements of comprehensive income (loss).

The operations of HKFS are included in operating results as part of the Wealth Management segment from the date of the HKFS Acquisition. From the date of the HKFS Acquisition, HKFS contributed $19.6 million of revenue and $4.5 million of income before income taxes to our consolidated results for the year ended December 31, 2020.

*Pro forma financial information of the HKFS Acquisition*

The financial information in the table below summarizes the combined results of operations of Blucora and HKFS, on a pro forma basis, for the years ended December 31, 2020 and 2019. The pro forma results are presented as if the HKFS Acquisition had occurred on January 1, 2019 and include adjustments for amortization expense on the definite-lived intangible assets identified in the HKFS Acquisition, debt-related expenses associated with the Term Loan increase used to finance the HKFS Acquisition, acquisition and integration costs related to the HKFS Acquisition, the removal of historic interest expense for debt issuances of HKFS that were not assumed in the HKFS Acquisition, and the reduction of historic cost of revenue associated with fee-sharing arrangements that did not continue after the HKFS Acquisition. In addition, income taxes were also adjusted for the pro forma results of the combined entity. The historical results of operations for 1st Global are included in the table below as of the date of the 1st Global Acquisition.

The following pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the HKFS Acquisition occurred on January 1, 2019 (amounts in thousands):

| | Years Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Revenue | $ 771,092 | $ 751,054 |
| Net income | (321,635) | 27,726 |

*1st Global Acquisition*

On May 6, 2019, we closed the 1st Global Acquisition. The purchase price was paid with a combination of (i) cash on hand and (ii) the proceeds from a $125.0 million increase in our Term Loan.

The purchase price was allocated to 1st Global's tangible assets, identifiable intangible assets, and assumed liabilities based on their estimated fair values at the time of the 1st Global Acquisition.

The fair values of assets acquired and liabilities assumed in the 1st Global Acquisition were as follows (in thousands):

| | Purchase Price Allocation at December 31, 2019 | Purchase Price Allocation Adjustments Since December 31, 2019 | Final Purchase Price Allocation |
|---|---|---|---|
| Assets acquired: | | | |
| Tangible assets acquired including cash of $12,389 (1) | $ 38,413 | $ — | $ 38,413 |
| Goodwill | 117,792 | (666) | 117,126 |
| Identifiable intangible assets | 83,980 | — | 83,980 |
| Liabilities assumed: | | | |
| Contingent liability | (11,052) | — | (11,052) |
| Deferred revenues | (17,715) | — | (17,715) |
| Other current liabilities | (12,956) | 281 | (12,675) |
| Deferred tax liabilities, net | (18,462) | 385 | (18,077) |
| Total assets acquired and liabilities assumed | $ 180,000 | $ — | $ 180,000 |
| Cash paid at the 1st Global Acquisition date | | | $ 176,850 |
| Cash paid after the 1st Global Acquisition date (2) | | | 3,150 |
| Total purchase price | | | $ 180,000 |

(1) Included in tangible assets acquired were accounts receivable (including commissions receivable) of $6.7 million. As an insignificant amount of these receivables was expected to be uncollectible, the acquired amount approximates the fair value of the accounts receivable.
(2) The Company retained $3.2 million of the purchase price of the 1st Global Acquisition, of which $2.1 million was paid to employees of 1st Global in 2019, with the remainder paid to 1st Global or former employees of 1st Global in 2020.

The identifiable intangible assets were as follows (in thousands, except as otherwise indicated):

| | Estimated Fair Value | Useful Life at 1st Global Acquisition Date (in months) |
|---|---|---|
| Financial professional relationships | $ 78,400 | 204 |
| Developed technology | 2,980 | 36 |
| Trade name | 1,000 | 36 |
| Training materials | 900 | 36 |
| Sponsor relationships | 700 | 144 |
| Balance as of December 31, 2019 | $ 83,980 | |

The excess of the total consideration over the tangible assets, identifiable intangible assets, and assumed liabilities was recorded as goodwill. Goodwill consists largely of synergistic opportunities for our Wealth Management business, including increased scale, enhanced capabilities, and an integrated platform of brokerage, investment advisory, and insurance services. Goodwill is not deductible for income tax purposes and is reported in our Wealth Management segment.

Subsequent to December 31, 2019, we adjusted the fair values of goodwill, other current liabilities, and deferred tax liabilities, net, due to the pre-acquisition 1st Global tax returns that were filed in the first quarter of 2020. As more than one year has elapsed since the 1st Global Acquisition date, the measurement period for the 1st Global Acquisition has ended, and the purchase price allocation was considered final as of June 30, 2020.

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

For the year ended December 31, 2019, we incurred transaction costs of $6.5 million associated with the 1st Global Acquisition, which were recognized as "Acquisition and integration" expenses on the consolidated statement of comprehensive income (loss).

The operations of 1st Global are included in our operating results as part of the Wealth Management segment from the date of the 1st Global Acquisition. From the date of the 1st Global Acquisition, 1st Global contributed approximately $114.8 million of revenue and $0.3 million of income before income taxes to our consolidated results for the year ended December 31, 2019.

*Pro forma financial information of the 1st Global Acquisition*

The financial information in the table below summarizes the combined results of operations of Blucora and 1st Global, on a pro forma basis, for the years ended December 31, 2019 and 2018. The pro forma results are presented as if the 1st Global Acquisition had occurred on January 1, 2018 and include adjustments for amortization expense on the definite-lived intangible assets identified in the 1st Global Acquisition, debt-related expenses associated with the Term Loan increase used to finance the 1st Global Acquisition, and for the removal of acquisition-related transaction costs. Income taxes also have been adjusted for the effect of these items. The historical results of operations for HKFS are not included in the table below.

The following pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the 1st Global Acquisition occurred at the beginning of the period presented (amounts in thousands):

| | Years Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Revenue | $ 777,245 | $ 734,489 |
| Net income | 36,205 | 41,319 |

*Acquisition and integration expenses*

Acquisition and integration expenses primarily relate to transaction and integration costs for the 1st Global Acquisition and HKFS Acquisition and consist of employee-related expenses, professional services fees, and other expenses. These costs were recognized as "Acquisition and integration" expense on the consolidated statements of comprehensive income (loss). Acquisition and integration expenses were as follows (in thousands):

| | Years Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Employee-related expenses | $ 1,615 | $ 5,241 |
| Professional services | 13,602 | 17,752 |
| Change in fair value of HKFS Contingent Consideration (1) | 8,300 | — |
| Other expenses (2) | 7,568 | 2,770 |
| Total acquisition and integration expenses | $ 31,085 | $ 25,763 |

(1) For additional information, see "Note 9—Fair Value Measurements."
(2) For the year ended December 31, 2020, we recognized a $4.1 million impairment expense related to our former headquarters building lease (acquired in the 1st Global Acquisition). For additional information, see "Note 7—Leases."

For the year ended December 31, 2020, acquisition and integration expenses included $19.7 million related to the HKFS Acquisition and $11.4 million related to the 1st Global Acquisition. For the year ended December 31, 2019, acquisition and integration expense included $22.7 million related to the 1st Global Acquisition and $3.1 million related to the HKFS Acquisition.

*Disposition of SimpleTax*

On September 4, 2019, we completed the disposition of all of the issued and outstanding stock of SimpleTax Software Inc. (***"SimpleTax"***), which was a provider of digital tax preparation services in Canada, for proceeds of $9.6 million. This amount was received in the third quarter of 2019 and is included in "Proceeds from sale of a business, net of cash" on the consolidated statement of cash flows for the year ended December 31, 2019. We also recognized a gain on the sale of $3.3 million, which is included in "Other loss, net" on the consolidated statement of comprehensive income (loss) for the year ended December 31, 2019.

The sale of SimpleTax did not meet the requisite criteria to constitute discontinued operations, as the historical results of SimpleTax were not material to our consolidated results of operations. Prior to its sale, the operations of SimpleTax were included in our operating results as part of the Tax Preparation segment.

## Note 4: Segment Information and Revenues

We have two reportable segments: (1) the Wealth Management segment and (2) the Tax Preparation segment. Our Chief Executive Officer is the chief operating decision maker and reviews financial information presented on a disaggregated basis. This information is used for purposes of allocating resources and evaluating financial performance.

