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10 H&R BLOCK, INC.; HRB TAX GROUP, INC.; and  
HRB DIGITAL LLC

11  
12 UNITED STATES DISTRICT COURT  
13 NORTHERN DISTRICT OF CALIFORNIA  
14 SAN FRANCISCO DIVISION

15 PELANATITA OLOSONI, and DEREK  
16 SNARR, on behalf of themselves, the general  
public, and those similarly situated,

17 Plaintiffs,

18 v.

19 H&R BLOCK, INC., HRB TAX GROUP,  
20 INC., HRB DIGITAL LLC, and DOES 1  
THROUGH 50,

21 Defendants.

**Case No. 3:19-cv-03610**

**DEFENDANTS' NOTICE OF  
REMOVAL OF CIVIL ACTION  
FROM STATE COURT**

**[CAFA JURISDICTION; FEDERAL  
QUESTION JURISDICTION]**

1 PLEASE TAKE NOTICE THAT Defendants H&R Block, Inc., HRB Tax Group, Inc.,  
2 and HRB Digital LLC (“Defendants”) hereby remove this matter from the Superior Court of the  
3 State of California, County of San Francisco, to the United States District Court for the Northern  
4 District of California pursuant to 28 U.S.C. §§ 1331, 1332(d), 1367(a), 1441, and 1446.<sup>1</sup> The  
5 grounds for removal are as follows:

6 **Claims Asserted in Complaint**

7 1. On May 17, 2019, plaintiffs Pelanatita Olosoni and Derek Snarr (“Plaintiffs”) filed  
8 a Class Action Complaint in the Superior Court of California for the County of San Francisco,  
9 Case No. CGC-19-576093, captioned *Pelanatita Olosoni and Derek Snarr, on behalf of*  
10 *themselves, the general public, and those similarly situated v. H&R Block, Inc., HRB Tax Group,*  
11 *Inc., HRB Digital LLC, and DOES 1 through 50* (the “Complaint”).

12 2. In the Complaint, Plaintiffs assert claims against all Defendants for: (1) violation  
13 of the Consumers Legal Remedies Act (“CLRA”), California Civil Code § 1750, *et seq.*; (2) false  
14 advertising, Business and Professions Code § 17500, *et. seq.* (“FAL”); (3) unlawful, unfair, and  
15 fraudulent trade practices in violation of Business and Professions Code § 17200, *et seq.*  
16 (“UCL”); (4) breach of contract; and (5) unjust enrichment. Compl. ¶¶ 130, 144, 152, 168, 176.

17 3. Plaintiffs purport to represent the following nationwide Class:

18 All persons who, between May 17, 2015 and the present, paid to  
19 file one or more federal tax returns through Defendants’ internet-  
20 based filing system even though they were eligible to file those tax  
21 returns for free under IRS Free File (the “Nationwide IRS Free File  
Class”).

22 Compl. ¶ 115.

23 4. Plaintiffs also purport to represent three Subclasses: (1) “a subclass consisting of  
24 those members of the Nationwide IRS Free File Class who were eligible to file the subject tax  
25 returns through Defendants’ True Free File Service (the ‘Nationwide HRB Free File Subclass’);”

26  
27 <sup>1</sup> By removing this action, Defendants do not waive any objections to personal jurisdiction,  
28 venue, or forum. Defendants expressly reserve their right to object to personal jurisdiction,  
venue, and forum, and further to assert all rights and defenses, including, but not limited to, those  
defenses articulated in Federal Rule of Civil Procedure 12.

1 (2) “a subclass consisting of those members of the Nationwide IRS Free File Class who reside in  
2 and were citizens of California at the time of the payments (the ‘California IRS Free File  
3 Subclass’); and (3) “a subclass consisting of those members of the Nationwide HRB Free File  
4 Class who reside in and were citizens of California at the time of the payments (the ‘California  
5 HRB Free File Subclass’).” *Id.* ¶¶ 116-118.

6 5. Plaintiffs seek injunctive and declaratory relief, restitution, compensatory  
7 damages, disgorgement, attorneys’ fees and costs. Compl. Prayer for Relief ¶¶ A-C.

### 8 **Compliance with Statutory Requirements**

9 6. On May 22, 2019, Plaintiffs served Defendants with the Summons and Complaint.  
10 Defendants’ removal of this action is therefore timely because they are filing the instant Notice of  
11 Removal within 30 days of the date Plaintiffs served them with the Complaint. 28 U.S.C. §  
12 1446(b). In accordance with 28 U.S.C. § 1446(a), true and correct copies of Plaintiffs’ Summons  
13 and Complaint are attached to this Notice of Removal as Exhibit A. A true and correct copy of  
14 all state court orders are attached to this Notice of Removal as Exhibit B.

15 7. In accordance with 28 U.S.C. § 1446(d), Defendants will provide written notice of  
16 removal of this action to Plaintiffs’ counsel and will promptly file a copy of this Notice of  
17 Removal and the necessary, attendant documents with the Clerk of the San Francisco County  
18 Superior Court. A true and correct copy of Defendants’ Notice to State Court and Adverse Party  
19 of Removal from State Court to the United States District Court of the Northern District of  
20 California (without exhibits) is attached to this Notice of Removal as Exhibit C.

### 21 **Venue / Intradistrict Assignment**

22 8. Plaintiffs filed this case in the Superior Court of California, County of San  
23 Francisco; therefore, this case may properly be removed to the San Francisco Division of the  
24 Northern District of California. 28 U.S.C. § 1441(a).

### 25 **Original Jurisdiction—Class Action Fairness Act**

26 9. This Court has original jurisdiction over this matter pursuant to 28 U.S.C.  
27 § 1332(d) (as amended by the Class Action Fairness Act of 2005, Pub. L. No. 109-2, 119 Stat. 14  
28 (“CAFA”)). Plaintiffs purport to bring this action as a class action under California law. *See*

1 Compl. ¶ 115. California Code of Civil Procedure Sections 382 and 1781 pertaining to class  
2 actions are similar to Federal Rule of Civil Procedure 23. Plaintiffs' action thus constitutes a  
3 "class action." *See* 28 U.S.C. § 1332(d)(1).

4 10. Under Section 1332(d), federal courts have original diversity jurisdiction over a  
5 class action whenever: (1) "any member of a [putative] class of plaintiffs is a citizen of a State  
6 different from any defendant," 28 U.S.C. § 1332(d)(2)(A); (2) "the matter in controversy exceeds  
7 the sum or value of \$5,000,000, exclusive of interest and costs," 28 U.S.C. § 1332(d)(2); and (3)  
8 "the number of members of all proposed plaintiff classes in the aggregate is" more than 100. *See*  
9 28 U.S.C. § 1332(d)(2), (5)(B).

10 11. Defendants deny Plaintiffs' allegations and claims, deny class certification is  
11 appropriate, deny liability, and deny Plaintiffs or any member of the putative Class and  
12 Subclasses is entitled to restitution, damages, or any other relief whatsoever, and reserve all rights  
13 in these regards. However, for the purposes of meeting the jurisdictional requirements of removal  
14 only, Defendants submit that this Court has subject matter jurisdiction over this action pursuant to  
15 CAFA because this is a putative class action in which Plaintiffs and Defendants are citizens of  
16 different states, the amount in controversy exceeds \$5,000,000, there are 100 or more members in  
17 Plaintiff's proposed class, and no exceptions to CAFA apply.

18 (1) Minimum Diversity Requirements are Satisfied

19 12. Diversity of citizenship exists because, based on the allegations in the Complaint,  
20 Plaintiffs and Defendants are citizens of different states. 28 U.S.C. § 1332(d)(2).

21 13. Plaintiff Olosoni and Plaintiff Snarr are citizens of California. They both reside in  
22 California. Compl. ¶¶ 10-11. For purposes of determining diversity, a person is a "citizen" of the  
23 state in which he or she is domiciled. *Kantor v. Wellesley Galleries, Ltd.*, 704 F.2d 1088, 1090  
24 (9th Cir. 1983). Residence is prima facie evidence of domicile. *State Farm Mut. Auto Ins. Co. v.*  
25 *Dyer*, 19 F.3d 514, 520 (10th Cir. 1994).

26 14. Defendant H&R Block, Inc. is a citizen of Missouri. Pursuant to 28 U.S.C.  
27 Section 1332(c)(1), a corporation is "deemed to be a citizen" of every State "by which it has been  
28 incorporated" and the State "where it has its principal place of business." Defendant H&R Block,

1 Inc. is a corporation incorporated under the laws of the State of Missouri, with its principal place  
2 of business in the State of Missouri. Compl. ¶ 12 (identifying Defendant H&R Block, Inc. as “a  
3 company existing under the laws of the State of Missouri, having its principal place of business”  
4 in the State of Missouri). Defendant HRB Tax Group, Inc. is likewise a citizen of Missouri. *Id.* ¶  
5 13 (identifying HRB Tax Group, Inc. as “a company existing under the laws of the State of  
6 Missouri, having its principal place of business” in the State of Missouri). Finally, Defendant  
7 HRB Digital LLC is a citizen of Delaware and Missouri. *Id.* ¶ 14 (identifying HRB Digital LLC  
8 as “a company existing under the laws of the State of Delaware, having its principal place of  
9 business” in the State of Missouri).<sup>2</sup>

10 15. Because Plaintiffs and Defendants are citizens of different states, the minimum  
11 diversity requirement is satisfied.

12 (2) The Amount in Controversy Exceeds \$5,000,000

13 16. Although Defendants concede neither liability on Plaintiffs’ claims nor the  
14 propriety or breadth of the proposed Class or Subclasses as alleged by Plaintiffs, the Complaint  
15 places in controversy a sum that exceeds \$5,000,000. *See* 28 U.S.C. § 1332(d)(6).

16 17. Under CAFA, the claims of individual class members are aggregated to determine  
17 if the amount in controversy meets the \$5,000,000 threshold. *Id.* A notice of removal must  
18 include only “a plausible allegation that the amount in controversy exceeds the jurisdictional  
19 threshold.” *Fritsch v. Swift Transp. Co. of Ariz., LLC*, 899 F.3d 785, 788 (9th Cir. 2018) (quoting  
20 *Dart Cherokee Basin Operating Co., LLC v. Owens*, 135 S. Ct. 547, 553-54 (2014)). “The  
21 removing party’s burden is ‘not daunting,’ and defendants are not obligated to ‘research, state,  
22 and prove the plaintiff’s claims for damages.’” *Behrazfar v. Unisys Corp.*, 687 F. Supp. 2d 999,  
23 1004 (C.D. Cal. 2009). Moreover, in support of an allegation that the amount-in-controversy  
24 threshold is satisfied, a removing defendant may submit specific factual details to support its  
25 contentions. *See Ibarra v. Manheim Invs., Inc.*, 775 F.3d 1193, 1197 (9th Cir. 2015).

26 <sup>2</sup> Because HRB Digital is a limited liability corporation, it is a citizen of each state of which  
27 its members are citizens. *See Johnson v. Columbia Props. Anchorage, LP*, 437 F.3d 894, 899  
28 (9th Cir. 2012). HRB Digital’s sole member is another Delaware LLC, which in turn has as its  
sole member a Missouri corporation. Hence, even when accounting for the citizenship of its  
membership, HRB Digital LLC still is only a citizen of Delaware and Missouri.

1 18. Plaintiffs allege that, pursuant to an agreement with the Internal Revenue Service  
2 (“IRS”), Defendants are required to make available free electronic tax filing services to certain  
3 eligible tax payers with an adjusted gross income (“AGI”) equal to or less than that of 70 percent  
4 of all taxpayers for the prior year. *See* Compl. ¶¶ 3-4, 36-37. Plaintiffs allege, for example, that  
5 in 2019 (for the 2018 tax year), taxpayers with an AGI of \$66,000 or less qualified for the IRS  
6 Free File program. *Id.* ¶ 37. Plaintiffs allege that although Defendants do offer such a free  
7 service, Defendants “hide that program from taxpayers and divert tax payers seeking free e-file  
8 services into Defendants’ paid programs.” *Id.* ¶ 4. Plaintiffs allege that Defendants’ conduct  
9 “violate[s] both California law and Defendants’ agreement with the IRS.” *Id.*

10 19. Plaintiffs seek to represent a nationwide putative Class consisting of:

11 All persons who, between May 17, 2015 and the present, paid to  
12 file one or more federal tax returns through Defendants’ internet-  
13 based filing system even though they were eligible to file those tax  
14 returns for free under IRS Free File (the “Nationwide IRS Free File  
15 Class”).

16 *Id.* ¶ 115. Plaintiffs also seek to represent a putative Subclass, among others, consisting of those  
17 members of the Nationwide IRS Free File Class who were California residents and citizens at the  
18 time they paid to file their tax returns. *Id.* ¶ 117.

