VOSS
CAPITAL

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August 30th, 2015

Mr. John E. Cunningham, IV, MBA, Chairman of the Board
Cc: William J. Ruckelshaus, MBA, President, Chief Executive Officer & Director
Mary Zappone, MBA, Director
Christopher William Walters, MBA, Director
David H. S. Chung, MBA, Director
Lance G. Dunn, CPA, Director
Steven W. Hooper, MBA, Director
Elizabeth J. Huebner, Director

Dear Members of the Board,

I represent Voss Capital, LLC. We are a Houston, Texas based investment fund manager. We have been enthusiastic Blucora shareholders since April 4th, 2014.

It is clear in speaking with many institutional investors that the market almost unanimously believes the Blucora model is broken and unfixable under the current leadership.

We are recommending that Blucora seek strategic alternatives to break up the company, which we believe would unlock value of at least 90% for shareholders and give management value in its newly minted stock options, while keeping the valuable NOLs intact. Below we lay out a short history of the situation and a step by step plan to unlock the value. We would like to hear either the board's response as to why this solution is infeasible or how they intend to unlock more value in an alternate manner within a reasonable timeframe. We are also sharing this publicly to call other shareholders to action to help us hold the Board accountable.

At the closing price of $13.81 on August 28th, Blucora is trading at 6.2x unlevered Free Cash Flow (7x levered) and has a $65 million net cash position as of the end of the second quarter. By our estimates it is the cheapest internet stock in the United States by a wide margin. Since the beginning of 2013, Blucora's total return is -13%, while the S&P 500 is up 39% and Blucora's closest competitor, Interactive Corp (IACI), is up 60%.

To summarize the problem bluntly, management has painted themselves into an inescapable corner. The market now views them as poor capital allocators, yet management's primary stated strategy is to make acquisitions to utilize their NOL base more quickly. In an environment that management themselves have described as "frothy" from an acquisition perspective, this is problematic. If management makes another acquisition, it will be viewed with great skepticism by the market. If they do not make another acquisition, they have no real reason for existence as each business unit is purposefully built out as an independently functioning unit. To restate: parent management's only purpose is to make acquisitions and the market is terrified of them making another acquisition and giving the company zero credit for its cash balance.

However, despite the depressed valuation, Blucora has one of the most attractive assets in all of the internet space in TaxACT, the low cost leader in online tax preparation. In the last two years, TaxACT has grown both revenues and EBITDA by more than 10% each year (13% and 17% CAGRs respectively) with a ~47% operating margin. Additionally, all EBITDA for TaxACT essentially converts fully to free cash flow. In 2015 it will represent a significant majority of total segment operating income for the company and we believe growth around this level can persist into the future given continued tailwinds from ongoing conversion from paper to digital filing and upselling potential. This kind of organic growth with very high margins, low capital intensity, very low taxes, and low cyclicality (taxes occur every year), is rare and would command a premium multiple as a pure play. See the below table for a list of companies with a similar financial profile to TaxACT. At bare minimum we think TaxACT would command 12x 2016 segment income, with a base case closer to 15x and 20x a possibility. Even at this minimum range of 12x segment income, TaxACT's value alone would more than cover the entire enterprise value of Blucora and over 30% upside could be unlocked.

TaxAct Comp Sheet

			Valuation		Margin	Growth			
Ticker	**Company Name**	**Market Cap**	**EV/FCF**	**EV/EBITDA**	**EBITDA**	**Sales**	**Sales (-1y)**	**EBITDA**	**EBITDA (-1y)**
MANH	Manhattan Associates, Inc.	4,322.7	49.7x	22.2x	27.1%	18.7%	10.2%	26.5%	23.1%
NTCT	NetScout Systems, Inc.	3,825.0	38.4x	14.1x	25.3%	14.4%	13.1%	19.9%	12.9%
GRUB	GrubHub, Inc.	2,193.4	28.7x	38.5x	27.2%	85.1%	66.6%	143.2%	91.3%
STMP	Stamps.com Inc.	1,276.0	24.4x	19.4x	25.9%	15.2%	10.5%	4.2%	41.9%
*DSG	Descartes Systems Group Inc.	1,251.4	24.0x	22.1x	29.5%	12.9%	19.2%	18.5%	16.2%
SLH	Solera Holdings, Inc.	2,947.3	22.9x	13.3x	36.2%	15.6%	17.8%	9.6%	10.0%
*ESL	Enghouse Systems Limited	972.0	21.2x	17.1x	24.8%	14.4%	29.9%	15.0%	31.0%
WEX	WEX Inc.	3,535.5	19.6x	14.1x	43.0%	14.0%	15.1%	4.3%	7.3%
AZPN	Aspen Technology, Inc.	3,107.7	15.7x	20.6x	42.2%	12.5%	25.7%	37.9%	121.8%
Median		**2,947.3**	**24.0x**	**19.4x**	**27.2%**	**14.4%**	**17.8%**	**18.5%**	**23.1%**
	TaxACT				**47%**	**13%**	**13%**	**17%**	**19%**

Criteria:

Technology Stock, Market Cap 100mm to 5 billion, US/Canada Exchange, No ADR, Organic Sales Growth>10% last two years, EBITDA Growth>0% last two years, EBITDA Margin > 25%

However, there is much more value to be extracted. Here are some logical steps to unlock it.

Step 1: **Sell Infospace/Search Business -** In addition to loss of confidence in management, the market still myopically focuses on the declining Search business of Blucora. This is the entire focus of recent short reports on the company. Looking at pure play Perion and estimating IACI's value of their search business, we believe somewhere between 1.5x and 3x EBITDA would be attainable for the search business. In an extreme fire sale at only 1.5x EBITDA you would be getting roughly $45 million, which would be the same price paid for How Stuff Works in June, 2014, which is now only a small piece of the Infospace/Search Business.