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

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

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Revenue: | | | |
| Wealth Management | $ 546,189 | $ 507,979 | $ 373,174 |
| Tax Preparation | 208,763 | 209,966 | 187,282 |
| Total revenue | 754,952 | 717,945 | 560,456 |
| Operating income (loss): | | | |
| Wealth Management | 72,195 | 68,292 | 53,053 |
| Tax Preparation | 49,621 | 96,249 | 87,249 |
| Corporate-level activity | (390,936) | (164,532) | (72,625) |
| Total operating income (loss) | (269,120) | 9 | 67,677 |
| Other loss, net | (31,304) | (16,915) | (15,797) |
| Income tax benefit (expense) | (42,331) | 65,054 | (311) |
| Net income (loss) | $ (342,755) | $ 48,148 | $ 51,569 |

*Wealth Management revenue recognition*

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

Revenues by major category within the Wealth Management segment and the timing of Wealth Management revenue recognition was as follows (in thousands):

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| *Recognized upon transaction:* | | | |
| Advisory revenue | $ — | $ — | $ — |
| Commission revenue | 74,788 | 82,604 | 67,351 |
| Asset-based revenue | — | — | — |
| Transaction and fee revenue | 6,494 | 3,457 | 3,211 |
| Total Wealth Management revenue recognized upon transaction | $ 81,282 | $ 86,061 | $ 70,562 |
| *Recognized over time:* | | | |
| Advisory revenue | $ 314,751 | $ 252,367 | $ 164,353 |
| Commission revenue | 110,413 | 108,446 | 96,850 |
| Asset-based revenue | 23,688 | 48,182 | 31,456 |
| Transaction and fee revenue | 16,055 | 12,923 | 9,953 |
| Total Wealth Management revenue recognized over time | $ 464,907 | $ 421,918 | $ 302,612 |
| *Total Wealth Management revenue:* | | | |
| Advisory revenue | $ 314,751 | $ 252,367 | $ 164,353 |
| Commission revenue | 185,201 | 191,050 | 164,201 |
| Asset-based revenue | 23,688 | 48,182 | 31,456 |
| Transaction and fee revenue | 22,549 | 16,380 | 13,164 |
| Total Wealth Management revenue | $ 546,189 | $ 507,979 | $ 373,174 |

*Tax Preparation revenue recognition*

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

Revenues by major category within the Tax Preparation segment and the timing of Tax Preparation revenue recognition was as follows (in thousands):

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| *Recognized upon transaction:* | | | |
| Consumer | $ 192,223 | $ 192,438 | $ 172,207 |
| Professional | 14,031 | 12,616 | 12,604 |
| Total Tax Preparation revenue recognized upon transaction | $ 206,254 | $ 205,054 | $ 184,811 |
| *Recognized over time:* | | | |
| Consumer | $ 3 | $ 2,566 | $ — |
| Professional | 2,506 | 2,346 | 2,471 |
| Total Tax Preparation revenue recognized over time | $ 2,509 | $ 4,912 | $ 2,471 |
| *Total Tax Preparation revenue:* | | | |
| Consumer | $ 192,226 | $ 195,004 | $ 172,207 |
| Professional | 16,537 | 14,962 | 15,075 |
| Total Tax Preparation revenue | $ 208,763 | $ 209,966 | $ 187,282 |

## Note 5: Goodwill and Other Intangible Assets

### *Goodwill*

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

| | Wealth Management | Tax Preparation | Total |
|---|---|---|---|
| Balance as of December 31, 2018 | $ 356,041 | $ 192,644 | $ 548,685 |
| Acquired (1) | 117,792 | — | 117,792 |
| Disposed (1) | — | (4,102) | (4,102) |
| Balance as of December 31, 2019 | 473,833 | 188,542 | 662,375 |
| Acquired (2) | 63,737 | — | 63,737 |
| Purchase accounting adjustments (3) | (666) | — | (666) |
| Impairment | (270,625) | — | (270,625) |
| Balance as of December 31, 2020 | $ 266,279 | $ 188,542 | $ 454,821 |
| | | | |
| *Balance as of December 31, 2020* | | | |
| Gross goodwill | $ 536,904 | $ 188,542 | $ 725,446 |
| Accumulated impairment | (270,625) | — | (270,625) |
| Goodwill, net of accumulated impairment | $ 266,279 | $ 188,542 | $ 454,821 |

(1) For the year ended December 31, 2019, goodwill acquired resulted from the 1st Global Acquisition, and goodwill disposed resulted from the disposition of SimpleTax.
(2) For the year ended December 31, 2020, goodwill acquired resulted from the HKFS Acquisition.
(3) For the year ended December 31, 2020, the goodwill purchase accounting adjustment related to the 1st Global Acquisition.

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

Beginning in March 2020, the COVID-19 pandemic had a significant negative impact on the U.S. and global economy and caused substantial disruption in the U.S. and global securities markets, and as a result, negatively impacted certain key Wealth Management business drivers, such as client asset levels and interest rates. These macroeconomic and Company-specific factors, in totality, served as a triggering event that resulted in the testing of the goodwill of the Wealth Management reporting unit and the Tax Preparation reporting unit for potential impairment.

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

For the Wealth Management reporting unit, the carrying value of the reporting unit exceeded its fair value by $270.6 million . Therefore, we recorded an impairment of goodwill of $270.6 million in the first quarter of 2020. For the Tax Preparation reporting unit, the carrying value of the reporting unit was significantly below its fair value, and therefore, no impairment of goodwill was deemed necessary.

No goodwill impairment triggering events were identified for the remainder of the year ended December 31, 2020. In addition, we performed our annual goodwill impairment evaluation as of November 30, 2020 and concluded that there were no indicators of impairment. The Wealth Management reporting unit is considered to be at risk for a future impairment of its goodwill in the event of a further decline in general economic, market, or business conditions, or any significant unfavorable changes in our forecasted revenue, expenses, cash flows, weighted average cost of capital, and/or market valuation multiples. We will continue to monitor for events and circumstances that could negatively impact the key assumptions in determining the fair value of the Wealth Management reporting unit.

*Intangible Assets*

Intangible assets other than goodwill consisted of the following (in thousands):

| | | December 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|---|
| | Weighted Average Amortization Period (months) | Gross carrying amount | Accumulated amortization | Net | Gross carrying amount | Accumulated amortization | Net |
| Definite-lived intangible assets: | | | | | | | |
| Financial professional relationships | 181 | $ 318,700 | $ (92,436) | $ 226,264 | $ 318,700 | $ (71,066) | $ 247,634 |
| Sponsor relationships | 155 | 17,200 | (4,680) | 12,520 | 17,200 | (3,705) | 13,495 |
| Technology | 13 | 16,470 | (14,026) | 2,444 | 46,952 | (41,335) | 5,617 |
| Trade names | 22 | 3,100 | (1,346) | 1,754 | 2,600 | (396) | 2,204 |
| Customer relationships | 174 | 57,143 | (1,784) | 55,359 | 101,575 | (100,518) | 1,057 |
| CPA firm relationships | 174 | 4,070 | (136) | 3,934 | — | — | — |
| Curriculum | 17 | 900 | (496) | 404 | 1,700 | (996) | 704 |
| Total definite-lived intangible assets | | 417,583 | (114,904) | 302,679 | 488,727 | (218,016) | 270,711 |
| Indefinite-lived intangible assets: | | | | | | | |
| Trade name | | 19,500 | — | 19,500 | 19,500 | — | 19,500 |
| Total intangible assets | | $ 437,083 | $ (114,904) | $ 322,179 | $ 508,227 | $ (218,016) | $ 290,211 |

Amortization expense was as follows (in thousands):

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Statement of comprehensive income line item: | | | |
| Cost of revenue | $ — | $ — | $ 99 |
| Amortization of other acquired intangible assets | 29,745 | 37,357 | 33,487 |
| Total amortization expense | $ 29,745 | $ 37,357 | $ 33,586 |

Expected amortization of definite-lived intangible assets held as of December 31, 2020 was as follows (in thousands):

| | |
|---|---|
| 2021 | $ 28,185 |
| 2022 | 24,980 |
| 2023 | 23,666 |
| 2024 | 23,106 |
| 2025 | 22,427 |
| Thereafter | 180,315 |
| Total | $ 302,679 |

*Intangible asset impairment*

In September 2019, we announced a rebranding of our Wealth Management business to Avantax Wealth Management (the ***"2019 Rebranding"***). In connection with the 2019 Rebranding, HD Vest (which comprised all of the Wealth Management business prior to the 1st Global Acquisition) was renamed Avantax Wealth Management in September 2019, and 1st Global converted in late October 2019. As a result, the Company evaluated the HD Vest trade name indefinite-lived asset by performing a quantitative impairment test of that intangible asset. This test compared the carrying value of the HD Vest trade name asset to its fair value. We utilized Level 3 fair value

measurements in estimating fair value using the present value of future discounted cash flows, an income approach. The significant estimates used in the discounted cash flow model include the weighted-average cost of capital and long-term rates of revenue growth. The weighted-average cost of capital considered the relevant risk associated with business-specific characteristics and the uncertainty related to the ability to achieve the projected cash flows. These estimates and the resulting valuations required significant judgment.