19 20. Plaintiffs seek disgorgement and/or restitution of the fees paid by Plaintiffs and  
20 putative members of the Class and Subclasses during the proposed class period of May 17, 2015  
21 to the present. *See* Compl. ¶¶ 147, 161, 177; *id.*, Prayer for Relief ¶ B.

22 21. Without prejudice to Defendants’ continued reservation of all objections and  
23 defenses in this action, including defenses to liability, damages, and class certification, the alleged  
24 controversy for one year alone exceeds the \$5,000,000 CAFA threshold.

25 22. As set forth in H&R Block, Inc.’s 2019 Annual Report filed with the United States  
26 Securities and Exchange Commission (hereafter, the “10-K”)<sup>3</sup>, the total revenues from H&R  
27 Block do-it-yourself (“DIY”) tax preparation services were approximately \$260,000,000 for the

28 <sup>3</sup> A true and correct copy of the 10-K is attached as Exhibit D. The 2019 10-K (as well as  
Annual 10-K reports for prior years) also may be accessed on the Securities And Exchange  
Commission’s website through the EDGAR system. The 2019 10-K is accessible at  
<https://www.sec.gov/Archives/edgar/data/12659/000157484219000022/hrb2019043010k.htm>.

1 fiscal year ending April 30, 2019. *See* 10-K at 25. Plaintiffs allege that 75% of DIY tax returns  
2 prepared through H&R Block in fiscal year 2019 were prepared online. *See* Compl. ¶ 31. Thus,  
3 based on Plaintiffs' allegation, the total revenues attributable to DIY online tax returns in fiscal  
4 year 2019 were several multiples of CAFA's \$5,000,000 million threshold.

5 23. Moreover, Plaintiffs allege that 70% of all taxpayers are eligible for free online  
6 filing through the IRS Free File program. *See id.* ¶¶ 3, 37. Plaintiffs seek an award of  
7 disgorgement and restitution for those taxpayers who paid to use "Defendants' internet-based  
8 filing system even though they were eligible to file those tax returns for free under IRS Free  
9 File." *Id.* ¶¶ 115, 177; *id.*, Prayer for Relief ¶ B. Because the total revenues attributable to DIY  
10 online tax returns in fiscal year 2019 were several multiples of CAFA's \$5,000,000 million  
11 threshold, and because 70% of those revenues is also several multiples of CAFA's \$5,000,000  
12 million threshold, the amount in controversy clearly exceeds \$5,000,000.

13 24. Moreover, as discussed above, the proposed class period goes back to May 17,  
14 2015. Thus, the amount in controversy would involve at least four years of online tax preparation  
15 revenues, and not just 2019 alone.

16 25. Because a plausible estimate of the amount in controversy, based on the  
17 allegations in Plaintiffs' Complaint, exceeds \$5,000,000 for 2019 alone, there can be no dispute  
18 that the \$5,000,000 minimum CAFA requirement is satisfied.

19 (3) The Putative Class Consists of More Than 100 Individuals

20 26. The number of putative class members in the aggregate well exceeds 100  
21 members. 28 U.S.C. § 1332(d)(5)(B). Plaintiffs allege that "[t]he proposed Classes are so  
22 numerous that joinder of all members is impractical" and that the number of putative members "is  
23 well in excess of 1,000 people." Compl. ¶ 123. This requirement is therefore satisfied.

24 27. Accordingly, because this matter is a putative class action with 100 or more class  
25 members, is between citizens of different states, and places more than \$5,000,000 in controversy,  
26 removal is proper pursuant to 28 U.S.C. §§ 1332(d) and 1453.

27 28. None of CAFA's discretionary or mandatory exceptions to jurisdiction applies  
28 here because, as discussed above, no Defendant is a citizen of California. *See* 28 U.S.C. §

1 1332(d)(3)-(4).

2 **Original Jurisdiction—Federal Question**

3 29. This Court also has original jurisdiction over the matter because it presents a  
4 federal question. *See* 28 U.S.C. §§ 1331, 1441.

5 30. “[I]n certain case[s], federal-question jurisdiction will lie over state-law claims that  
6 implicate significant federal issues.” *Grable & Sons Metal Prods., Inc. v. Darue Eng’g & Mfg.*,  
7 545 U.S. 308, 312 (2005). “The doctrine captures the commonsense notion that a federal court  
8 ought to be able to hear claims recognized under state law that nonetheless turn on substantial  
9 questions of federal law, and thus justify resort to the experience, solicitude, and hope of  
10 uniformity that a federal forum offers on federal issues.” *Id.*

11 31. “[F]ederal jurisdiction over a state law claim will lie if a federal issue is: (1)  
12 necessarily raised, (2) actually disputed, (3) substantial, and (4) capable of resolution in federal  
13 court without disrupting the federal-state balance approved by Congress.” *Gunn v. Minton*, 568  
14 U.S. 251, 258 (2013) (citing *Grable*, 545 U.S. at 313-14). “Where all four of these requirements  
15 are met . . . jurisdiction is proper because there is a ‘serious federal interest in claiming the  
16 advantages thought to be inherent in a federal forum,’ which can be vindicated without disrupting  
17 Congress’s intended division of labor between state and federal courts.” *Id.* at 258. As set forth  
18 below, this case meets all four requirements.

19 32. First, at the center of the Complaint is an agreement with the IRS that raises  
20 federal issues and contains a federal choice of law provision, which Plaintiffs allege Defendants  
21 have breached. *See* Compl. ¶¶ 35-36, 38, 74, 83, 152-153, 165-168. The alleged breach of this  
22 agreement with the IRS raises an “obviously federal issue[.]” *Cty. of Santa Clara v. Astra USA,*  
23 *Inc.*, 401 F. Supp. 2d 1022, 1030 (N.D. Cal. 2005) (noting that, where a case involves a federal  
24 agreement, there is “a high[] quotient of federal interest”); *see Boyle v. United Techs. Corp.*, 487  
25 U.S. 500, 504 (1988) (“[O]bligations to and rights of the United States under its contracts are  
26 governed exclusively by federal law.”); *Illinois v. City of Milwaukee, Wis.*, 406 U.S. 91, 100  
27 (1972) (“[Section] 1331 jurisdiction will support claims founded upon federal common law as  
28 well as those of a statutory origin.”).



1           33.       Specifically, Plaintiffs allege that Defendants breached an agreement between the  
2 Internal Revenue Service (“IRS”) and Free File, Inc. (formerly Free File Alliance, LLC),<sup>4</sup> a  
3 consortium of the “the major electronic tax preparation companies.” *See* Compl. ¶¶ 35-36, 38, 74,  
4 83, 152-153, 165-168. On October 30, 2002, the IRS and FFI entered into a 3-year agreement—  
5 the Free Online Electronic Tax Filing Agreement (“Free File Agreement”)—“that set forth  
6 parameters for the IRS Free File program.” Compl. ¶ 36. A true and correct copy of the Free File  
7 Agreement referenced in paragraph 36 of the Complaint is attached hereto as Exhibit E. Section  
8 VIII of the Free File Agreement states: “This Agreement is governed by Federal law.” Free File  
9 Agreement, § VIII. The IRS and FFI renewed their Free File Agreement and entered into  
10 subsequent Memoranda of Understanding (“MOU”) to the original Free File Agreement. Compl.  
11 ¶ 38. The current and operative agreement is the Eighth Memorandum of Understanding on  
12 Service Standards and Disputes Between the Internal Revenue Service and Free File,  
13 Incorporated (“Eighth MOU”), which was entered into on October 31, 2018. *Id.* The Eighth  
14 MOU is attached to the Complaint as Exhibit 2. The choice of law provision contained in the  
15 Free File Agreement remains in effect per Article 9 of the Eighth MOU. *See* Eighth MOU, art.  
16 9.<sup>5</sup>

17           34.       In *New SD, Inc. v. Rockwell International Corp.*, 79 F.3d 953 (9th Cir. 1996), the  
18 Ninth Circuit held that a breach of contract claim founded upon an agreement governed by federal  
19 common law presents a “question aris[ing] under federal law, and federal question jurisdiction  
20 exists.” *Id.* at 955. Here, Plaintiffs assert a breach of contract claim against Defendants in their  
21 fourth cause of action. Plaintiffs allege that the Eighth MOU constitutes an agreement “between  
22 the IRS and FFI (including FFI Members).” Compl. ¶ 165. Plaintiffs assert that they and putative  
23 members of the Classes “are third-party beneficiaries of the Eighth MOU.” *Id.* ¶ 167. Plaintiffs  
24 further allege that Defendants breached the terms of the Eighth MOU by failing to comply with at  
25 least nine separate obligations set forth in the Eighth MOU, including the requirement “to provide

26 \_\_\_\_\_  
27 <sup>4</sup> Plaintiffs refer to Free File, Inc. and its predecessor Free File Alliance, LLC collectively  
as “FFI.” Compl. ¶ 35.

28 <sup>5</sup> Hereinafter, the terms “Free File Agreement” and “MOU” refer respectively to the  
operative versions of the Free File Agreement and MOU in effect at the relevant time.

1 taxpayers the option to file their tax return online without charge.” *See Id.* ¶ 168. Plaintiffs also  
2 base their third cause of action for unfair competition on allegations that Defendants breached the  
3 Eighth MOU. *See id.* ¶ 153 (“Defendants have engaged, and continued to engage, in unfair,  
4 unlawful, and fraudulent practices ... which include without limitation: ... “[c.] unlawfully,  
5 unfairly, and/or fraudulently violating, breaching and/or circumventing the provisions of the  
6 Eighth MOU....”). Because Plaintiffs allege that Defendants breached an agreement governed by  
7 federal law, the Complaint raises a federal issue.

8 35. Second, the federal issue raised in the Complaint is actually disputed because  
9 Plaintiffs and Defendants disagree on the interpretation of the obligations under, and alleged  
10 breach of, the Free File Agreement and MOU. *See Cty. of Santa Clara v. Astra USA, Inc.*, 588  
11 F.3d 1237, 1243 n.5 (9th Cir. 2009) (*rev’d on other grounds*, 563 U.S. 110 (2011)) (holding the  
12 enforcement of an obligation created by a nationwide federal agreement which must be  
13 interpreted according to federal law is actually disputed and “was properly heard by the district  
14 court in the exercise of its 28 U.S.C. § 1331 federal question jurisdiction”).

15 36. The Complaint alleges that Defendants “violate[d]” the agreement with the IRS  
16 by, among other things, (a) “advertis[ing], and direct[ing] consumers to, a competing service that  
17 Defendants represent as ‘free’ ... , which is *not* the same as Defendants’ [IRS Free File program]  
18 and which is ultimately *not* free for most taxpayers,” (b) “manipulate[ing] search engine results to  
19 divert taxpayers seeking free services ... into Defendants’ Bait-and-Switch Program, and then  
20 prompt[ing] many tax payers to pay Defendants for services those taxpayers do not need,” and (c)  
21 “not inform[ing] [taxpayers ineligible for Defendants’ Free File service] that there are other free  
22 filing offers or that the IRS Free File program is much broader than Defendants’ [Free File  
23 Service].” Compl. ¶¶ 5-8 (emphasis in original). Defendants dispute not only that such acts and  
24 practices alleged the Complaint occurred, but that they were even required by, or prohibited  
25 under, the terms of the Free File Agreement and MOU.

26 37. Third, the federal issue raised in the Complaint is substantial because federal law  
27 controls the Free File Agreement and MOU, and the interpretation of the Free File Agreement  
28 and MOU will significantly impact the federal system as a whole. *See Astra USA*, 401 F. Supp.

1 2d at 1027 (“Courts have fashioned an alternative way to evaluate substantiality: the importance  
2 of the federal issue.”). As the Ninth Circuit held in a later appeal in *Astra USA*, that lawsuit—  
3 which alleged breach of a federal agreement to which federal law applied—satisfied the  
4 substantial prong (and other prongs) of the *Grable* test, such that jurisdiction under 28 U.S.C.  
5 § 1331 was proper, “regardless of whether federal or state law create[d] the [underlying] cause of  
6 action.” *Astra USA*, 588 F.3d at 1243 n.5 (noting also that the claim “‘implicate[d] the  
7 government’s . . . interests’ in the uniform administration of the [federal program at issue] and the  
8 parties’ compliance with federal law.”).

9 38. Here, Plaintiffs allege in their fourth cause of action that Defendants breached the  
10 Free File Agreement and Eighth MOU to which they are allegedly third-party beneficiaries.  
11 Compl. ¶¶ 165-167. Plaintiffs’ third cause of action for unfair competition also is based on  
12 allegations that Defendants’ breached their obligations pursuant to the Eighth MOU. *Id.* ¶ 153.  
13 Because Plaintiffs’ right to relief depends on the interpretation of that MOU, as well as the Free  
14 File Agreement, the question of federal law is substantial. *See Copeland-Turner v. Wells Fargo*  
15 *Bank, N.A.*, No. CV-11-37-HZ, 2011 WL 996706, at \*5 (D. Or. Mar. 17, 2011) (holding that  
16 claim met “the ‘arising under’ prong of section 1331 because the plaintiff’s right to relief  
17 necessarily depends on the resolution of a substantial question of federal law.”); *Hammonds v.*  
18 *Aurora Loan Servs. LLC*, Civ. No. EDCV 10-1025, 2010 WL 3859069, at \*2 (C.D. Cal. Sept. 27,  
19 2010) (“Federal law controls the interpretation of the [Home Affordable Modification Program]  
20 contract [because] [w]hen a contract is entered into under federal law and one party is the United  
21 States, federal law applies.”).