Step 2: Sell Monoprice - Monoprice was purchased at 11x EBITDA for $180 million in August 2013, but has already been impaired. Assuming management is accurate that Monoprice will retain flat margins and return to growth in the coming quarters, we believe the company should fetch at least $90+ million or 8x EBITDA. At a minimum we believe it would get 6x EBITDA in a sale, or $70 million. After this step Blucora would be a tax preparation pure play.

Step 3: **Disband Parent Company Management -** Unallocated corporate costs are going to be between $17-$18 million this fiscal year, rising from $14.5 million in 2014. Corporate cost were $10.7 million in 2012 (excluding disclosed one-time TaxACT transaction costs), rising only $1.2 million from the $9.5 million in 2011 pre-TaxACT. This leads us to believe that the incremental unallocated cost attributable to TaxACT are minimal. We find it hard to fathom that this cost level is rising to $17+ million and that core management (CEO and CFO) had an increase in base salary in 2014 despite ongoing poor stock performance. The seven Named Executive Officers from the proxy statement, none of whom are associated with TaxACT, received another $12.29 million in total compensation in 2014. Given the businesses are purposefully run separately from parent management, we believe the vast majority of the $17 million in unallocated corporate costs could be entirely eliminated. We leave room for $4 million in remaining corporate costs, but believe that would be on the high end of what is necessary given that each segment already has independent management.

Step 4: Pay Off All Remaining Debt As Soon As Possible - The company is currently paying over $10 million a year in interest expense, yet has a large net cash balance. The 4.25% Senior Convertible can be redeemed with no penalty starting on April 6th, 2016 and we believe this should be done, with any additional net cash balance derived from the sale of the Search segment or Monoprice distributed to shareholders immediately in the form of a special dividend. In our base case assumption for the sale of each of those businesses, which at a loss will boost the company's tax assets, Blucora could distribute at least a $4.00 per share special dividend.

Step 5: Fold TaxACT Under The Blucora Parent – After extensive discussions with the CFO, it is our understanding that this would be possible and that TaxACT would then retain the vast majority of Blucora's NOL balance.

Management's rich salaries have been steadily increasing while long suffering shareholders have experienced a negative return over the duration of one of the most powerful bull markets in history. We insist on hearing back from the Board and management team in a timely manner on their plans to close the growing valuation disparity between the stock price and the substantial value of TaxACT embedded within Blucora. We are urging all other shareholders to reach out to the Board to have constructive conversations about unlocking value while holding them accountable and reminding them of their fiduciary duty to all shareholders.

Sincerely,

Travis Cocke

Managing Partner

Voss Capital

Appendix: Five Step Plan to Unlock TaxACT's Value

Basic Current Info		**Bear**	**Base**	**Bull**
	Price	$13.66	$13.66	$13.66
	Shares	44,000	44,000	44,000
	Market Cap	**$601,040**	$601,040	$601,040
	Net Cash*	$65,637	$65,637	$65,637
	Enterprise Value	**$535,403**	**$535,403**	**$535,403**

Step 1- Sell Search	Infospace EBITDA	$15,000	$20,000	$25,000
	Multiple Sold For	1.5x	2.5x	3.5x
	Value	**$22,500**	**$50,000**	**$87,500**

Step 2- Sell Monoprice	Monoprice EBITDA	$11,373	$11,373	$11,373
	Multiple Sold For	6.0x	8.0x	10.0x
	Value	**$68,238**	**$90,984**	**$113,730**

Step 3- Disband Management	Assumed Residual Unallocated	**$4,500**	**$4,000**	**$3,500**

Step 4- Pay Off Debt	Assumed Penalty	**$30,000**	**$20,000**	**$10,000**

Step 5- Blucora Becomes TaxACT	TaxAct 2016 Revenues	$113,000	$122,000	$126,000
	Segment Margin	46%	47%	50%
	EBITDA	**$51,980**	**$57,340**	**$63,000**
	EBITDA less Step 3	**$47,480**	**$53,340**	**$59,500**
	Multiple for TaxAct	12.5x	15.0x	17.5x
	Value	**$593,500**	**$800,100**	**$1,041,250**

Valuation		**Bear**	**Base**	**Bull**
Method 1- EBITDA + NOL	TaxACT EBITDA Value	$593,500	$800,100	$1,041,250
	NOL Value	$120,000	$140,000	$160,000
	Cash from Sales of Infospace, etc.	$126,375	$186,621	$256,867
	Total Value	**$839,875**	**$1,126,721**	**$1,458,117**
	Per Fully Diluted Share	*$19.09*	*$25.61*	*$33.14*
	Value	$839,875	$1,126,721	$1,458,117
	Upside	**39.7%**	**87.5%**	**142.6%**
Method 2- FCF Multiple ex NOLs	TaxACT EBITDA	$47,480	$53,340	$59,500
	Assumed Taxes	$2,000	$2,000	$2,000
	Assumed Interest	$0	$0	$0
	Assumed Capex	$1,000	$1,000	$1,000
	FCF	**$44,480**	**$50,340**	**$56,500**
	Multiple	15.0x	20.0x	25.0x
	Value	$667,200	$1,006,800	$1,412,500
	Plus Net New Cash	$126,375	$186,621	$256,867
	Total Value	$793,575	$1,193,421	$1,669,367
	Per Fully Diluted Share	*$18.04*	*$27.12*	*$37.94*
	Upside	**32%**	**99%**	**178%**
	Average Upside of Two Methods	**36%**	**93%**	**160%**

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