The carrying value of our indefinite-lived intangible asset related to the trade names within our Wealth Management business prior to the 2019 Rebranding was $52.5 million. The quantitative impairment test determined that the carrying value of the HD Vest trade name exceeded its fair value. As a result, we recognized an impairment charge of $50.9 million on the "Impairment of goodwill and an intangible asset" line on the consolidated statement of comprehensive income (loss) for the year ended December 31, 2019. For segment purposes, the impairment of intangible asset is in "Corporate-level activity." Following the impairment, the remaining useful life of the HD Vest trade name asset was estimated to be three years.

## Note 6: Debt

Our debt consisted of the following (in thousands):

| | December 31, 2020 | | | | December 31, 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Unamortized | | | | Unamortized | | |
| | Principal amount | Discount | Debt issuance costs | Net carrying value | Principal amount | Discount | Debt issuance costs | Net carrying value |
| Senior secured credit facility | $ 563,156 | $ (4,173) | $ (4,646) | $ 554,337 | $ 399,687 | $ (1,366) | $ (5,608) | $ 392,713 |
| Less: Current portion of long-term debt, net | | | | (1,784) | | | | (11,228) |
| Long-term debt, net | | | | $ 552,553 | | | | $ 381,485 |

In May 2017, we entered into a credit agreement (as the same has been amended, the ***"Credit Agreement"***) with a syndicate of lenders that provides for a term loan facility (the ***"Term Loan"***) and a revolving line of credit (including a letter of credit sub-facility) (the ***"Revolver"***) for working capital, capital expenditures, and general business purposes (as amended, the **"*Senior Secured Credit Facility*"**).

*Credit Agreement Amendments No. 1 and No. 2*

In November 2017, we amended the Credit Agreement in order to refinance and reprice the initial Term Loan. In May 2019, we amended the Credit Agreement to, among other things, increase the outstanding principal amount of the Term Loan by $125.0 million to finance the 1st Global Acquisition.

*Credit Agreement Amendment No. 3*

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

1.00 for the fiscal quarter ended June 30, 2020 and (ii) 3.75 to 1.00 for the fiscal quarters ending September 30, 2020 and December 31, 2020.

*Credit Agreement Amendment No. 4*

On July 1, 2020, the Company entered into Amendment No. 4 to the Credit Agreement (***"Credit Agreement Amendment No. 4"***) in connection with the closing of the HKFS Acquisition. Pursuant to Credit Agreement Amendment No. 4, the Credit Agreement was amended to, among other things, (i) increase the Term Loan by an aggregate principal amount of $175.0 million and (ii) increase the applicable margin under the Term Loan to 4.00% for Eurodollar Rate Loans (as defined in the Credit Agreement) and 3.00% for ABR Loans (as defined in the Credit Agreement). As of December 31, 2020, the applicable interest rate on the Term Loan was 5.00%.

Approximately $104.4 million of the proceeds from the increase to the Term Loan were used to fund the purchase price of the HKFS Acquisition, as well as to pay related fees and expenses. We intend to use the remainder of the proceeds from the increase to the Term Loan for additional working capital. The increase in the Term Loan resulted in non-capitalizable debt issuance costs of $3.7 million that were recognized as expense in "Other loss, net" on the consolidated statement of comprehensive income (loss) for the year ended December 31, 2020.

The Company is required to make mandatory annual prepayments on the Term Loan in certain circumstances, including in the event that the Company generates Excess Cash Flow (as defined in the Credit Agreement) in a given fiscal year. The Credit Agreement permits the Company to voluntarily prepay the Term Loan without premium or penalty. The Company is required to make principal amortization payments on the Term Loan quarterly on the last business day of each March, June, September and December, beginning on September 30, 2020, in an amount equal to $0.5 million (subject to reduction for prepayments), with the remaining principal amount of the Term Loan due on the maturity date of May 22, 2024.

The future principal payments on the Term Loan as of December 31, 2020 are as follows (in thousands):

| | | |
|---|---|---|
| 2021 | $ | 1,812 |
| 2022 | | 1,812 |
| 2023 | | 1,812 |
| 2024 | | 557,720 |
| Total future principal payments on the Term Loan | $ | 563,156 |

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

As of December 31, 2020, the Senior Secured Credit Facility provided up to $740.0 million of borrowings and consisted of a committed $65.0 million under the Revolver and a $675.0 million Term Loan that mature on May 22, 2022 and May 22, 2024, respectively. Obligations under the Senior Secured Credit Facility are guaranteed by certain of the Company's subsidiaries and secured by substantially all the assets of the Company and certain of its subsidiaries (including certain subsidiaries acquired in the HKFS Acquisition and certain other material subsidiaries). The Senior Secured Credit Facility includes financial and operating covenants (including a Consolidated Total Net Leverage Ratio), which are set forth in detail in the Credit Agreement.

As of December 31, 2020, we had $563.2 million in principal amount outstanding under the Term Loan and no amounts outstanding under the Revolver. Based on aggregate loan commitments as of December 31, 2020, approximately $65.0 million was available for future borrowing under the Senior Secured Credit Facility, subject to customary terms and conditions.

## Note 7: Leases

Our leases are primarily related to office space and are classified as operating leases. For the years ended December 31, 2020 and December 31, 2019, operating lease expense, net of sublease income, was recognized in "General and administrative" expense (for net lease expense related to leases used in our operations) and "Acquisition and integration" expense (for net lease expense related to the unoccupied lease resulting from the 1st Global Acquisition) on the consolidated statements of comprehensive income (loss). For the year ended December 31, 2018, we recognized rent expense of $4.7 million that was recognized in "General and administrative" expense on the consolidated statements of comprehensive income (loss).

Lease expense, cash paid on operating lease liabilities, and lease liabilities obtained from new ROU assets for the years ended December 31, 2020 and December 31, 2019 were as follows (in thousands):

| | Years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Fixed lease expense | $ 6,762 | $ 5,224 |
| Variable lease expense | 893 | 1,315 |
| Lease expense, before sublease income | 7,655 | 6,539 |
| Sublease income | (1,235) | (1,287) |
| Total lease expense, net of sublease income | $ 6,420 | $ 5,252 |
| *Additional lease information:* | | |
| Cash paid on operating lease liabilities | $ 3,818 | $ 7,339 |
| Lease liabilities obtained from new right-of-use assets | $ 21,766 | $ 15,829 |

As of December 31, 2020, our weighted-average remaining operating lease term was approximately 11 years, and our weighted-average operating lease discount rate was 5.4%.

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

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Lease liabilities—current | $ 2,304 | $ 3,223 |
| Lease liabilities—long-term | 36,404 | 5,865 |
| Total operating lease liabilities | $ 38,708 | $ 9,088 |

The maturities of our operating lease liabilities as of December 31, 2020 are as follows (in thousands):

| | |
|---|---|
| Undiscounted cash flows: | |
| 2021 | $ 2,667 |
| 2022 | 5,056 |
| 2023 | 5,138 |
| 2024 | 5,077 |
| 2025 | 5,013 |
| Thereafter | 30,324 |
| Total undiscounted cash flows | $ 53,275 |
| Imputed interest | (14,567) |
| Present value of cash flows | $ 38,708 |

Lease liabilities obtained from new ROU assets were $21.8 million and $15.8 million for the years ended December 31, 2020 and December 31, 2019, respectively. In 2019, we signed a new corporate headquarters lease, which commenced in January 2020 and, therefore, an ROU asset of $20.7 million and a lease liability of $20.4 million was reflected on the consolidated financial statements beginning in January 2020. The new

headquarters lease is classified as an operating lease, and the term of the lease extends to June 2033. Lease payments begin in August 2021 and will result in $45.2 million in undiscounted fixed lease payments, which are partially offset by a $9.7 million tenant improvement allowance. Under the new lease, we will also make variable payments for operating expenses and utilities.

As part of the HKFS Acquisition, we acquired various operating leases, for which we recognized an ROU asset of $1.5 million and a lease liability of $1.4 million as of the HKFS Acquisition date. The acquired leases primarily relate to office spaces and have remaining lease terms ranging from one year to four years.