22 39. Further, the interpretation of the Free File Agreement and MOU invoke a  
23 substantial federal interest because it will significantly affect the federal system as a whole—  
24 specifically, the filing of electronic tax returns by a group of Americans across the nation who  
25 meet certain criteria and who may opt to file their taxes using the IRS Free File program. *See*  
26 *Hornish v. King Cty.*, 899 F.3d 680, 690 (9th Cir. 2018).

27 40. This is not a case where the federal issue in dispute is significant to only the  
28

1 Plaintiffs and Defendants in the immediate suit. To the contrary, the interpretation of the Free  
 2 File Agreement and MOU, and the resulting impact on the parties' rights and obligations under  
 3 the Agreement and MOU, will reach beyond the State of California. It will affect eligible  
 4 taxpayers across the nation who may opt to file their taxes using the IRS Free File program, as  
 5 well as a federal agency (the IRS) and all members of FFI. The importance of the Free File  
 6 Agreement and MOU to the federal system is further bolstered by recent litigation brought *in*  
 7 *Federal Court* in the Northern District of California, also alleging violations of these agreements.  
 8 *See Sinohui v. Intuit Inc.*, No. 3:19-cv-02546-CRB (N.D. Cal. filed May 12, 2019); *Allwein v.*  
 9 *Intuit Inc.*, No. 3:19-cv-02567-CRB (N.D. Cal. filed May 13, 2019); *Dohrmann v. Intuit, Inc.*, No.  
 10 3:19-cv-02566-NC (N.D. Cal. filed May 13, 2019); *Nichols v. Intuit Inc.*, No. 3:19-cv-02666-  
 11 CRB (N.D. Cal. filed May 16, 2019); *Kehiaian v. Intuit, Inc.*, No:19-cv-02742-CRB (N.D. Cal.  
 12 filed May 20, 2019); *Leon v. Intuit, Inc.*, No. 3:19-cv-02878-CRB (N.D. Cal. filed May 24, 2019);  
 13 *Cook v. Intuit, Inc.*, No. 4:19-cv-03460-KAW (N.D. Cal. filed June 2, 2019).

14 41. The consistent interpretation of the Free File Agreement and MOU throughout  
 15 these cases “justif[ies] resort to the experience, solicitude, and hope of uniformity that a federal  
 16 forum offers on federal issues.” *Grable*, 545 U.S. at 312.

17 42. Finally, the federal issue raised in the Complaint is capable of resolution in federal  
 18 court without disrupting the federal-state balance approved by Congress because cases involving  
 19 contract and unfair competition claims predicated upon federal issues “are already endemic in  
 20 federal court.” *Astra USA*, 401 F. Supp. 2d at 1029. As the *Astra USA* Court held:

21 There is no reason to believe that allowing federal jurisdiction over  
 22 cases such as the instant one would tip the balance of federal-state  
 23 judicial responsibilities. As noted . . . such cases already have been  
 heard in both federal and state fora.

24 *Id.* at 1031. Indeed, as supported by the federal law provision contained in the Free File  
 25 Agreement, this case involves “the type of task that already falls to federal courts.” *Id.* at 1030.

26 43. Thus, Plaintiffs assert claims that “arise[] under the . . . laws . . . of the United  
 27 States,” 28 U.S.C. § 1331, because they arise from and are dependent upon the Free File  
 28 Agreement and MOU (a) to which the federal government is a party, (b) that contain a federal

1 choice of law provision, (c) that are governed by federal law, and (d) that implicate substantial  
2 federal interests. Accordingly, Defendants properly remove this case pursuant to 28 U.S.C.  
3 § 1331.

4 44. Pursuant to 28 U.S.C. §§ 1367(a) and 1441, this Court has supplemental  
5 jurisdiction over Plaintiffs’ remaining state-law claims against Defendants for violation of  
6 California’s Consumer Legal Remedies Act, false advertising, and unjust enrichment because  
7 they arise from the same set of operative facts, relate to the same alleged conduct, and form part  
8 of the same case or controversy as the claims implicating substantial federal issues. *See City of*  
9 *Chi. v. Int’l Coll. of Surgeons*, 522 U.S. 156, 164-65 (1997) (“[T]he federal courts’ original  
10 jurisdiction over federal questions carries with it jurisdiction over state law claims that ‘derive  
11 from a common nucleus of operative fact,’ such that ‘the relationship between [the federal] claim  
12 and the state claim permits the conclusion that the entire action before the court comprises but  
13 one constitutional “case.””) (quoting *Mine Workers v. Gibbs*, 383 U.S. 715, 725 (1966)).

14 WHEREFORE, Defendants hereby remove this state court action from the Superior Court  
15 of the State of California, County of San Francisco.

16  
17 Dated: June 21, 2019

JONES DAY

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By: /s/ Darren K. Cottriel  
Darren K. Cottriel  
  
Counsel for Defendants  
H&R BLOCK, INC.; HRB TAX GROUP,  
INC.; and HRB DIGITAL LLC

# **EXHIBIT A**

SUM-100

**SUMMONS  
(CITACION JUDICIAL)**

FOR COURT USE ONLY  
(SOLO PARA USO DE LA CORTE)

**NOTICE TO DEFENDANT:  
(AVISO AL DEMANDADO):**

**H&R BLOCK, INC., HRB TAX GROUP, INC., HRB DIGITAL LLC,  
and DOES 1 THROUGH 50,**

**YOU ARE BEING SUED BY PLAINTIFF:  
(LO ESTÁ DEMANDANDO EL DEMANDANTE):**

**PELANATTA OLOSONI, and DEREK SNARR, on behalf of  
themselves, the general public, and those similarly situated,**

**NOTICE!** You have been sued. The court may decide against you without your being heard unless you respond within 30 days. Read the information below.

You have 30 CALENDAR DAYS after this summons and legal papers are served on you to file a written response at this court and have a copy served on the plaintiff. A letter or phone call will not protect you. Your written response must be in proper legal form if you want the court to hear your case. There may be a court form that you can use for your response. You can find these court forms and more information at the California Courts Online Self-Help Center ([www.courtinfo.ca.gov/selfhelp](http://www.courtinfo.ca.gov/selfhelp)), your county law library, or the courthouse nearest you. If you cannot pay the filing fee, ask the court clerk for a fee waiver form. If you do not file your response on time, you may lose the case by default, and your wages, money, and property may be taken without further warning from the court.

There are other legal requirements. You may want to call an attorney right away. If you do not know an attorney, you may want to call an attorney referral service. If you cannot afford an attorney, you may be eligible for free legal services from a nonprofit legal services program. You can locate these nonprofit groups at the California Legal Services Web site ([www.lawhelpcalifornia.org](http://www.lawhelpcalifornia.org)), the California Courts Online Self-Help Center ([www.courtinfo.ca.gov/selfhelp](http://www.courtinfo.ca.gov/selfhelp)), or by contacting your local court or county bar association. NOTE: The court has a statutory lien for waived fees and costs on any settlement or arbitration award of \$10,000 or more in a civil case. The court's lien must be paid before the court will dismiss the case. **¡AVISO!** Lo han demandado. Si no responde dentro de 30 días, la corte puede decidir en su contra sin escuchar su versión. Lea la información a continuación.

Tiene 30 DÍAS DE CALENDARIO después de que le entreguen esta citación y papeles legales para presentar una respuesta por escrito en esta corte y hacer que se entregue una copia al demandante. Una carta o una llamada telefónica no lo protegen. Su respuesta por escrito tiene que estar en formato legal correcto si desea que procesen su caso en la corte. Es posible que haya un formulario que usted pueda usar para su respuesta. Puede encontrar estos formularios de la corte y más información en el Centro de Ayuda de las Cortes de California ([www.sucorte.ca.gov](http://www.sucorte.ca.gov)), en la biblioteca de leyes de su condado o en la corte que le quedó más cerca. Si no puede pagar la cuota de presentación, pida al secretario de la corte que le dé un formulario de exención de pago de cuotas. Si no presenta su respuesta a tiempo, puede perder el caso por incumplimiento y la corte le podrá quitar su sueldo, dinero y bienes sin más advertencia.

Hay otros requisitos legales. Es recomendable que llame a un abogado inmediatamente. Si no conoce a un abogado, puede llamar a un servicio de remisión a abogados. Si no puede pagar a un abogado, es posible que cumpla con los requisitos para obtener servicios legales gratuitos de un programa de servicios legales sin fines de lucro. Puede encontrar estos grupos sin fines de lucro en el sitio web de California Legal Services ([www.lawhelpcalifornia.org](http://www.lawhelpcalifornia.org)), en el Centro de Ayuda de las Cortes de California ([www.sucorte.ca.gov](http://www.sucorte.ca.gov)) o poniéndose en contacto con la corte o el colegio de abogados locales. **AVISO:** Por ley, la corte tiene derecho a reclamar las costas y los costos exentos por imponer un gravamen sobre cualquier recuperación de \$10,000 ó más de valor recibida mediante un acuerdo o una concesión de arbitraje en un caso de derecho civil. Tiene que pagar el gravamen de la corte antes de que la corte pueda desechar el caso.

The name and address of the court is:

(El nombre y dirección de la corte es):  
San Francisco Superior Court, 400 McAllister Street, San Francisco, CA 94012

CASE NUMBER  
(Número de caso): **19-19-576093**

The name, address, and telephone number of plaintiff's attorney, or plaintiff without an attorney, is:

(El nombre, la dirección y el número de teléfono del abogado del demandante, o del demandante que no tiene abogado, es):  
Seth A. Safier, Guirde Safier LLP, 100 Pine St., #1250, San Francisco, CA 94111; 415-336-6545

DATE:

**MAY 17 2019**

CLERK OF THE COURT

Clerk, by  
(Secretario)

**SANDRA L. SCHIRO**

Deputy  
(Adjunto)

(For proof of service of this summons, use Proof of Service of Summons (form POS-010).)

(Para prueba de entrega de esta citación use el formulario Proof of Service of Summons, (POS-010)).



**NOTICE TO THE PERSON SERVED:** You are served

1.  as an individual defendant.
2.  as the person sued under the fictitious name of (specify):
3.  on behalf of (specify): **HRB DIGITAL LLC** *cto CT Corporation 1205 Central Ave. (Ayton) 63145*
  - under:  CCP 418.10 (corporation)
  - CCP 416.20 (defunct corporation)
  - CCP 416.40 (association or partnership)
  - other (specify):
4.  by personal delivery on (date):

SUM-100

**SUMMONS  
(CITACION JUDICIAL)**

FOR COURT USE ONLY  
(SOLO PARA USO DE LA CORTE)

**NOTICE TO DEFENDANT:  
(AVISO AL DEMANDADO):**

H&R BLOCK, INC., HRB TAX GROUP, INC., HRB DIGITAL LLC,  
and DOES 1 THROUGH 50,

**YOU ARE BEING SUED BY PLAINTIFF:  
(LO ESTÁ DEMANDANDO EL DEMANDANTE):**

PELANATTA OLOSONI, and DEREK SNARR, on behalf of  
themselves, the general public, and those similarly situated,

**NOTICE!** You have been sued. The court may decide against you without your being heard unless you respond within 30 days. Read the information below.

You have 30 CALENDAR DAYS after this summons and legal papers are served on you to file a written response of this court and have a copy served on the plaintiff. A letter or phone call will not protect you. Your written response must be in proper legal form if you want the court to hear your case. There may be a court form that you can use for your response. You can find these court forms and more information at the California Courts Online Self-Help Center ([www.courtinfo.ca.gov/selfhelp](http://www.courtinfo.ca.gov/selfhelp)), your county law library, or the courthouse nearest you. If you cannot pay the filing fee, ask the court clerk for a fee waiver form. If you do not file your response on time, you may lose the case by default, and your wages, money, and property may be taken without further warning from the court.

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Hay otros requisitos legales. Es recomendable que llame a un abogado inmediatamente. Si no conoce a un abogado, puede llamar a un servicio de remisión a abogados. Si no puede pagar a un abogado, es posible que cumpla con los requisitos para obtener servicios legales gratuitos de un programa de servicios legales sin fines de lucro. Puede encontrar estos grupos sin fines de lucro en el sitio web de California Legal Services ([www.lawhelpcalifornia.org](http://www.lawhelpcalifornia.org)), en el Centro de Ayuda de las Cortes de California ([www.sucorte.ca.gov](http://www.sucorte.ca.gov)) o poniéndose en contacto con la corte o el colegio de abogados locales. AVISO: Por ley, la corte tiene derecho a reclamar las cuotas y los costos exentos por imponer un gravamen sobre cualquier recuperación de \$10,000 ó más de valor recibida mediante un acuerdo o una concesión de arbitraje en un caso de derecho civil. Tiene que pagar el gravamen de la corte antes de que la corte pueda desear el caso.