In addition, in July 2020, we began subleasing a portion of our former office building (acquired in the 1st Global Acquisition) located in Dallas, TX. As the terms of the sublease were at rental rates below those of the original building lease, we tested the related asset group (which consisted of the ROU asset and leasehold improvements) for impairment by comparing the estimated fair value of the asset group to its carrying value. Estimated fair value was calculated using a discounted cash flow analysis that utilized Level 3 inputs, which included forecasted cash flows and a discount rate derived from market data. As the carrying value of the asset group exceeded its estimated fair value, we determined the asset group to be impaired. As a result, we recognized impairment expense of $4.1 million, which was included in “Acquisition and integration” expense on the consolidated statement of comprehensive income (loss) for the year ended December 31, 2020.

## Note 8: Balance Sheet Components

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

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Prepaid expenses | $ 9,643 | $ 11,787 |
| Other current assets | 678 | 562 |
| Total prepaid expenses and other current assets, net | $ 10,321 | $ 12,349 |

Property and equipment, net, consisted of the following (in thousands):

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Internally developed software | $ 22,983 | $ 13,046 |
| Computer equipment and data center | 7,807 | 6,998 |
| Purchased software | 7,300 | 5,404 |
| Leasehold improvements and other | 17,647 | 4,624 |
| Airplane | 3,770 | — |
| Office furniture | 6,116 | 1,221 |
| Office equipment | 2,536 | 1,314 |
| | 68,159 | 32,607 |
| Accumulated depreciation | (23,712) | (19,172) |
| | 44,447 | 13,435 |
| Capital projects in progress | 14,053 | 5,271 |
| Total property and equipment, net | $ 58,500 | $ 18,706 |

Total depreciation expense was $10.2 million, $6.9 million, and $5.0 million for the years ended December 31, 2020, 2019, and 2018, respectively.

The net book value of internally-developed software was $26.6 million and $12.8 million at December 31, 2020 and 2019, respectively. We recorded depreciation expense for internally-developed software of $5.4 million, $3.2 million, and $1.5 million for the years ended December 31, 2020, 2019, and 2018, respectively.

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

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Salaries and related expenses | $ 19,317 | $ 15,053 |
| Contingent liability from 1st Global Acquisition | 11,328 | 11,052 |
| Retained purchase price from 1st Global Acquisition | — | 1,050 |
| Accrued vendor and advertising costs | 2,606 | 4,351 |
| HKFS Contingent Consideration liability (1) | 17,900 | — |
| Other | 5,268 | 4,638 |
| Total accrued expenses and other current liabilities | $ 56,419 | $ 36,144 |

(1) Represents the short-term portion of the HKFS Contingent Consideration liability. The long-term portion of the HKFS Contingent Consideration liability was classified in “Other long-term liabilities” on the consolidated balance sheet.

In 2018, we received $9.3 million of incentives from our new clearing firm provider. These incentives are reported in current and long-term deferred revenue on the consolidated balance sheets. As these incentives are amortized, the amortized amount reduces operating expenses. As of December 31, 2020, $0.9 million and $6.2 million were reported in current and long-term deferred revenue, respectively.

## Note 9: Fair Value Measurements

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

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

*Assets and liabilities measured on a recurring basis*

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

| | | Fair value measurements at the reporting date using | | |
|---|---|---|---|---|
| | December 31, 2020 | Quoted prices in active markets using identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Cash equivalents: money market and other funds | $ 4,290 | $ 4,290 | $ — | $ — |
| Total assets at fair value | $ 4,290 | $ 4,290 | $ — | $ — |
| | | | | |
| HKFS Contingent Consideration | $ 35,900 | $ — | $ — | $ 35,900 |
| Total liabilities at fair value | $ 35,900 | $ — | $ — | $ 35,900 |

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

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

The HKFS Contingent Consideration liability relates to the potential earn-out payments resulting from the HKFS Acquisition (see "Note 3—Acquisitions and Disposition"). As of December 31, 2020, the fair value of the HKFS Contingent Consideration was $35.9 million. The estimated fair value of HKFS Contingent Consideration was determined using a Monte Carlo simulation model in a risk neutral framework with the underlying simulated variable of advisory asset levels and the related achievement of certain advisory asset growth levels. The Monte Carlo simulation model utilized Level 3 inputs, which included forecasted advisory asset levels at July 1, 2021 and July 1, 2022, a risk-adjusted discount rate (which reflects the risk in the advisory asset projection) of 12.8%, volatility of 34.9%, and a credit spread of 2.7%. Significant increases to the discount rate, volatility, or credit spread inputs would have resulted in a significantly lower fair value measurement, with a similar inverse relationship existing for significant decreases to these inputs. A significant increase to the forecasted advisory asset levels would have resulted in a significantly higher fair value measurement, while a significant decrease to the forecasted advisory asset levels would have resulted in a significantly lower fair value measurement.

A reconciliation of the HKFS Contingent Consideration liability is as follows (in thousands):

| | HKFS Contingent Consideration Liability |
|---|---|
| Balance as of December 31, 2019 | $ — |
| Recognized at HKFS Acquisition | 27,600 |
| Valuation loss included in net income (loss) (1) | 8,300 |
| Balance as of December 31, 2020 | $ 35,900 |

(1) Recognized in "Acquisition and integration" expense on the consolidated statement of comprehensive income (loss) for the year ended December 31, 2020.

*Fair value of financial instruments*

We consider the carrying values of accounts receivable, commissions receivable, other receivables, prepaid expenses, other current assets, accounts payable, commissions and advisory fees payable, accrued expenses, and other current liabilities to approximate fair values primarily due to their short-term natures.

As of December 31, 2020, the Term Loan's principal amount was $563.2 million, and the fair value of the Term Loan's principal amount was $561.7 million. The fair value of the Term Loan's principal amount was based on Level 2 inputs from a third-party market quotation. As of December 31, 2019, the Term Loan's principal amount approximated its fair value as the Term Loan is a variable rate instrument, and its applicable margin at that date approximated market conditions.

As of December 31, 2019, the Revolver's principal amount outstanding approximated its fair value as the Revolver is a variable rate instrument and its applicable margin approximated market conditions. As of December 31, 2020, we had no amounts outstanding under the Revolver.

## Note 10: Commitments and Contingencies

*Purchase commitments*

Our purchase commitments primarily consist of outsourced IT and marketing services, commitments to our portfolio management tool vendor, commitments to our clearing firm provider, and commitments for financial professional support programs. As of December 31, 2020, our purchase commitments for the next five years and thereafter are as are as follows (in thousands):

| | | |
|---|---|---|
| 2021 | $ | 16,072 |
| 2022 | | 8,930 |
| 2023 | | 7,629 |
| 2024 | | 5,546 |
| 2025 | | 4,671 |
| Thereafter | | 7,969 |
| Total purchase commitments | $ | 50,817 |

*Litigation*

From time to time, we are subject to various legal proceedings or claims that arise in the ordinary course of business. We accrue a liability when management believes that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Although we believe that resolving such claims, individually or in aggregate, will not have a material adverse impact on its financial statements, these matters are subject to inherent uncertainties. Aside from the contingent liability related to the 1st Global Acquisition that is described in "Note 3—Acquisitions and Disposition," we are not currently party to any such matters for which we have incurred a material liability on our consolidated balance sheets.

We have entered into indemnification agreements in the ordinary course of business with our officers and directors. Pursuant to these agreements, we may be obligated to advance payment of legal fees and costs incurred by the defendants pursuant to our obligations under these indemnification agreements and applicable Delaware law.

## Note 11: Stockholders' Equity

*Stock Repurchase Plan*

On March 19, 2019, we announced that our board of directors authorized a stock repurchase plan pursuant to which we may repurchase up to $100.0 million of our common stock. Pursuant to the plan, share repurchases may be made through a variety of methods, including open market or privately negotiated transactions. The timing and number of shares repurchased depends on a variety of factors, including price, general business and market conditions, and alternative investment opportunities. For the year ended December 31, 2019, we repurchased 1.3 million shares of our common stock for an aggregate purchase price of $28.4 million. There were no stock repurchases for the year ended December 31, 2020 or the year ended December 31, 2018.

*Accumulated other comprehensive loss*

The following table provides information about activity in accumulated other comprehensive loss (in thousands):

| | Foreign currency translation adjustment | Total |
|---|---|---|
| Balance as of December 31, 2017 | $ (4) | $ (4) |
| Other comprehensive loss | (442) | (442) |
| Balance as of December 31, 2018 | (446) | (446) |
| Other comprehensive income | 174 | 174 |
| Balance as of December 31, 2019 | (272) | (272) |
| Other comprehensive income | 272 | 272 |
| Balance as of December 31, 2020 | $ — | $ — |

*Redeemable noncontrolling interests*

Noncontrolling interests that are redeemable at the option of the holder and not solely within the control of the issuer are classified outside of stockholders' equity. In connection with the acquisition of HD Vest in 2015, the former management of HD Vest retained an ownership interest in that business. We were party to put and call arrangements that became exercisable beginning in the first quarter of 2019 with respect to those interests. These put and call arrangements allowed certain former members of HD Vest management to require us to purchase their interests or allow us to acquire such interests for cash, respectively, within ninety days after we filed our Annual Report on Form 10-K for the year ended December 31, 2018, which occurred on March 1, 2019.

The redemption value of the arrangements was based upon several factors, including, among others, our implied enterprise value, our implied equity value and certain of our financial performance measures. To the extent that the redemption value of these interests exceeded the value determined by adjusting the carrying value for the subsidiary's attribution of net income (loss), the value of such interests was adjusted to the redemption value with a corresponding adjustment to additional paid-in capital; this occurred in the third quarter of 2018, and we recorded an adjustment of $6.0 million for the year ended December 31, 2018. The redemption amount of noncontrolling interests was $24.9 million as of December 31, 2018. In the second quarter of 2019, all of these arrangements were settled in cash for $24.9 million.

## Note 12: Stock-based Compensation

*Employee Stock Purchase Plan*

The 2016 Employee Stock Purchase Plan ***("ESPP")*** permits eligible employees to contribute up to 15% of their base earnings toward the twice-yearly purchase of our 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 2.7 million shares of common stock are authorized for issuance under the ESPP. Of this amount, 0.8 million shares were available for issuance as of December 31, 2020. We issue new shares upon purchase through the ESPP.

*Stock Incentive Plan*

We may grant incentive or non-qualified stock options, stock, restricted stock, time-based and performance-based restricted stock units (collectively, **"*RSUs*"**), stock appreciation rights, and performance shares or performance units to employees, non-employee directors, and financial professionals.

In 2018, our stockholders approved the Blucora, Inc. 2018 Long-term Incentive Plan (the ***"2018 Plan"***), which replaced the Blucora, Inc. 2015 Incentive Plan (as amended and restated). Upon approval of the 2018 Plan, we have granted all RSUs and options under the 2018 Plan, except for inducement awards made under the Blucora, Inc. 2016 Equity Inducement Plan.

Stock options and RSUs generally vest over a period of one-to-three years, with the majority of awards vesting over three years. For stock options and time-based RSUs, one-third of the award vests one year after the date of grant, with the remainder of the award vesting ratably thereafter on an annual basis. For performance-based RSUs, these awards typically cliff vest following a three-year performance period based on the achievement of company-

stated performance goals or market-based conditions. In addition, stock options expire seven years from the date of grant. There are a few exceptions to this vesting schedule, which provide for vesting at different rates.

We issue new shares upon the exercise of stock options and upon the vesting of RSUs. If a stock option or RSU is surrendered or otherwise unused, the related shares will continue to be available for issuance under the 2018 Plan.

A summary of stock options and RSUs at December 31, 2020 is as follows:

| | |
|---|---|
| Number of shares authorized for awards | 12,277,883 |
| Options and RSUs outstanding | 2,865,692 |
| Options and RSUs expected to vest | 2,510,231 |
| Options and RSUs available for grant | 6,548,963 |

For the year ended December 31, 2020, the following activity occurred under our stock incentive plans:

| | Number of Options | Weighted average exercise price | Intrinsic value (in thousands) | Weighted average remaining contractual term (in years) |
|---|---|---|---|---|
| *Stock options:* | | | | |
| Outstanding at December 31, 2019 | 1,614,307 | $ 19.16 | | |
| Granted | 803,210 | $ 17.21 | | |
| Forfeited (1) | (382,866) | $ 25.49 | | |
| Expired | (657,898) | $ 17.16 | | |
| Exercised | (12,426) | $ 7.61 | | |
| Outstanding at December 31, 2020 | 1,364,327 | $ 17.31 | $ 2,738 | 4.8 |
| Exercisable at December 31, 2020 | 601,055 | $ 17.83 | $ 966 | 3 |
| Vested and expected to vest after December 31, 2020 | 1,233,665 | $ 17.45 | $ 2,396 | 4.6 |

(1) Forfeited stock options included 368,678 stock options related to executive departures in 2020.

| | Number of Units | Weighted average grant date fair value | Intrinsic value (in thousands) | Weighted average remaining contractual term (in years) |
|---|---|---|---|---|
| *RSUs:* | | | | |
| Outstanding at December 31, 2019 | 1,356,695 | $ 28.22 | | |
| Granted | 949,142 | $ 19.06 | | |
| Forfeited (1) | (596,550) | $ 27.04 | | |
| Vested | (207,922) | $ 26.11 | | |
| Outstanding at December 31, 2020 | 1,501,365 | $ 23.19 | $ 23,888 | 1.2 |
| Expected to vest after December 31, 2020 | 1,276,566 | $ 23.21 | $ 20,310 | 1.1 |

(1) Forfeited RSUs included 444,657 RSUs related to executive departures in 2020.

Supplemental information is presented below:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| *Stock options:* | | | |
| Weighted average grant date fair value per option granted | $ 6.04 | $ 8.88 | $ 7.68 |
| Total intrinsic value of options exercised (in thousands) | $ 71 | $ 17,674 | $ 27,759 |
| Total fair value of options vested (in thousands) | $ 4,488 | $ 2,593 | $ 4,142 |
| *RSUs:* | | | |
| Weighted average grant date fair value per unit granted | $ 19.06 | $ 28.89 | $ 26.89 |
| Total intrinsic value of units vested (in thousands) | $ 4,115 | $ 10,679 | $ 16,452 |
| Total fair value of units vested (in thousands) | $ 6,182 | $ 6,368 | $ 6,069 |

We account for stock-based compensation in accordance with ASC 718, *Stock Compensation*, which requires that compensation related to all share-based awards (including stock options, RSUs, and ESPP shares) be recognized in the consolidated financial statements. Amounts recognized for stock-based compensation expense on the consolidated statements of comprehensive income (loss) were as follows (in thousands):

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Cost of revenue | $ 5,129 | $ 4,082 | $ 1,467 |
| Engineering and technology | 795 | 715 | 766 |
| Sales and marketing | 1,776 | 346 | 2,424 |
| General and administrative (1) | 2,366 | 11,157 | 8,596 |
| Total | $ 10,066 | $ 16,300 | $ 13,253 |

(1) Stock-based compensation expense for the year ended December 31, 2020 was reduced by $8.5 million related to the reversal of stock-based compensation expense due to: (1) forfeitures resulting from executive departures and (2) the reversal of stock-based compensation expense for performance-based RSUs that are not expected to vest.

To estimate stock-based compensation expense, we used the Black-Scholes-Merton valuation method with the following assumptions for stock options granted:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Risk-free interest rate | 0.24% - 1.62% | 2.28% - 2.88% | 1.82% - 2.54% |
| Expected dividend yield | 0 % | 0 % | 0 % |
| Expected volatility | 39% - 56% | 38% - 42% | 38% - 42% |
| Expected life | 3.5 | 3.6 | 3.6 |

The risk-free interest rate was based on the implied yield available on U.S. Treasury issues with an equivalent remaining term. The expected dividend yield was zero since we have not paid a dividend since 2008. The expected volatility was based on historical volatility of our 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, 2020, total unrecognized stock-based compensation expense related to unvested stock awards was as follows:

| | Expense (in thousands) | Weighted average period over which to be recognized (in years) |
|---|---|---|
| Stock options | $ 1,515 | 1.5 |
| RSUs | 12,306 | 1.4 |
| Total | $ 13,821 | 1.4 |

## Note 13: Other Loss, Net

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

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Interest expense | $ 24,570 | $ 19,017 | $ 15,610 |
| Amortization of debt issuance costs | 1,372 | 1,042 | 833 |
| Accretion of debt discounts | 693 | 228 | 163 |
| Total interest expense | 26,635 | 20,287 | 16,606 |
| Interest income | (65) | (449) | (349) |
| Gain on sale of a business (1) | (349) | (3,256) | — |
| Non-capitalized debt issuance expenses | 3,687 | — | — |
| Loss on debt extinguishment and modification expense | — | — | 1,534 |
| Other (2) | 1,396 | 333 | (1,994) |
| Other loss, net | $ 31,304 | $ 16,915 | $ 15,797 |

(1) For the year ended December 31, 2019, we recognized a $3.3 million gain on the sale of SimpleTax. See Note 3—Acquisitions and Disposition for additional information. For the year ended December 31, 2020, we recognized a $0.3 million gain on sale due to a net working capital true-up related to the sale of SimpleTax in the third quarter of 2020.

(2) For the year ended December 31, 2018, we had a $2.1 million gain on the sale of an investment.