The name and address of the court is:

(El nombre y dirección de la corte es):  
San Francisco Superior Court, 400 McAllister Street, San Francisco, CA  
94012

CASE NUMBER

(Número de caso)  
19-576093

The name, address, and telephone number of plaintiff's attorney, or plaintiff without an attorney, is:

(El nombre, la dirección y el número de teléfono del abogado del demandante, o del demandante que no tiene abogado, es):  
Seth A. Safier, Gutride Safier LLP, 100 Pine St., #1250, San Francisco, CA 94111; 415-336-6545

DATE:

MAY 17 2019

CLERK OF THE COURT

Clerk, by

SANDRA L. SCHIRO

Deputy

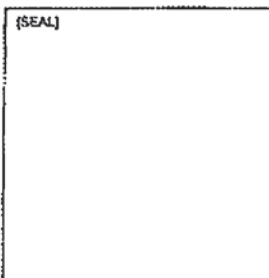
(Fecha)

(Secretario)

(Adjunto)

(For proof of service of this summons, use Proof of Service of Summons (form POS-010).)

(Para prueba de entrega de esta citación use el formulario Proof of Service of Summons. (POS-010)).



**NOTICE TO THE PERSON SERVED:** You are served

- as an individual defendant.
- as the person sued under the fictitious name of (specify):

3.  on behalf of (specify): H&R BLOCK, INC.

under:  CCP 416.10 (corporation)

CCP 416.20 (defunct corporation)

CCP 416.40 (association or partnership)

other (specify):

4.  by personal delivery on (date):

(msh)  
c/o CT Corporation System  
120 S. Central Ave  
Clyde, CA 94501  
63105

CCP 416.60 (minor)

CCP 416.70 (conservatee)

CCP 416.80 (authorized person)



SUM-100

**SUMMONS  
(CITACION JUDICIAL)**

FOR COURT USE ONLY  
(SOLO PARA USO DE LA CORTE)

**NOTICE TO DEFENDANT:  
(AVISO AL DEMANDADO):**

H&R BLOCK, INC., HRB TAX GROUP, INC., HRB DIGITAL LLC,  
and DOES 1 THROUGH 50,

**YOU ARE BEING SUED BY PLAINTIFF:  
(LO ESTÁ DEMANDANDO EL DEMANDANTE):**

PELANATITA OLOSONI, and DEREK SNARR, on behalf of  
themselves, the general public, and those similarly situated,

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The name and address of the court is:

(El nombre y dirección de la corte es):  
San Francisco Superior Court, 400 McAllister Street, San Francisco, CA 94012

CASE NUMBER  
(Número de caso)

600-19-576093

The name, address, and telephone number of plaintiff's attorney, or plaintiff without an attorney, is:

(El nombre, la dirección y el número de teléfono del abogado del demandante, o del demandante que no tiene abogado, es):  
Seth A. Safier, Gtrude Safier LLP, 100 Pine St., #1250, San Francisco, CA 94111; 415-336-6545

DATE:  
(Fecha)

MAY 17 2019

CLERK OF THE COURT

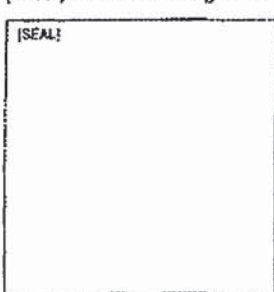
Clerk, by  
(Secretario)

SANDRA L. SCHIRO

, Deputy  
(Adjunto)

(For proof of service of this summons, use Proof of Service of Summons (form POS-010).)

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**NOTICE TO THE PERSON SERVED:** You are served

- 1.  as an individual defendant.
- 2.  as the person sued under the fictitious name of (specify):

3.  on behalf of (specify): HRB TAX GROUP, INC.

- under:  CCP 416.10 (corporation)  CCP 416.60 (minor)
- CCP 416.20 (defunct corporation)  CCP 416.70 (conservatee)
- CCP 416.40 (association or partnership)  CCP 416.90 (authorized person)

- other (specify):
- 4.  by personal delivery on (date):

(Handwritten notes)  
c/o CTC Corporation  
120 S. Contra Costa Ave  
Clayton, CA 94520  
6/3/05

**SUMMONS  
(CITACION JUDICIAL)**

FOR COURT USE ONLY  
(SOLO PARA USO DE LA CORTE)

**NOTICE TO DEFENDANT:  
(AVISO AL DEMANDADO):**

H&R BLOCK, INC., HRB TAX GROUP, INC., HRB DIGITAL LLC,  
and DOES 1 THROUGH 50,

**YOU ARE BEING SUED BY PLAINTIFF:  
(LO ESTÁ DEMANDANDO EL DEMANDANTE):**

PELANATITA OLOSONI, and DEREK SNARR, on behalf of  
themselves, the general public, and those similarly situated,

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The name and address of the court is:

(El nombre y dirección de la corte es):  
San Francisco Superior Court, 400 McAllister Street, San Francisco, CA  
94012

CASE NUMBER:  
(Número del Caso):

GGC-19-576093

The name, address, and telephone number of plaintiff's attorney, or plaintiff without an attorney, is:

(El nombre, la dirección y el número de teléfono del abogado del demandante, o del demandante que no tiene abogado, es):  
Seth A. Safier, Gutride Safier LLP, 100 Pine St., #1250, San Francisco, CA 94111; 415-336-6545

DATE: **MAY 17 2019**  
(Fecha)

CLERK OF THE COURT

Clerk, by  
(Secretario)

Deputy  
(Adjunto)

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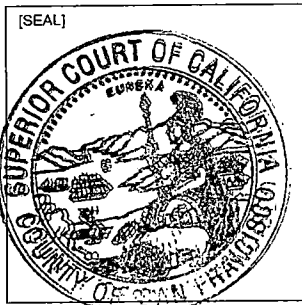
**SANDRA L. SCHIRO**

- 1.  as an individual defendant.
- 2.  as the person sued under the fictitious name of (specify):

3.  on behalf of (specify):

- |  |   |
|--|---|
| under: <input type="checkbox"/> CCP 416.10 (corporation)         | <input type="checkbox"/> CCP 416.60 (minor)             |
| <input type="checkbox"/> CCP 416.20 (defunct corporation)        | <input type="checkbox"/> CCP 416.70 (conservatee)       |
| <input type="checkbox"/> CCP 416.40 (association or partnership) | <input type="checkbox"/> CCP 416.90 (authorized person) |
| <input type="checkbox"/> other (specify):                        |   |

4.  by personal delivery on (date):



FILE BY FAX

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**GUTRIDE SAFIER LLP**  
ADAM J. GUTRIDE (State Bar No. 181446)  
SETH A. SAFIER (State Bar No. 197427)  
MARIE A. MCCRARY (State Bar No. 262670)  
100 Pine Street, Suite 1250  
San Francisco, CA 94111  
Telephone: (415) 336-6545  
Facsimile: (415) 449-6469  
adam@gutridesafier.com  
seth@gutridesafier.com  
marie@gutridesafier.com

Attorneys for Plaintiffs

**FILED**  
San Francisco County Superior Court

MAY 17 2019

CLERK OF THE COURT  
BY: Sandra Schier Deputy Clerk

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
COUNTY OF SAN FRANCISCO

PELANATITA OLOSONI, and DEREK SNARR, on behalf of themselves, the general public, and those similarly situated,

Plaintiffs,

v.

H&R BLOCK, INC., HRB TAX GROUP, INC., HRB DIGITAL LLC, and DOES 1 THROUGH 50,

Defendants.

Case No. **CGC-19-576093**

**UNLIMITED CIVIL CASE**

**CLASS ACTION COMPLAINT**

**JURY TRIAL DEMANDED**

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## INTRODUCTION

1. Plaintiffs Pelanatita Olosoni and Derek Snarr, on behalf of themselves, the general public, and those similarly situated, (collectively “Plaintiffs”), by and through their attorneys, bring this class action against Defendants H&R Block, Inc., HRB Tax Group, Inc., HRB Digital LLC, and Does 1-50, inclusive (collectively “Defendants” or “H&R Block”), for violations of California’s Consumer Legal Remedies Act (“CLRA”), California Civil Code §§ 1750 *et seq.*; False Advertising Law (“FAL”), Cal. Bus. & Prof. Code §§ 17200 *et seq.*; and Unfair Competition Law (“UCL”), Cal. Bus. & Prof. Code §§ 17500 *et seq.*; and for breach of contract and unjust enrichment. Plaintiffs allege the following upon information and belief, except for those allegations that specifically pertain to Plaintiffs, which are based on Plaintiffs’ personal knowledge.

2. Defendants market and sell the H&R Block brand of tax preparation software and services to consumers and businesses.

3. In 2002, the Internal Revenue Service (“IRS”) launched a program pursuant to which the majority of taxpayers in the United States would be able, and would be encouraged, to e-file their federal tax returns for free. To accomplish this goal, the IRS partnered with private companies to handle the e-filing services and processes. Under the program, all taxpayers with adjusted gross income below the 70<sup>th</sup> percentile (currently, below \$66,000 per year) are eligible for free online filing.

4. Through their participation in the IRS “Free File” program, Defendants are required to make available free electronic tax filing services to certain eligible taxpayers and to refrain from marketing their commercial services in competition with the Free File program. While Defendants purport to offer such a free service, available at <https://www.hrblock.com/ffa/> (referred to herein as “Defendants’ True Free File Service” or “H&R Block Free File”), Defendants are affirmatively acting to hide that program from taxpayers and to divert taxpayers seeking free e-filing services into Defendants’ paid programs. These actions violate both California law and Defendants’ agreement with the IRS.

1           5. Defendants aggressively advertise, and direct consumers to, a competing service  
2 that Defendants represent as “free,” “free tax filing,” and “H&R Block’s free online tax filing,”  
3 available at <https://www.hrblock.com/online-tax-filing/free-online-tax-filing/> (Defendants’ “Fake  
4 ‘Free’ Offer”), which is *not* the same as Defendants’ True Free File Service and which is  
5 ultimately *not* free for most taxpayers. Defendants’ Fake “Free” Offer is a lure Defendants use to  
6 ensnare unsuspecting taxpayers. At the same time, Defendants take steps to hide the existence of  
7 Defendants’ True Free File Service, including intentionally hiding it from search engines and  
8 depressing its search rankings. This is essentially a bait-and-switch scheme: Defendants use  
9 deceptive, misleading, and unfair marketing and tactics to divert taxpayers from the true IRS Free  
10 File program into their Fake “Free” Offer (or to pages promoting it), and then Defendants tell  
11 taxpayers who are eligible for free filing under the IRS Free File program that they have to pay  
12 for Defendants’ tax preparation services (“Defendants’ Bait-and-Switch Program”).

13           6. The majority of taxpayers are eligible to file their tax returns for free and should be  
14 directed to one of the IRS Free File offers. By contrast, only a small portion of taxpayers satisfy  
15 the conditions for filing a free return within the Fake “Free” part of Defendants’ Bait-and-Switch  
16 Program. Nonetheless, Defendants heavily promote their Bait-and-Switch Program, manipulate  
17 search engine results to divert taxpayers seeking free services (such as Defendants’ True Free File  
18 Service) into Defendants’ Bait-and-Switch Program, and then prompt many taxpayers to pay  
19 Defendants for services that those taxpayers do not need. Once Defendants lure taxpayers into  
20 Defendants’ Bait-and-Switch program, Defendants falsely and misleadingly tell most of them that  
21 they must pay to file their tax returns, even though the taxpayers are actually eligible to file their  
22 returns for free through Defendants’ True Free File Service or through another IRS Free File  
23 program available from another provider. Defendants’ deceptive conduct of creating the Bait-and-  
24 Switch program misleads reasonable taxpayers to believe that they are ineligible for the IRS Free  
25 File program, when in fact they are eligible.

26           7. For those few taxpayers who actually make it to the landing page for Defendants’  
27 True Free File Service, those over the age of 51 will find that they are generally ineligible for  
28

1 Defendants' True Free File Service, even though they are eligible for free filing under multiple  
2 other free services within the IRS Free File program. But Defendants do not inform such  
3 taxpayers that there are other free filing offers or that the IRS Free File program is much broader  
4 than Defendants' True Free File Service. Instead, they mislead reasonable taxpayers to believe  
5 that they are ineligible for the IRS Free File program, when in fact they are eligible, and that they  
6 must pay to file with H&R Block, when in fact there are other free options that are readily  
7 available to such taxpayers.