## Note 14: 401(k) Plan

We have a 401(k) savings plan covering our employees. Eligible employees may contribute through payroll deductions. Pursuant to a continuing resolution by our board of directors, we match a portion of the 401(k) contributions made by our employees. The amount we have contributed ranges from 1% to 4% of an employee's salary, depending upon the percentage contributed by the employee. For the years ended December 31, 2020, 2019, and 2018, we contributed $2.8 million, $2.4 million, and $1.9 million, respectively, to our employees' 401(k) plans.

## Note 15: Income Taxes

Income (loss) before income taxes consisted of the following (in thousands):

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| United States | $ (300,424) | $ (18,088) | $ 51,385 |
| Foreign | — | 1,182 | 495 |
| Income (loss) before income taxes | $ (300,424) | $ (16,906) | $ 51,880 |

Income tax expense (benefit) consisted of the following (in thousands):

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Current: | | | |
| U.S. federal | $ — | $ (732) | $ (42) |
| State | 1,272 | 2,901 | 3,230 |
| Foreign | — | 333 | 157 |
| Total current expense | 1,272 | 2,502 | 3,345 |
| Deferred: | | | |
| U.S. federal | 40,857 | (62,580) | (3,035) |
| State | 202 | (4,970) | 37 |
| Foreign | — | (6) | (36) |
| Total deferred expense (benefit) | 41,059 | (67,556) | (3,034) |
| Income tax expense (benefit) | $ 42,331 | $ (65,054) | $ 311 |

Income tax expense (benefit) differed from the amount calculated by applying the statutory federal income tax rate of 21% as follows (in thousands):

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Income tax expense (benefit) at the statutory federal income tax rate | $ (63,089) | $ (3,550) | $ 10,895 |
| Non-deductible compensation | 1,681 | 1,933 | 2,796 |
| Non-deductible acquisition-related transaction costs | — | 1,359 | — |
| State income taxes, net of federal benefit | 1,053 | (1,897) | 2,014 |
| Uncertain tax positions and audit settlements | (575) | (1,227) | 473 |
| Research and development credit | — | — | (552) |
| Excess tax (benefits) and deficiencies of stock-based compensation | 1,004 | (4,100) | (6,851) |
| Valuation allowances | 23,911 | (56,881) | (8,537) |
| Non-deductible goodwill | 56,831 | — | — |
| Net operating loss write-off | 21,051 | — | — |
| Other | 464 | (691) | 73 |
| Income tax expense (benefit) | $ 42,331 | $ (65,054) | $ 311 |

The primary difference between the statutory tax rate and the annual effective tax rate was non-deductible goodwill, the valuation allowance, and the net operating loss write-off, as discussed further below. Other differences between the statutory rate and the annual effective tax rate are related to excess tax deficiencies for stock compensation, uncertain tax positions, state taxes, and non-deductible compensation.

The tax effect of temporary differences and net operating loss carryforwards that gave rise to our deferred tax assets and liabilities were as follows (in thousands):

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Deferred tax assets: | | |
| Net operating loss and credit carryforwards | $ 54,196 | $ 84,684 |
| Capital loss | 22,753 | 22,948 |
| Accrued compensation | 7,094 | 6,686 |
| Stock-based compensation | 4,848 | 4,986 |
| Deferred revenue | 3,935 | 4,042 |
| Lease liability | 9,193 | 2,133 |
| Other, net | 3,583 | 3,833 |
| Total gross deferred tax assets | 105,602 | 129,312 |
| Valuation allowance | (67,735) | (43,824) |
| Deferred tax assets, net of valuation allowance | 37,867 | 85,488 |
| Deferred tax liabilities: | | |
| Amortization | (59,580) | (69,668) |
| Depreciation | (1,947) | (2,521) |
| Right-of-use assets | (5,571) | (2,382) |
| Other, net | (1,432) | (920) |
| Total gross deferred tax liabilities | (68,530) | (75,491) |
| Net deferred tax assets (liabilities) | $ (30,663) | $ 9,997 |

At December 31, 2020, we evaluated the need for a valuation allowance for deferred tax assets based upon our assessment of whether it is more likely than not that we will generate sufficient future taxable income necessary to realize the deferred tax benefits. We maintain a valuation allowance against our deferred tax assets that are capital in nature to the extent that it is more likely than not that the related deferred tax benefit will not be realized. We also have a deferred tax asset related to the net operating losses (***"NOLs"***) that we believe is more likely than not to expire before utilization. In 2020, we increased the valuation allowance by $23.9 million because we believe this portion of NOLs is more likely than not to not be realized.

The changes in the valuation allowance for deferred tax assets are shown below (in thousands):

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Balance at beginning of year | $ 43,824 | $ 100,705 | $ 109,242 |
| Increase (decrease) in valuation allowance—future year utilization | 18,136 | (45,651) | — |
| Increase (decrease) in valuation allowance—current year utilization | 5,047 | (10,943) | (8,597) |
| Increase (decrease) in valuation allowance—other | 728 | (287) | 60 |
| Balance at end of year | $ 67,735 | $ 43,824 | $ 100,705 |

As of December 31, 2020, our U.S. federal and state net operating loss carryforwards for income tax purposes were $249.2 million and $27.9 million, respectively, which primarily related to excess tax benefits for stock-based compensation. If unutilized, our federal net operating loss carryforwards will expire between 2021 and 2037, with the majority of them expiring between 2021 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):

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Balance at beginning of year | $ 19,483 | $ 22,590 | $ 22,625 |
| Gross increases for tax positions of prior years | — | — | 516 |
| Gross decreases for tax positions of prior years | (11,972) | (1,858) | (508) |
| Gross increases for tax positions of current year | — | 60 | — |
| Purchase accounting for 1st Global Acquisition | (35) | 442 | — |
| Settlements with taxing authorities | — | (563) | — |
| Statute of limitations expirations | — | (1,188) | (43) |
| Balance at end of year | $ 7,476 | $ 19,483 | $ 22,590 |

The total amount of unrecognized tax benefits that could affect our effective tax rate if recognized was $2.8 million and $6.3 million as of December 31, 2020 and 2019, respectively. The remaining $4.7 million and $13.2 million was not recognized on the consolidated balance sheets as of December 31, 2020 and 2019, respectively, and if recognized, would create a deferred tax asset subject to a valuation allowance. The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and, various state jurisdictions. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2015, although NOL 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, 2020, no significant adjustments have been proposed relative to our tax positions.

For the year ended December 31, 2020, the amount recognized for interest and penalties related to uncertain tax positions was immaterial. For the year ended December 31, 2019, we reversed $0.4 million of interest and penalties related to uncertain tax positions. For the year ended December 31, 2018, we recognized $0.4 million of interest and penalties related to uncertain tax positions. We had $1.5 million and $1.4 million accrued for interest and penalties as of December 31, 2020 and 2019, respectively.

## Note 16: Net Income (Loss) Per Share

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

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

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Numerator: | | | |
| Net income (loss) | $ (342,755) | $ 48,148 | $ 51,569 |
| Net income attributable to noncontrolling interests | — | — | (935) |
| Adjustment of redeemable noncontrolling interests (1) | — | — | (5,977) |
| Net income (loss) attributable to Blucora, Inc. shareholders after adjustment of redeemable noncontrolling interests | $ (342,755) | $ 48,148 | $ 44,657 |
| Denominator: | | | |
| Basic weighted average common shares outstanding | 47,978 | 48,264 | 47,394 |
| Dilutive potential common shares | — | 1,018 | 1,987 |
| Diluted weighted average common shares outstanding | 47,978 | 49,282 | 49,381 |
| Net income (loss) per share attributable to Blucora, Inc.: | | | |
| Basic net income (loss) per share | $ (7.14) | $ 1.00 | $ 0.94 |
| Diluted net income (loss) per share | $ (7.14) | $ 0.98 | $ 0.90 |
| Shares excluded (2) | 2,936 | 1,150 | 354 |

(1) For the year ended December 31, 2018, the redemption value adjustment for our redeemable noncontrolling interest was deducted from net income for purposes of calculating net income per share attributable to Blucora, Inc. This redeemable noncontrolling interest was subsequently redeemed in 2019. See “Note 11—Stockholders' Equity” for further discussion of redeemable noncontrolling interests.

(2) Potential common shares were excluded from the calculation of diluted net income (loss) per share for these periods because their effect would have been anti-dilutive. For the year ended December 31, 2020, all potential common shares were excluded from the calculation of diluted net loss per share as their effect would have been anti-dilutive due to the net loss recognized.

## 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, 2020 to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, 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 SEC 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 Rule 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, 2020.

We acquired HKFS on July 1, 2020. Management excluded HKFS from its assessment of the effectiveness of internal control over financial reporting as of December 31, 2020. HKFS's total assets and net assets constituted 2% and 6% of total and net assets, respectively, as of December 31, 2020 and 3% of total revenues for the year ended December 31, 2020.

Ernst & Young LLP has audited the effectiveness of our internal control over financial reporting as of December 31, 2020, 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 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

*Report of Independent Registered Public Accounting Firm*

To the Stockholders and the Board of Directors of Blucora, Inc.

**Opinion on Internal Control over Financial Reporting**

We have audited Blucora, Inc.'s internal control over financial reporting as of December 31, 2020, 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). In our opinion, Blucora, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Honkamp Krueger Financial Services, HKFS, which is included in the December 31, 2020 consolidated financial statements of the Company and constituted 2% and 6% of total assets and net assets, respectively, as of December 31, 2020 and 3% of revenues for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of HKFS.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Blucora, Inc. as of December 31, 2020 and 2019, the related consolidated statements of comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes, and our report dated February 26, 2021 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company'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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

**Definition and Limitations of Internal Control Over Financial Reporting**

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.

***/s/ Ernst & Young LLP***

Dallas, Texas
February 26, 2021

## ITEM 9B. Other Information

None.

# PART III

As permitted by the rules of the SEC, we have omitted certain information from Part III of this Annual Report on Form 10-K. We intend to file a Definitive Proxy Statement (the ***"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

The information required in response to this Item 10 is incorporated by reference herein to our Proxy Statement.

## ITEM 11. Executive Compensation

The information required in response to this Item 11 is incorporated by reference herein to our Proxy Statement.

## ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required in response to this Item 12 is incorporated by reference herein to our Proxy Statement.

## ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required in response to this Item 13 is incorporated by reference herein to our Proxy Statement.

## ITEM 14. Principal Accounting Fees and Services

The information required in response to this Item 14 is incorporated by reference herein to our Proxy Statement.

# PART IV

## ITEM 15. Exhibits, Financial Statement Schedules

### (a) *Financial Statements and Schedules*

1. ***Consolidated Financial Statements***

   See "Item 8. Financial Statements and Supplementary Data."

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 required by Item 601 of Regulation S-K are set forth below.

### (b) *Exhibits*

## 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 Holdings, Inc. and YFC-Boneagle Electric Co., LTD, dated November 14, 2016 | 8-K | November 15, 2016 | 2.1 | |
| 2.2# | Stock Purchase Agreement, dated as of March 18, 2019, by and among 1G Acquisitions, LLC, 1st Global, Inc., 1st Global Insurance Services, Inc., the sellers named therein and joinder sellers, SAB Representative, LLC, as the sellers' representative, and Blucora, Inc., as guarantor | 8-K | March 19, 2019 | 2.1 | |
| 2.3# | Stock Purchase Agreement, dated as of January 6, 2020, by and among Blucora, Inc., Honkamp Krueger Financial Services, Inc., the sellers named therein, and JRD Seller Representative, LLC, as the sellers' representative, as amended by First Amendment to Stock Purchase Agreement, dated April 7, 2020 and Second Amendment to Stock Purchase Agreement dated June 30, 2020 | 8-K | July 1, 2020 | 2.1 | |
| 3.1 | Restated Certificate of Incorporation, as filed with the Secretary of the State of Delaware on August 10, 2012 | 8-K (No. 000-25131) | August 13, 2012 | 3.1 | |
| 3.2 | Certificate of Amendment to the Restated Certificate of Incorporation of Blucora, Inc. filed with the Secretary of State of Delaware on June 1, 2017 | 8-K | June 5, 2017 | 3.1 | |
| 3.3 | Certificate of Amendment to the Restated Certificate of Incorporation of Blucora, Inc. filed with the Secretary of State of Delaware on June 8, 2018 | 8-K | June 8, 2018 | 3.1 | |
| 3.4 | Amended and Restated Bylaws of Blucora, Inc., dated July 15, 2020 | 8-K | July 16, 2020 | 3.1 | |
| 4.1 | Description of Securities | | | | X |
| 10.1* | 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 | |
| 10.2* | Blucora, Inc. 2015 Incentive Plan, as Amended and Restated | DEF 14A | April 25, 2016 | Appendix A | |
| 10.3* | Form of Blucora, Inc. 2015 Incentive Plan Nonqualified Stock Option Grant Notice | 10-Q | July 30, 2015 | 10.2 | |
| 10.4* | Form of Blucora, Inc. 2015 Incentive Plan Restricted Stock Unit Grant Notice | 10-Q | July 30, 2015 | 10.3 | |
| 10.5* | Form of Nonqualified Stock Option Agreement for Executive Officers under the Blucora, Inc. 2015 Incentive Plan, as amended and restated | 8-K | February 23, 2018 | 10.2 | |
| 10.6* | Form of Time-Based Restricted Stock Unit Agreement for Executive Officers under the Blucora, Inc. 2015 Incentive Plan, as amended and restated | 8-K | February 23, 2018 | 10.3 | |
| 10.7* | Form of Performance-Based Restricted Stock Unit Agreement for Executive Officers under the Blucora, Inc. 2015 Incentive Plan, as amended and restated | 8-K | February 23, 2018 | 10.4 | |
| 10.8* | Form of Nonqualified Stock Option Grant Notice and Agreement for Nonemployee Directors under the Blucora, Inc. 2015 Incentive Plan | 10-Q | April 28, 2016 | 10.3 | |
| 10.9* | Form of Nonqualified Stock Option Grant Notice and Agreement for Nonemployee Chairman of the Board under the Blucora, Inc. 2015 Incentive Plan | 10-Q | April 28, 2016 | 10.4 | |
| 10.10* | Form of Director Restricted Stock Unit Grant Notice and Award Agreement for Initial Grants to New Directors under the Amended and Restated Blucora, Inc. 2015 Incentive Plan | 10-Q | July 27, 2017 | 10.3 | |
| 10.11* | Form of Director Restricted Stock Unit Grant Notice and Award Agreement for Annual Grants to Directors under the Amended and Restated Blucora, Inc. 2015 Incentive Plan | 10-Q | July 27, 2017 | 10.4 | |

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| 10.12* | Blucora, Inc. 2018 Long-Term Incentive Plan | DEF 14A | April 19, 2018 | Appendix A | |
| 10.13* | Amendment No. 1 to the Blucora, Inc. 2018 Long-Term Incentive Plan | DEF 14A | April 9, 2020 | Appendix B | |
| 10.14* | Form of Nonqualified Stock Option Award Agreement for Executive Officers under the Blucora, Inc. 2018 Long-Term Incentive Plan | 10-K | February 28, 2020 | 10.13 | |
| 10.15* | Form of Time-Based Restricted Stock Unit Award Agreement for Executive Officers under the Blucora, Inc. 2018 Long-Term Incentive Plan | 10-K | February 28, 2020 | 10.14 | |
| 10.16* | Form of Performance-Based Restricted Stock Unit Award Agreement for Executive Officers under the Blucora, Inc. 2018 Long-Term Incentive Plan | 10-K | February 28, 2020 | 10.15 | |
| 10.17* | Form of Director Restricted Stock Unit Grant Notice and Award Agreement for Initial Grants to New Directors under the Blucora, Inc. 2018 Long-Term Incentive Plan | 10-K | February 28, 2020 | 10.16 | |
| 10.18* | Form of Director Restricted Stock Unit Grant Notice and Award Agreement for Annual Grants to Directors under Blucora, Inc. 2018 Long-Term Incentive Plan | 10-K | February 28, 2020 | 10.17 | |
| 10.19* | Blucora, Inc. 2016 Equity Inducement Plan | S-8 | January 29, 2016 | 99.1 | |
| 10.20* | Amendment No. 1 to Blucora, Inc. 2016 Inducement Plan | S-8 | October 14, 2016 | 99.1 | |
| 10.21* | Amendment No. 2 to the Blucora, Inc. 2016 Inducement Plan | 8-K | May 25, 2018 | 10.1 | |
| 10.22* | Amendment No. 3 to the Blucora, Inc. 2016 Equity Inducement Plan | 8-K | May 28, 2020 | 10.3 | |
| 10.23* | Form of Restricted Stock Unit Grant Notice and Award Agreement for Initial Grants to Newly-Hired Executive Officers Under the Blucora, Inc. 2016 Equity Inducement Plan, as amended | 10-Q | October 31, 2018 | 10.2 | |
| 10.24* | Form of Nonqualified Stock Option Grant Notice and Agreement under the Blucora, Inc. 2016 Equity Inducement Plan | 10-Q | May 6, 2020 | 10.6 | |
| 10.25* | Form of Restricted Stock Unit Grant Notice and Award Agreement under the Blucora, Inc. 2016 Equity Inducement Plan | 10-Q | May 6, 2020 | 10.5 | |
| 10.26* | Blucora, Inc. 2018 Annual Incentive Plan | 8-K | February 23, 2018 | 10.1 | |
| 10.27* | Employment Agreement by and between Blucora, Inc. and Ann Bruder, dated June 19, 2017 | 10-Q | July 27, 2017 | 10.2 | |
| 10.28* | Employment Agreement by and between Blucora, Inc. and Todd Mackay, dated December 24, 208 | 10-K | March 1, 2019 | 10.33 | |
| 10.29* | Employment Agreement by and between Blucora, Inc. and Curtis Campbell, dated October 12, 2018 | 10-K | March 1, 2019 | 10.34 | |
| 10.30* | Separation and Release Agreement by and between Blucora, Inc. and Davinder Athwal, dated January 6, 2020 | 10-K | February 28, 2020 | 10.30 | |
| 10.31* | General Release and Waiver of Claims by and between Blucora, Inc. and John Clendening, dated January 15, 2020 | 10-K | February 28, 2020 | 10.31 | |
| 10.32* | Employment Agreement by and between Blucora, Inc. and Christopher W. Walters, dated January 17, 2020 | | | | X |
| 10.33* | Form of Employment Agreement by and between Blucora, Inc. and certain executive officers | 8-K | April 22, 2020 | 10.1 | |
| 10.34* | Blucora, Inc. Executive Change of Control Severance Plan, including the form of Participation Agreement as Appendix A thereto | 8-K | January 19, 2021 | 10.1 | |