8 8. In pursuing this scheme, Defendants disregard (and intentionally violate) their  
9 agreement with the IRS, which requires Defendants to direct taxpayers to other free e-filing  
10 services when they do not qualify for Defendants' True Free File Service, and which requires  
11 Defendants to refrain from marketing their paid services in such direct competition with and to  
12 the disadvantage of the IRS Free File program. Defendants' marketing campaign is not only  
13 deceptive but, at a minimum, it unfairly violates the spirit of Defendants' contract with the IRS, in  
14 which Defendants agreed to ensure that taxpayers, especially lower income taxpayers, would  
15 have unfettered access to free e-filing services.

16 9. Throughout the relevant period, Defendants have obtained substantial profits from  
17 their unlawful, deceptive and unfair practices.

18 **PARTIES**

19 10. Plaintiff Pelanatita Olosoni is, and at all times alleged in this Complaint was, an  
20 individual and resident of Hayward, California.

21 11. Plaintiff Derek Snarr is, and at all times alleged in this Complaint was, an  
22 individual and resident of San Francisco, California.

23 12. Defendant H&R Block, Inc. is a company existing under the laws of the State of  
24 Missouri, having its principal place of business at One H&R Block Way, Kansas City, Missouri  
25 64105.

1           13. Defendant HRB Tax Group, Inc. is a company existing under the laws of the State  
2 of Missouri, having its principal place of business at One H&R Block Way, Kansas City,  
3 Missouri 64105.

4           14. Defendant HRB Digital LLC is a company existing under the laws of the State of  
5 Delaware, having its principal place of business at One H&R Block Way, Kansas City, Missouri  
6 64105.

7           15. The Defendants sued as Does 1 through 50 inclusive are individuals who  
8 participated in the tortious conduct alleged herein but whose true names and capacities are  
9 unknown to Plaintiffs, who therefore sue said Defendants by such fictitious names. Plaintiffs will  
10 seek leave of Court to amend this Class Action Complaint when said true names and capacities  
11 have been ascertained.

12           16. The Parties identified in paragraphs 12-15 of this Class Action Complaint are  
13 collectively referred to hereafter as "Defendants."

14           17. With respect to the allegations herein, each of the Defendants was each other's  
15 agent and, in doing the things herein alleged, was acting within the scope and course of its  
16 authority as such agent.

17           18. With respect to the allegations herein, each of the Defendants was a member of,  
18 and engaged in, a joint venture, partnership and common enterprise, and acting within the course  
19 and scope of, and in pursuance of, said joint venture, partnership and common enterprise.

20           19. With respect to the allegations herein, the acts and omissions of each of the  
21 Defendants concurred and contributed to the various acts and omissions of each and all of the  
22 other Defendants in proximately causing the injuries and damages as herein alleged.

23           20. With respect to the allegations herein, each of the Defendants ratified each and  
24 every act or omission complained of herein. At all times herein mentioned, each of the  
25 Defendants aided and abetted the acts and omissions of each and all of the other Defendants in  
26 proximately causing the damages, and other injuries, as herein alleged.

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**JURISDICTION AND VENUE**

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2           21. Plaintiffs bring this action pursuant, *inter alia*, to the California Business and  
3 Professions Code, section 17200, *et seq.* Plaintiffs and Defendants are “persons” within the  
4 meaning of the California Business and Professions Code, section 17201.

5           22. The injuries, damages and/or harm upon which this action is based, occurred or  
6 arose out of, and will continue to occur and arise out of, activities engaged in by Defendants  
7 within and affecting the State of California.

8           23. Defendants aggressively market their tax preparation services in California to  
9 citizens of California, have engaged in numerous transactions with California taxpayers, have  
10 harmed many California taxpayers, and will continue to harm many California taxpayers, as  
11 alleged herein.

12           24. Defendants have engaged, and continues to engage, in substantial and continuous  
13 business practices in the State of California, including in the County of San Francisco.

14           25. Defendants have an Online Services Agreement associated with their online tax  
15 preparation services, which includes an arbitration provision that states, in part, as follows:

16           **11.3 Waiver of right to bring class action and representative claims.** All arbitrations  
17 will proceed on an individual basis. The arbitrator is empowered to resolve the dispute  
18 with the same remedies available in court, including compensatory, statutory, and punitive  
19 damages; attorneys' fees; and declaratory, injunctive, and equitable relief. However, any  
20 relief must be individualized to you and will not affect any other client. The arbitrator is  
21 also empowered to resolve the dispute with the same defenses available in court, including  
22 but not limited to statutes of limitation. **You and the H&R Block Parties also agree that**  
23 **each may bring claims against the other in arbitration only in your or their**  
24 **respective individual capacities and in so doing you and the H&R Block Parties**  
25 **hereby waive the right to a trial by jury, to assert or participate in a class action**  
26 **lawsuit or class action arbitration, to assert or participate in a private attorney**  
27 **general lawsuit or private attorney general arbitration, and to assert or participate**  
28 **in any joint or consolidated lawsuit or joint or consolidated arbitration of any kind.**  
If a court decides that applicable law precludes enforcement of any of this paragraph's  
limitations as to a particular claim for relief, then that claim for relief (and only that claim  
for relief) must remain in court and be severed from any arbitration. The H&R Block  
Parties do not consent to, and the arbitrator will not have authority to conduct, any class  
action arbitration, private attorney general arbitration, or arbitration involving joint or  
consolidated claims, under any circumstance.



1           26. Under *McGill v. Citibank, N.A.*, 2 Cal. 5th 945 (2017), Defendants' arbitration  
2 provision purports to deprive California taxpayers of their right to seek a public injunction under  
3 the CLRA, FAL, and UCL in any forum and thus is not enforceable. This action is not subject to  
4 arbitration because it seeks public injunctive and declaratory relief, under *McGill*, to prohibit  
5 Defendants from continuing their deceptive and unfair practices and to protect the general public  
6 from the threat of future injury. Moreover, Defendants' arbitration provision explicitly states that  
7 "If a court decides that applicable law precludes enforcement of any of this paragraph's  
8 limitations as to a particular claim for relief, then that claim for relief (and only that claim for  
9 relief) must remain in court and be severed from any arbitration." Under the express terms of this  
10 arbitration provision, the claims asserted in this lawsuit "must remain in court" and are not  
11 subject to the limitations of Defendants' purported arbitration agreement.

12           27. In addition, Plaintiff Snarr has opted out of the arbitration within 60 days, as  
13 provided by Defendants' Online Services Agreement:

14           **Right to Opt Out of This Arbitration Agreement: You are not required to accept**  
15 **arbitration even though you must accept this Agreement to receive service today.**  
16 **You may opt out of this Arbitration Agreement within the first 60 days after you**  
17 **accept this Agreement by fully filling out the form found at**  
18 **[www.hrblock.com/goto/optout](http://www.hrblock.com/goto/optout), or by sending a signed letter to Arbitration Opt-Out,**  
19 **P.O. Box 32818, Kansas City, MO 64171. The letter should include your printed**  
20 **name, the first five digits of your Social Security Number, state, zip code, and the**  
21 **words "Reject Arbitration." If you opt out of this Arbitration Agreement, any prior**  
22 **arbitration agreement will remain in force and effect.**

23           28. Plaintiff Snarr filed his federal and state tax returns on April 15, 2019, and opted  
24 out of the above-referenced arbitration provision on May 14, 2019, by filling out the form found  
25 at [www.hrblock.com/goto/optout](http://www.hrblock.com/goto/optout).

26           29. In accordance with California Civil Code Section 1780(d), Plaintiffs file herewith  
27 a declaration, attached as Exhibit 1, establishing that they are filing this lawsuit in the county in  
28 which Plaintiff Snarr filed his tax return and was harmed.

          30. Plaintiffs accordingly allege that jurisdiction and venue are proper in this Court.

**SUBSTANTIVE ALLEGATIONS**

**A. Defendants' Online Tax Services**

31. Defendants develop, market, sell, operate, and control a number of financial products and services, including electronic tax preparation and filing software, services, and applications. According to a press release, dated April 24, 2019, on Defendants' website, H&R Block products and services were used to prepare more than 20 million tax returns in the United States in Defendants' most recent fiscal year. About 2 million of those were through desktop products and about 6 million were filed online, while only 661,000 of those were part of the IRS Free File program. *See* <https://www.hrblock.com/tax-center/newsroom/around-block/financial-statements/tax-season-volume-april-19-2019/> (last accessed May 14, 2019).

32. Electronic tax preparation and filing software and services generally consist of two basic components: a user interface that prompts users to provide relevant information and an electronic tax engine which processes the information. The interface is similar to that with a live tax preparer. Through a series of questions, taxpayers provide information to the software, which is then processed by the tax engine for calculation. The tax engine is a software program based upon federal and state tax codes and regulations.

33. Defendants offer a desktop version of their software as well as an online version and a mobile application version. Taxpayers using the online version of H&R Block tax preparation software and services create an account and fill out their tax information through a web-based or smartphone-based program or interface. Nearly all of Defendants' electronic tax preparation and filing software and services are sold to consumers and businesses for a fee. Among those marketed to the public for profit by Defendants is their Fake "Free" Offer, which is only free in limited instances and which is used by Defendants as part of their Bait-and-Switch Program to extract money from vulnerable taxpayers. Although most taxpayers (and all taxpayers with AGI of \$66,000 or less in 2018) are entitled to file their returns for free, Defendants deceptively and unfairly inform those taxpayers that they are required to pay for Defendants' tax

1 services. (Defendants' for-profit tax preparation offerings are collectively referred to herein as  
2 "Paid HRB Tax Programs.")

3 **B. IRS Free File Program**

4 34. Congress passed the Restructuring and Reform Act of 1998, which set goals to  
5 have at least 80 percent of all federal tax returns filed electronically by 2007. To meet this 80  
6 percent benchmark, the IRS developed a "Free File" program in 2001-2002, whereby, in theory,  
7 the majority of taxpayers would be entitled to e-file their federal tax returns for free.

8 35. Rather than develop its own software to allow for the filing of tax returns  
9 electronically, the IRS decided to partner with established private software companies to provide  
10 free tax preparation and filings services. In 2002, Free File Alliance, LLC was formed, consisting  
11 of companies engaged in the electronic tax preparation and filing industry ("Members"),  
12 including the major electronic tax preparation companies such as Defendants. In 2010, those  
13 Members formed Free File, Inc. to take the place of Free File Alliance, LLC, but the Members  
14 and Free File, Inc. still sometimes use the name "Free File Alliance" to refer to themselves. (Free  
15 File, Inc. and its predecessor Free File Alliance, LLC are collectively referred to herein as "FFI.")

16 36. On October 30, 2002, FFI and the IRS entered into a 3-year agreement that set  
17 forth parameters for the IRS Free File program, pursuant to which FFI would offer free online tax  
18 preparation and filing services to the majority of taxpayers. In exchange for providing this  
19 service, the IRS agreed not to independently develop and maintain its own tax return e-filing  
20 system.

21 37. In particular, the Free File program is intended to serve all taxpayers with an  
22 adjusted gross income ("AGI") equal to or less than that of 70 percent of all taxpayers for the  
23 prior year ("Eligible Taxpayers"). For the 2018 tax year, taxpayers with an AGI of \$66,000 or  
24 less would qualify for the Free File program. To further encourage e-filing, the IRS provides  
25 substantial incentives to taxpayers who file their returns electronically, including quicker  
26 processing and more rapid tax refunds, and threatens those who do not with a greater likelihood  
27 of an audit.

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1           38.     FFI and IRS have subsequently renewed their original agreement and entered into  
2 supplemental Memorandum of Understanding agreements to the original agreement. The current  
3 operating agreement between FFI and the IRS is the Eighth Memorandum of Understanding on  
4 Service Standards and Disputes Between the Internal Revenue Service and Free File,  
5 Incorporated (“Eighth MOU”, attached hereto as Exhibit 2), which became effective on October  
6 31, 2018 and has a termination date of October 31, 2021. As a Member of FFI, Defendants agreed  
7 to and are bound by the Eighth MOU.

8           **C.     The Eighth MOU Requires FFI Members to Provide Filers With Easy,  
9 Streamlined Access to Free Tax Filing Services.**

10           39.     Under the terms of the Eighth MOU, FFI Members are to assist the IRS in  
11 increasing electronic filing of tax returns, and in particular, provide those services “to  
12 economically disadvantaged and underserved populations at no cost to either the individual user  
13 or to the public treasury.” Ex. 2, Art. 2. In participating in the program, the FFI Members  
14 explicitly agree “to serve the greater good” and acknowledge that the program “is focused on  
15 covering the taxpayers least able to afford e-filing their returns on their own.” *Id.* FFI Members  
16 also agree to “[m]ake tax return preparation and filing easier and reduce the burden on individual  
17 taxpayers, particularly the economically disadvantaged and underserved populations,” *Id.*, § 2.1;  
18 and “provid[e] taxpayers the option to file their tax return online without charge.” *Id.*, § 2.4.

19           40.     Pursuant to the Eighth MOU, FFI as a whole is required to make free e-filing  
20 services available to all Eligible Taxpayers. Each Member of FFI is only responsible, however, to  
21 serve between 10% and 50% of Eligible Taxpayers. Accordingly, the Members of FFI have  
22 agreed among themselves that each Member will serve only a portion of Eligible Taxpayers,  
23 based on various criteria, so that all Eligible Taxpayers have access to at least one platform on  
24 which they can e-file their return. In other words, Members agree that some Members will serve  
25 only qualified taxpayers who make over a certain amount or require the use of certain additional  
26 schedules, whereas others will serve only those with lower AGIs or do not need those schedules.  
27 Defendants have agreed with FFI Members to offer free e-filing services to taxpayers with  
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1 \$66,000 or less in AGI and: (i) who are between the ages of 17 and 51; (ii) who have been on  
2 active duty in the military; or (iii) who qualify for the Earned Income Credit. Other Members  
3 serve non-military taxpayers with up to \$66,000 of AGI, with different exclusions. The various  
4 factors that a consumer must consider to determine which Member's offer he or she qualifies for  
5 is complex. The current list of available offers under the IRS Free File program is available at  
6 <https://apps.irs.gov/app/freeFile> (last accessed Apr. 30, 2019).

7 41. To ensure that Eligible Taxpayers are able to e-file for free, FFI and the IRS have  
8 agreed that each Member must set up their e-filing system in such a way so as to ensure taxpayers  
9 who do not qualify for that particular Member's free e-filing service can easily locate a free e-  
10 filing service for which they do qualify. Ex. 2, §§ 4.19.2(iii), 4.32.2. Specifically, in the event that  
11 a taxpayer is ineligible for Defendants' Free File offer, Defendants is required to direct the  
12 taxpayer "back to the IRS Free File Landing Page as the first and most prominent alternative  
13 action so that [the taxpayer] may immediately consider other Free File offers available from the  
14 Free File Program." Ex. 2, §§ 4.19.2(iii).

15 42. FFI and the IRS agreed that the IRS Free File program should not be used by FFI  
16 Members to sell their commercial products and services. Members are not permitted to include "a  
17 'value-added' button (i.e., an icon, link, or any functionality that provides a taxpayer with access  
18 to a Member's commercial products or services) on the Member's Free File Landing Page." Ex.  
19 2, § 4.32.6. More generally, "[n]o marketing, soliciting, sales or selling activity, or electronic  
20 links to such activity are permitted in the Free File Program," with two limited exceptions. The  
21 first exception is the sale of a federal return after the taxpayer is notified that he or she is  
22 ineligible for the Member's Free File offer, has been directed back to the IRS Free File Landing  
23 Page to consider other Free File offers, and has nonetheless chosen "to complete and file his or  
24 her return using the Member's commercial offer." Ex. 2, § 4.32.5. The second exception is for  
25 "disclosures or sales (as applicable) related to free or paid state tax preparation offers as  
26 specifically provided for in this MOU." *Id.*

1           43.     Once a taxpayer has filed a return using a Member's Free File service, the Member  
2 is required to send at least one email to the taxpayer prior to the next year's tax season reminding  
3 the taxpayer of that Member's Free File offer and inviting the taxpayer to return to that Member's  
4 Free File Landing Page. Ex. 2, § 4.32.4. Free File Members may not use that communication to  
5 market non-Free File products or services.

6           **D.     Defendants' Bait-and-Switch Program Is Designed to Trick Taxpayers Into**  
7           **Paying to E-File and Violates the Terms and Spirit of the Eighth MOU.**

8           44.     Defendants purport to offer two separate "free" services: Defendants' True Free  
9 File Service and Defendants' Bait-and-Switch Program. However, the Bait-and-Switch Program  
10 is designed to supplant Defendants' True Free File Service and then to railroad Eligible  
11 Taxpayers into purchasing Paid HRB Tax Programs:

12           45.     Defendants' True Free File Service is offered pursuant to their participation in the  
13 FFI and the Eighth MOU. To qualify for Defendants' True Free File Service, which provides free  
14 e-filing for both federal and state tax returns, the taxpayer must have \$66,000 or less in AGI and:  
15 (i) be between the ages of 17 and 51; (ii) have been on active duty in the military; or (iii) qualify  
16 for the Earned Income Credit. The website for Defendants' True Free File Service is:  
17 <https://www.hrblock.com/ffa/>.

18           46.     Defendants' Bait-and-Switch Program, while using the word "free" extensively, is  
19 actually free for few taxpayers and is designed to extract money from unsuspecting, vulnerable  
20 taxpayers, thereby undermining the usage, effectiveness, and goals of Defendants' True Free File  
21 Service and of the IRS Free File program generally. Among other things: (a) Defendants pay to  
22 broadly advertise their Bait-and-Switch Program on multiple platforms, in ways designed to  
23 deceive, mislead, and confuse consumers about the nature and cost of Defendants' tax services  
24 and to effectively supplant Defendants' True Free File Service; (b) Defendants manipulate search  
25 engine results to ensure that the vast majority of internet users searching for Defendants' True  
26 Free File Service are funneled instead into Defendants' Bait-and-Switch Program; and  
27 (c) Defendants design their websites to convince taxpayers that they are in the process of filing a  
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1 free return when, in fact, they are in Defendants' Bait-and-Switch Program. In their advertising,  
2 internet search manipulations, and website designs, Defendants repeatedly and heavily emphasize  
3 the word "free," to mislead taxpayers as to the nature of the Bait-and-Switch Program.

4 **1. Defendants Went to Great Lengths to Steer Taxpayers Into the Bait-**  
5 **and-Switch Program Instead of Their True Free File Service.**

6 47. Defendants have used a variety of tactics to conceal their True Free File Service  
7 and to supplant it with their Bait-and-Switch Program.

8 48. First, Defendants have paid for extensive ad campaigns on television, radio,  
9 internet, and social media platforms for Defendants' Bait-and-Switch Program.

10 49. Second, Defendants purposely made it difficult to find Defendants' True Free File  
11 Service by placing a "noindex" tag on the webpage for that True Free File Service, which  
12 essentially tells search engines **not** to crawl that page. In particular, the source code for  
13 <https://www.hrblock.com/ffa/> included the following line of code:

14 `<meta name="robots" content="noindex, nofollow">`

15 50. As a result, the website for Defendants' True Free File Service typically would not  
16 appear near the top of internet search results, while webpages for Defendants' Bait-and-Switch  
17 Program (such as <https://www.hrblock.com/online-tax-filing/free-online-tax-filing>,  
18 <https://www.hrblock.com/online-tax-filing>, and [https://www.hrblock.com/tax-](https://www.hrblock.com/tax-center/filing/efile/free-e-file)  
19 [center/filing/efile/free-e-file](https://www.hrblock.com/tax-center/filing/efile/free-e-file)) would appear at the top of the list of results for searches consisting  
20 of terms such as "free," "file," "filing," "tax," "taxes," and/or "h&r block."

21 51. ProPublica, a nonprofit news organization, recently published a series of articles  
22 exposing Defendants' and Intuit, Inc.'s unfair and deceptive practices with respect to the IRS Free  
23 File program and Defendants' Bait-and-Switch Program. One of those articles explained how  
24 Intuit, Inc. and Defendants used their source code to hide the webpage for Defendants' True Free  
25 File Service, using the code referenced in the above paragraph. *See*  
26 [https://www.propublica.org/article/turbotax-deliberately-hides-its-free-file-page-from-search-](https://www.propublica.org/article/turbotax-deliberately-hides-its-free-file-page-from-search-engines)  
27 [engines](https://www.propublica.org/article/turbotax-deliberately-hides-its-free-file-page-from-search-engines) (last accessed Apr. 30, 2019).

1           52.     In response to that negative press about Defendants' deceptive and unfair  
2 practices, and recognizing that their practices were, in fact, unfair and deceptive, Defendants  
3 recently changed the above-referenced line of source code to the following:

4           <meta name="robots" content="index, follow">

5           53.     Accordingly, it appears that Defendants are now allowing search engine robots to  
6 index the homepage for Defendants' True Free File Service. However, Defendants continue to  
7 engage in a number of additional unfair and deceptive practices.

8           54.     For example, Defendants hijack demand for their True Free File Service and  
9 redirect taxpayers into Defendants' Bait-and-Switch Program.

10          55.     Webpages for Defendants' Bait-and-Switch Program (such as  
11 <https://www.hrblock.com/online-tax-filing/free-online-tax-filing>,  
12 <https://www.hrblock.com/online-tax-filing>, and [https://www.hrblock.com/tax-](https://www.hrblock.com/tax-center/filing/efile/free-e-file)  
13 [center/filing/efile/free-e-file](https://www.hrblock.com/tax-center/filing/efile/free-e-file)) continue to appear at the top of the list of results for searches  
14 consisting of terms such as "free," "file," "filing," "tax," "taxes," and/or "h&r block."

15          56.     Defendants' Bait-and-Switch Program includes a webpage  
16 (<https://www.hrblock.com/tax-center/filing/efile/free-e-file>) that is designed to capture taxpayers  
17 seeking free e-filing services and which ranks highly in search results. A screenshot that page is  
18 below. That page represents that many taxpayers (but not all) can e-file for free with H&R Block  
19 through its Fake "Free" Offer, and includes links to other pages within Defendants' Bait-and-  
20 Switch Program (including <https://www.hrblock.com/online-tax-filing/free-online-tax-filing>,  
21 <https://www.hrblock.com/online-tax-filing>, and [https://www.hrblock.com/filing-options-and-](https://www.hrblock.com/filing-options-and-products.html)  
22 [products.html](https://www.hrblock.com/filing-options-and-products.html)). Defendants thereby represent and imply that Defendants' Fake "Free" Offer is the  
23 free filing service taxpayers are seeking, when Defendants know that taxpayers are seeking the  
24 truly free filing that is available through the IRS Free File program. Remarkably, *none* of the  
25 links on this page take taxpayers to Defendants' True Free File Service and, as the screenshot  
26 below shows, Defendants do not refer taxpayers to either Defendants' True Free File Service or to  
27 the IRS Free File program:  
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TAX INFORMATION CENTER : FILING : EFILE

# Free E-File Taxes – Learn How to e-File for Free

## Free e-File Tax Return

Free e-file taxes online with H&R Block. File your tax return with free e-file options online at H&R Block and let our expert online tax preparation help you file your taxes.

In many instances, it is possible to free e-file your tax return. Electronic tax filing is the process of submitting your completed tax return to the IRS through electronic means, usually over the Internet. This process is very desirable since it reduces the processing time of your return and may get a refund to you quicker. However, it is not available for everyone. Additionally, it is not always possible to find a free e file option. You may have to pay a small fee for this. H&R Block offers several tax filing options.

In many cases, free tax e-file services are available. For example, you may be able to use your tax software or file online to complete your taxes and then benefit from a free e-file credit provided to you by the organization. Most tax preparation companies will lump any fees associated in the electronic filing process into your fee for the service. This allows you to avoid paying an additional fee at the completion of your taxes to file them.

It is also important to remember that in order to file your taxes through an electronic method like this, you will need to first complete your tax return. The electronic filing process is only a submission process that sends your completed return to the IRS. You still need to complete your return and make sure that you get all of the deductions you qualify for included.

To make it easier for you to complete your taxes and to free e-file, work with H&R Block. Let our tax professionals help you to complete your taxes quickly and with the best level of accuracy. You can then get free e file service in many instances. This could help you to get your tax refund faster and it allows you to track your submission status. Let H&R Block help you to get the most back.

Learn more about H&R Block tax offices and our free tax preparation services.