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| 10.35 | Credit Agreement, dated May 22, 2017, among Blucora, Inc., as borrower, and most of its direct and indirect domestic subsidiaries, as guarantors, and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and each lender from time to time a party to the Credit Agreement | 8-K | May 23, 2017 | 10.1 | |
| 10.36 | First Amendment, dated November 28, 2017, among Blucora, Inc., as borrower, and most of its direct and indirect domestic subsidiaries, as guarantors, and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and each lender party to the First Amendment | 8-K | November 29, 2017 | 10.1 | |
| 10.37 | Second Amendment to Credit Agreement, dated May 6, 2019, among Blucora, Inc., as borrower, most of its direct and indirect domestic subsidiaries, as guarantors, and JPMorgan Chase Bank, N.A., as successor administrative agent and successor collateral agent, and each lender party to the Second Amendment | 8-K | May 6, 2019 | 10.1 | |
| 10.38^ | Third Amendment to Credit Agreement, dated May 1, 2020, among Blucora, Inc., as borrower, most of its direct and indirect domestic subsidiaries, as guarantors, JPMorgan Chase Bank, N.A., as successor administrative agent and successor collateral agent, and each lender party to the Third Amendment | 10-Q | May 6, 2020 | 10.7 | |
| 10.39^ | Fourth Amendment to Credit Agreement, dated July 1, 2020, among Blucora, Inc., as borrower, most of its direct and indirect domestic subsidiaries, as guarantors, JPMorgan Chase Bank, N.A., as successor administrative agent and successor collateral agent, and each lender party to the Fourth Amendment | 8-K | July 1, 2020 | 10.1 | |
| 10.40 | Lease Agreement between BDDC, Inc. and Blucora, Inc., dated May 10, 2019 | 10-K | February 28, 2020 | 10.36 | |
| 10.41* | Blucora, Inc., 2016 Employee Stock Purchase Plan | DEF 14A | April 25, 2016 | App-endix B | |
| 10.42* | Amendment No. 1 to the Blucora, Inc. Employee Stock Purchase Plan | 10-Q | August 1, 2018 | 99.1 | |
| 10.43* | Amendment No. 2 to the Blucora, Inc. 2016 Employee Stock Purchase Plan | DEF 14A | April 9, 2020 | App-endix C | |
| 10.44* | Blucora, Inc. Non-Employee Director Compensation Policy | 10-Q | August 8, 2019 | 10.2 | |
| 10.45* | Blucora, Inc. Director Tax-Smart Deferral Plan | 10-K | March 1, 2019 | 10.51 | |
| 10.46* | Blucora, Inc. Executive Officer Tax-Smart Deferral Plan | 10-K | March 1, 2019 | 10.52 | |
| 10.47* | First Amendment to Blucora, Inc. Director Tax-Smart Deferral Plan | 10-K | February 28, 2020 | 10.42 | |
| 10.48* | First Amendment to Blucora, Inc. Executive Officer Tax-Smart Deferral Plan | 10-K | February 28, 2020 | 10.43 | |
| 10.49* | Form of Indemnification Agreement | 10-K | February 28, 2020 | 10.44 | |
| 21.1 | Principal 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, 2020, formatted in Inline 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 |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and Contained in Exhibit 101) | X |

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* Indicates a management contract or compensatory plan or arrangement.

^ Certain portions of the exhibit have been omitted.

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

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

### (c) *Financial Statements and Schedules*

See Item 15(a) above.

## ITEM 16. Form 10-K Summary

None.

## 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/ Christopher W. Walters
Christopher W. Walters
President and Chief Executive Officer

Date: February 26, 2021

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Ann J. Bruder as his or her attorney-in-fact, 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 the said attorney-in-fact, or her 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/ Christopher W. Walters<br>**Christopher W. Walters** | President, Chief Executive Officer, and Director<br>(Principal Executive Officer) | February 26, 2021 |
| /s/ Marc Mehlman<br>**Marc Mehlman** | Chief Financial Officer<br>(Principal Financial Officer) | February 26, 2021 |
| /s/ Stacy A. Murray<br>**Stacy A. Murray** | Chief Accounting Officer<br>(Principal Accounting Officer) | February 26, 2021 |
| /s/ Georganne C. Proctor<br>**Georganne C. Proctor** | Chair and Director | February 26, 2021 |
| /s/ Steven Aldrich<br>**Steven Aldrich** | Director | February 26, 2021 |
| /s/ Mark A. Ernst<br>**Mark A. Ernst** | Director | February 26, 2021 |
| /s/ E.Carol Hayles<br>**E. Carol Hayles** | Director | February 26, 2021 |
| /s/ John MacIlwaine<br>**John MacIlwaine** | Director | February 26, 2021 |
| /s/ Karthik Rao<br>**Karthik Rao** | Director | February 26, 2021 |
| /s/ Jana R. Schreuder<br>**Jana R. Schreuder** | Director | February 26, 2021 |
| /s/ Mary S. Zappone<br>**Mary S. Zappone** | Director | February 26, 2021 |

BLUCORA™

## Directors

Steven Aldrich
*Former Chief Product Officer of GoDaddy, Inc.*

Mark A. Ernst
*Managing Partner of Bellevue Capital LLC and Former Executive Vice President and Chief Operating Officer of Fiserv, Inc.*

E. Carol Hayles
*Chief Executive Officer of Bay1, Inc. and Former Chief Financial Officer of CIT Group Inc.*

John MacIlwaine
*Former VP, General Manager of Braintree*

Tina Perry
*President of Oprah Winfrey Network*

Karthik Rao
*Chief Operating Officer of Nielsen Global Media*

Georganne C. Proctor, Chair of the Board
*Former Chief Financial Officer of TIAA-CREF*

Jana R. Schreuder
*Former Chief Operating Officer of Northern Trust Corporation*

Christopher W. Walters
*Director, President and Chief Executive Officer of Blucora, Inc.*

Mary S. Zappone
*Chief Executive Officer of Brace Industrial Group*

## Executive Officers

Christopher W. Walters
*President and Chief Executive Officer*

Mark Mehlman
*Chief Financial Officer*

Todd C. Mackay
*President, Wealth Management*

Curtis A. Campbell
*President, TaxAct, Inc. and Software*

Ann J. Bruder
*Chief Legal, Development and Administrative Officer and Secretary*

## Stockholder Information

**Investor Information**
**To request copies of Blucora's Annual Report on Form 10-K or other financial information free of charge, please call Investor Relations at 972.870.6400 or make a request in writing to Investor Relations at our corporate address shown below. You may also access these documents on 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
2323 Victory Ave., Suite 2000
Dallas, TX 75219

**Transfer Agent**
Computershare Shareowner Services LLC
480 Washington Boulevard
Jersey City, NJ 07310-1900
888.581.9372

**D.F. King & Co., Inc.**
48 Wall Street, 22nd Floor
New York, New York 10005
(866) 388-7535
BCOR@dfking.com

**Corporate Headquarters**
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Dallas, TX 75019
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