RELATED TOPICS

Dependents

Credits

Filing Online



57. On certain pages within the Bait-and-Switch Program (such as <https://www.hrblock.com/online-tax-filing/> and <https://www.hrblock.com/filing-options-and-products.html>), Defendants present four online options to the taxpayer, but none of them is the True Free File Service. The first option is the Fake “Free” Offer that is designed to lure taxpayers

1 into Defendants' Bait-and-Switch Program. Screenshots from the two webpages referenced in the  
 2 first sentence of this paragraph are, respectively, below:  
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6 **Tell us about you, then take on your taxes**

7 Have kids | Own a home | Have an HSA | Freelancer / Contractor | Have investments | Own rentals | Self-employed | Own a business

<p>8 <b>Free online</b> Best if you have a W-2, have kids &amp; rent</p> <p>9 <b>\$0</b></p> <p>10 + \$29.99 per state filed</p> <p>11 <b>File for free</b></p> <p>12 More details</p>	<p>8 <b>Deluxe online</b> Best for homeowners, donations &amp; HSAs</p> <p>9 <b>\$49.99</b></p> <p>10 + \$39.99 per state filed</p> <p>11 <b>Start for free</b></p> <p>12 More details</p>	<p>8 <b>Premium online</b> Best for freelancers, contractors &amp; investors</p> <p>9 <b>\$69.99</b></p> <p>10 + \$39.99 per state filed</p> <p>11 <b>Start for free</b></p> <p>12 More details</p>	<p>8 <b>Self-employed online</b> Best for self-employed &amp; small business</p> <p>9 <b>\$104.99</b></p> <p>10 + \$39.99 per state filed</p> <p>11 <b>Start for free</b></p> <p>12 More details</p>
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13 **Our top choice for online tax prep** - PC Mag **Offers** **Compare online tax filing solutions**

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15 **In person or online, Block has your back**

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17 **I'll do my own taxes** **View all** **Do my taxes for me** **View all**

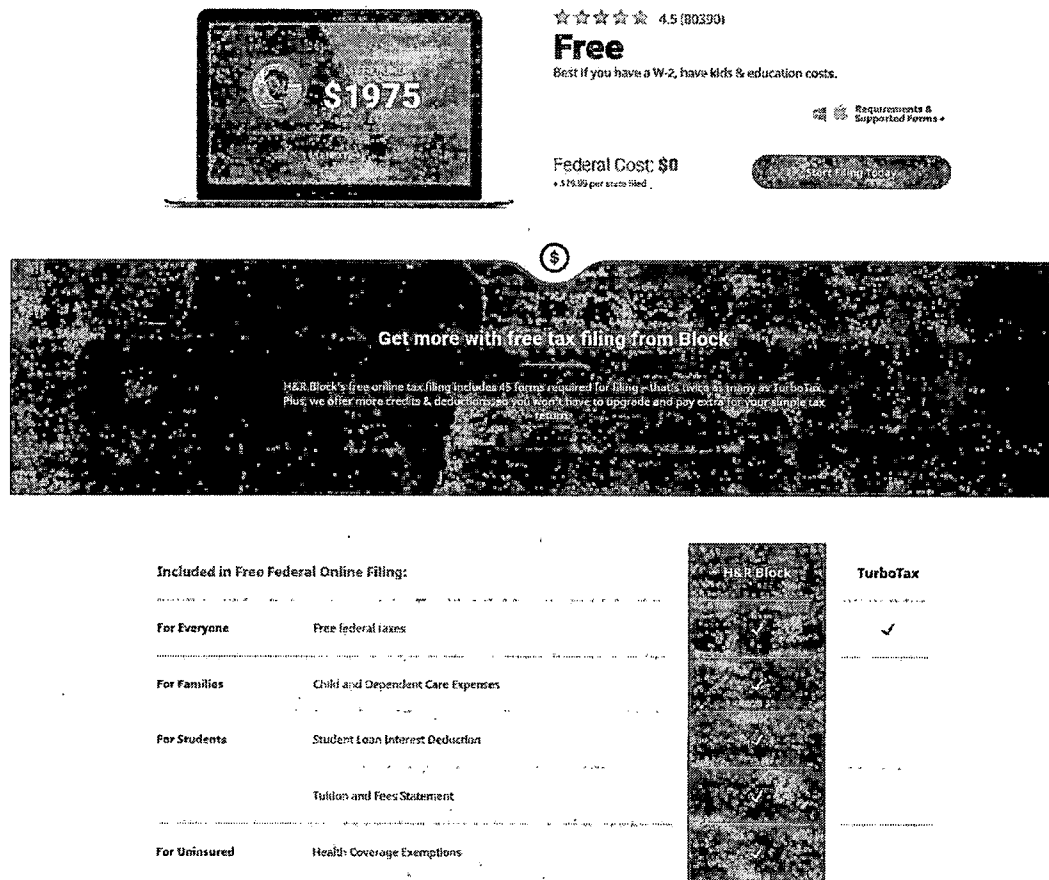
<p>18 <b>Free online</b> Best if you have a W-2, have kids &amp; rent</p> <p>19 <b>File for free</b></p> <p>20 More details</p>	<p>18 <b>Deluxe online</b> Best for homeowners, donations &amp; HSAs</p> <p>19 <b>Start for free</b></p> <p>20 More details</p>	<p>18 <b>Premium online</b> Best for freelancers, contractors &amp; investors</p> <p>19 <b>Start for free</b></p> <p>20 More details</p>	<p>18 <b>Tax Pro Go</b> Upload your docs &amp; we'll do the rest</p> <p>19 <b>Get started</b></p> <p>20 More details</p>	<p>18 <b>In-office / Drop-off</b> Sit with a tax pro or drop off your docs</p> <p>19 <b>Find an office</b></p> <p>20 More details</p>
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23 **Know your price, every step of the way** **Learn more** **Help me choose**

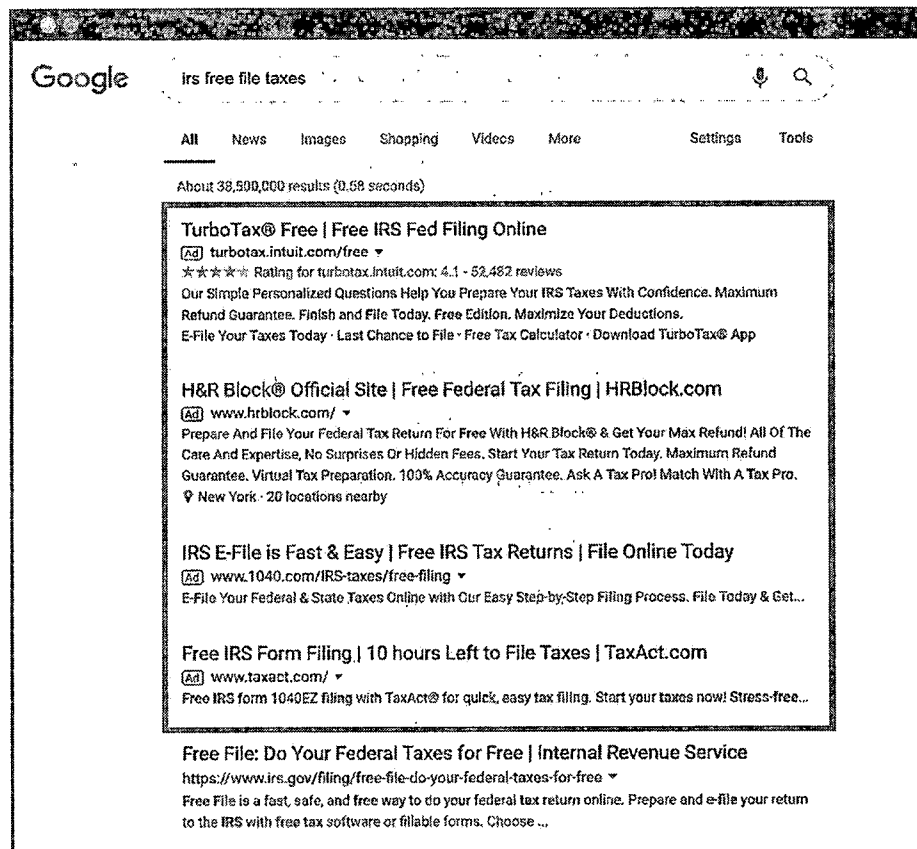
1           58. The landing page for Defendants’ Fake “Free” Offer ([https://](https://www.hrblock.com/online-tax-filing/free-online-tax-filing)  
 2 [www.hrblock.com/online-tax-filing/free-online-tax-filing](https://www.hrblock.com/online-tax-filing/free-online-tax-filing)), whether reached through clicking on  
 3 an internet search result or on a link or icon on another webpage within Defendants’ Bait-and-  
 4 Switch Program, represents that Defendants’ tax preparation services are “free” without referring  
 5 taxpayers to either Defendants’ True Free File Service or to the IRS Free File program, as a  
 6 screenshot of that landing page shows below:



24           59. Even if consumers enter information establishing that they are eligible for  
 25 completely free filing under Defendants’ True Free File Service and/or other IRS Free File  
 26 programs, Defendants manipulate them into paying for tax products, services, and/or “upgrades.”  
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1           60. If, at any point, the taxpayer is informed that he or she does not qualify for the  
 2 Fake “Free” Offer (whether at the end of filling out information or, occasionally, sooner) the  
 3 taxpayer is presented with Defendants’ Paid HRB Tax Programs and must choose a paid option to  
 4 continue. The taxpayer is not directed to Defendants’ True Free File Service or to the landing  
 5 page for the IRS Free File program, where eligible taxpayers would be able to truly file for free  
 6 and would not be told that they have to pay for Defendants’ services. Thus, Defendants have  
 7 structured their website to convince most taxpayers to believe that they are not eligible for free  
 8 filing when they are in fact eligible for free filing.

9           61. During peak filing season, Defendants purchase search advertising (in addition to  
 10 other advertising) to promote its Bait-and-Switch Program to consumers seeking free filing  
 11 services. For example, in the screenshot below, the second Google search result for “irs free file  
 12 taxes” was a paid advertisement from Defendants directing taxpayers to “H&R Block Official  
 13 Site| Free Federal Tax Filing | HRBlock.com”:



1           62. Visitors to Defendants' homepage ([www.hrblock.com](http://www.hrblock.com)) are first and most  
2 prominently presented with a choice between two buttons (or links): one for visiting an H&R  
3 Block office and one for e-filing online. The online option links to  
4 <https://www.hrblock.com/online-tax-filing>. That webpage (see paragraph 57 above) does not refer  
5 taxpayers to Defendants' True Free File Service or the IRS Free File program. At the bottom of  
6 the page, in small font, there is also a link titled "Free E-File" which links to  
7 <https://www.hrblock.com/tax-center/filing/efile/free-e-file>. That webpage (see paragraph 58  
8 above) does not refer taxpayers to Defendants' True Free File Service or the IRS Free File  
9 program. Thus, while Defendants' homepage provides an entry point into the Bait-and-Switch  
10 Program, it does not refer to or link to Defendants' True Free File Service or the IRS Free File  
11 program.

12           63. Defendants takes other affirmative acts to channel taxpayers into their Bait-and-  
13 Switch Program, to heighten the visibility of their Bait-and-Switch Program, and to suppress the  
14 IRS Free File program.

15           64. For example, H&R Block explicitly instructs its customer service staff to push  
16 people away from its free offering. In written internal guidance regarding the Free File program,  
17 H&R Block instructs its employees as follows: "Do not send clients to this Web site unless they  
18 are specifically calling about the Free File program. We want to send users to our paid products  
19 before the free product, if at all possible." See Justin Elliott & Paul Kiel, *TurboTax and H&R*  
20 *Block Saw Free Tax Filing as a Threat — and Guttled It*, ProPublica,  
21 <https://www.propublica.org/article/intuit-turbotax-h-r-block-guttled-free-tax-filing-internal-memo>  
22 (last accessed May 13, 2019).

23           65. In addition, Defendants run affiliate marketing programs or campaigns for third-  
24 party publishers of blogs and other websites. Such affiliate marketing programs encourage such  
25 publishers to promote Defendants' tax services on their websites and to provide links to  
26 Defendants' webpages where consumers can sign up for Defendants' services. In exchange, the  
27 publishers earn a commission when such consumers use Defendants' services, particularly  
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1 Defendants Paid HRB Products. Through such affiliate marketing programs, Defendants provide  
2 financial incentives for third-party publishers to direct consumers to Defendants' Bait-and-Switch  
3 Program.

4 66. In the affiliate marketing program, the taxpayer typically takes a slight detour by  
5 clicking on an article or webpage published by the affiliate publisher. That article or webpage  
6 (perhaps in the guise of providing a review, a recommendation, or some other information) refers  
7 to H&R Block services, may actively promote H&R Block services, and provides a link to  
8 Defendants' website. The affiliate then collects a commission for transactions in which that  
9 consumer engages while on Defendants' website.

10 67. Links from third-party websites to Defendants' Bait-and-Switch webpages are a  
11 key reason why Defendants' Bait-and-Switch webpages rank so highly in the list of results for  
12 search engine queries. Accordingly, Defendants' affiliate program not only pays other parties to  
13 refer customers to Defendants' Bait-and-Switch Program but it also bolsters the ranking of  
14 Defendants' Bait-and-Switch Program in search results generally. Defendants more broadly seed  
15 the internet and provides incentives for other websites to link to Defendants' Bait-and-Switch  
16 program and to Defendants' webpages to ensure that those webpages are ranked at the top of  
17 search results.

18 68. By contrast, Defendants make no such efforts to encourage links to Defendants'  
19 True Free File Service. For the most part, and particularly within the Bait-and-Switch Program to  
20 which most customers are directed, Defendants do not promote or link to their True Free File  
21 Service from other webpages within Defendants' online domain. If anything, Defendants take  
22 steps to ensure that their True Free File Service is difficult to find, thereby minimizing the  
23 number of third-party links to that service, lowering their ranking and public awareness of that  
24 genuinely free service, and minimizing the number of taxpayers who find and use Defendants'  
25 True Free File Service.

26 69. Defendants' deceptive and unfair search engine manipulations, together with their  
27 deceptive, unfair, and confusing use of "free" in connection with their Bait-and-Switch Program,  
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1 also ensure that consumers will be directed to Defendants' Bait-and-Switch Program even when  
2 Defendants has not purchased certain search engine advertising. For example, on May 6, 2019,  
3 the third non-paid search result for a Google search for "free tax filing" was a link to Defendants'  
4 Fake "Free" Offer (titled "Free Online Tax Filing" and including the description: "File your taxes  
5 online for free with H&R Block Free Edition. File free taxes online with an easy-to-use tax  
6 preparation system from H&R Block."). No link to Defendants' True Free File Service appeared  
7 on the first page of Google search results.

8 70. On May 6, 2019, a search for "h&r block free filing" showed that the top three  
9 results were for pages within Defendants' Bait-and-Switch Program, with broad result headings  
10 such as "Free Online Tax Filing," "Free e-File," and "File Taxes Online – Online Tax Filing  
11 Products." Defendants' True Free File Service appeared as the fourth result under the heading  
12 "Free State Tax Filing – Free File Alliance," which could confuse or mislead consumers as to  
13 whether it provided free filing for federal returns:

14 71. Moreover, even when a taxpayer lands on Defendants' True Free File Service, the  
15 webpage does not inform taxpayers over the age of 51 that they are eligible for free filing under  
16 the IRS Free File program and the webpage does not immediately direct them to the landing page  
17 for the IRS Free File program where those taxpayers can select from multiple free filing options.  
18 Instead, the only alternative Defendants explicitly provide to such taxpayers is Defendants' Paid  
19 HRB Tax Programs. Directly under the eligibility criteria on the main webpage for Defendants'  
20 True Free File Service, Defendants state "If you do not qualify for H&R Block's Free File  
21 program, it's only ~~\$69.99~~ \$29.99 to file a federal return and \$39.99 for each state return filed."  
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**FILE FEDERAL AND STATE TAXES FOR FREE WITH H&R BLOCK FREE FILE**

If your AGI was \$66,000 or less and can answer to one of these questions, then you can start your free file return.

Are you between the ages of 17-51 (as of 12/31/2018)? Or  
Were you active duty military? Or  
Do you qualify for the earned income tax credit (EITC)?

[Start For Free](#)

If you do not qualify for H&R Block's Free File program, it's only \$69.99 \$29.99 to file a federal return and \$39.99 for each state return filed.

**State Tax Filing**

If you qualify for H&R Block's Free File program, all states are free to file for any state you lived or claimed income in.

[Learn More](#)

**More Resources**

**Additional Free File Tools**

- [Return to the IRS.gov Free File](#)
- [H&R Block Free File Supported Forms](#)

**Need Additional Help?**

- [FAQs](#)
- [Customer Support](#)

**Policy and Forms**

- [Accuracy/Calculation Guarantee](#)
- [Privacy and Security Information](#)

72. In the FAQs associated with this webpage, Defendants mislead taxpayers (particularly those over the age of 51) into believing that they are not eligible for free filing under the IRS Free File program when they are in fact eligible. Defendants never expressly disclose that the IRS Free File program is much broader than Defendants' True Free File Service and that taxpayers who do not qualify for Defendants' True Free File Service have other options to file for free. For example, the first three FAQs are quoted below:

**What is the Free File Alliance (FFA)?**

FFA is a public-private partnership between the IRS and participating tax preparers. Eligible taxpayers may prepare and file their federal tax returns for free, utilizing the online programs of the participating tax preparers. Taxpayers between the ages of 17 and 51 who have an adjusted gross income (AGI) of \$66,000 or less are eligible for the H&R Block FFA program.

**How can I do my federal taxes for free? Is there a catch?**



1 The Free File Alliance is a public-private partnership between the IRS and  
2 participating tax preparers. Taxpayers between the ages of 17 and 51 who  
3 have an adjusted gross income (AGI) of \$66,000 or less are eligible for the  
4 H&R Block FFA program.

5 **How do I file online?**

6 E-filing is a fast and convenient alternative to mailing your return.  
7 However, the IRS has strict regulations about which returns are eligible  
8 for e-filing. First, we'll determine if your return is eligible for e-file. If it  
9 is, we'll present you with your options for how to receive your refund or  
10 pay your balance due. (If it is not eligible, we'll let you know, then we'll  
11 present you with your options.) Depending on the option you select, we  
12 may ask for additional information. Next, we'll give you a link to your  
13 completed return and, when you're ready, we'll send your return to the  
14 IRS. The IRS will accept or reject your return, and we'll send you an e-  
15 mail letting you know. If your return is accepted, we'll let you know if you  
16 need to do anything else. If it's rejected, we'll help you resolve the  
17 problems in your return. Log in to the H&R Block Free File online  
18 program, go to the Main Menu to check your filing status.

19 73. In sum, Defendants simultaneously: make it easy and likely for a taxpayer to end  
20 up on a webpage for Defendants' Bait-and-Switch Program; make it very unlikely that a taxpayer  
21 would find Defendants' True Free File Service; make it very unlikely that a taxpayer would see or  
22 understand the difference between the Bait-and-Switch Program and the True Free File Service;  
23 and mislead many taxpayers who are eligible for free filing into believing that they are not  
24 eligible and that they should pay Defendants for tax filing services.

25 74. Defendants' efforts (including efforts directly on the main page for Defendants'  
26 True Free File Service) to convert Eligible Taxpayers who are not eligible for Defendants' True  
27 Free File Service into paying customers for Defendants' Paid HRB Tax Programs, without  
28 informing them of and directing them to other free filing options within the IRS Free File  
program as the first, best option for those Eligible Taxpayers, are a breach of the Eighth MOU  
and constitute violations of the CLRA, FAL, and UCL.

29 **2. Defendants Extract Extensive Information from Taxpayers Under False  
30 Pretenses and then Trick Vulnerable Tax Payers Into Purchasing Paid  
31 HRB Tax Programs.**

32 75. After arriving at Defendants' online filing options, taxpayers are prompted to  
33 create a profile (or sign in if they already have an account) and are then prompted to provide their

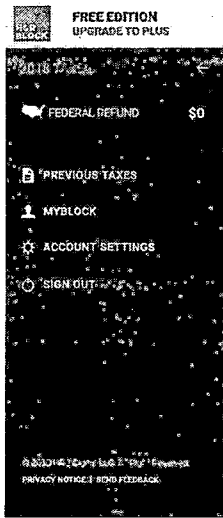
1 sensitive personal and financial information. At the beginning of the process, taxpayers are  
2 informed that the filing will be free, as indicated by the screenshots in the section above. Eligible  
3 Taxpayers believe that they have begun the process of filing for free and that Defendants will not  
4 charge them if they qualify for free filing under Defendants True Free File Service or the IRS  
5 Free File program. Once they log in, create an account, or begin providing their information to  
6 Defendants (other than through the landing page for Defendants' True Free File Service, which  
7 the vast majority of taxpayers never see), taxpayers are **not**, at any point, informed of or directed  
8 to Defendants True Free File Service or the IRS Free File program, even if they clearly qualify  
9 for such free services.

10 76. After the taxpayer creates a profile or logs in, Defendants then present the taxpayer  
11 with more than a dozen questions about their finances and personal data.

12 77. In reality, Defendants' Fake "Free" Offer is free for only a limited number of  
13 taxpayers who have **only** W-2 income, who have not worked as independent contractors or  
14 received any other forms of income, and who are taking only very specific deductions and are not  
15 required to file other forms.

16 78. The majority of the individuals who begin with the Fake "Free" Offer in  
17 Defendants' Bait-and-Switch Program are informed (often **at the end of the process**) that they  
18 will, in fact, be charged for Defendants' services. Defendants inform most taxpayers that they  
19 "need" a Paid HRB Tax Product and prompt consumers to agree to Defendants' charges. Below is  
20 an example of the type of message displayed to taxpayers who do not qualify for Defendants'  
21 Fake "Free" Offer but who would still qualify for free filing under Defendants' True Free File  
22 Service and/or other IRS Free File offers:

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you need H&R Block Premium to  
**finish your taxes.**

Why? Because you have self-employment income, which  
isn't covered in our Free or Deluxe products.

Add for **only \$69.99 more**

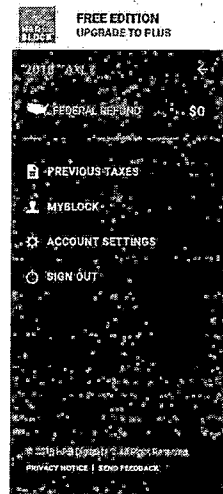
*Additional state filing fees may apply*

[More info](#)

**GET H&R BLOCK PREMIUM**

[← BACK](#)

79. Clicking on the link for “More info” further misleads consumers to believe that they are ineligible for free filing and must pay Defendants for their services, as the following example demonstrates:



For an **accurate return with the best outcome**, you need H&R Block Premium.

Which forms are included?

- Best for freelancers, contractors, investors and rental property owners.
- Secure, encrypted online storage and year-round access to your tax documents.
- First-class tax prep designed to help you make smart, strategic tax decisions now and in the future.

Add for **just \$69.99 more.**

*Additional state filing fees may apply*

**GET H&R BLOCK PREMIUM**

[← BACK](#)

80. Defendants know that many taxpayers who have spent the time required to enter their information in the Bait-and-Switch Program are unlikely to start over somewhere else,

1 particularly given that Defendants hide the fact that another service would be truly free.  
2 Defendants also intend for reasonable taxpayers to conclude (and reasonably taxpayers do  
3 conclude) that they are simply ineligible for free filing under the IRS Free File program, because  
4 Defendants do not conspicuously inform them that (1) their Bait-and-Switch Program is not part  
5 of the IRS Free File program, or (2) the taxpayers would be eligible for free filing through the  
6 IRS Free File Program—either Defendants’ True Free File Service or another Free File service  
7 available from another provider. As intended by Defendants, many taxpayers ultimately pay the  
8 charge that Defendants tells them is required at the end of the Bait-and-Switch Program.

9       81. Defendants do not inform taxpayers caught in Defendants’ Bait-and-Switch  
10 Program that they can file tax returns for free if they qualify for Defendants’ True Free File  
11 Service, or whether the taxpayers do in fact qualify for Defendants’ True Free File Service. For  
12 taxpayers using Defendants’ Bait-and-Switch Program but who qualify for Defendants’ True Free  
13 File Service, Defendants do not offer to transfer the taxpayers’ information to Defendants’ True  
14 Free File Service to complete their return for free.

15       82. Defendants also do not inform taxpayers caught in Defendants’ Bait-and-Switch  
16 Program that they are eligible to file tax returns for free under the IRS Free File program, which  
17 requires only that the taxpayer’s AGI not exceed \$66,000. There are no limitations on the federal  
18 program based on self-employment income, various deductions, and other limitations of  
19 Defendants’ Fake “Free” Offer.

20       83. In sum, Defendants’ Bait-and-Switch Program violates, and is designed to  
21 circumvent, several of the provisions and protections of the Eighth MOU. In derogation of  
22 Section 4.19.2, Defendants’ Bait-and-Switch Program does not “unequivocally inform taxpayers  
23 who are ineligible for the free offer at the earliest feasible point,” that they are ineligible for the  
24 free e-filing service and direct them back to the IRS Free File Landing Page. To the contrary,  
25 Defendants’ Bait-and-Switch Program requires taxpayers to answer numerous questions and  
26 provide a lot of personal and financial information before telling them whether they “need to  
27 upgrade” (i.e., pay for the service). At no point does Defendants’ Bait-and-Switch Program direct  
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1 taxpayers back to the IRS Free File Landing Page or inform them that they do or may qualify for  
2 a Free File offer. Instead, Defendants uses Defendants' Bait-and-Switch Program to direct  
3 taxpayers to Defendants' paid commercial services and products, which violates and/or unfairly  
4 circumvents Sections 4.32.5 and 4.32.6 of the Eighth MOU.

5 84. As a result, many taxpayers, including many in precarious financial situations,  
6 were tricked into paying fees to Defendants when they should have been directed to free filing  
7 options.

8 85. Defendants know that if they informed taxpayers who do not qualify for free filing  
9 in Defendants' Bait-and-Switch Program about Defendants' True Free File Service and about the  
10 IRS Free File program, and transferred the financial information they had already entered into  
11 Defendants' True Free File Service and/or directed them to the IRS Free File landing page, those  
12 taxpayers likely would not purchase any of Defendants' commercial offerings. Thus, Defendants  
13 have devised a complicated scheme to evade the spirit of the MOU to increase their profits.

14 86. Defendants' efforts (and the efforts of others) to steer taxpayers away from the  
15 Free File program to which they are entitled have worked. During the 2017 tax season, 2,231,261  
16 taxpayers, less than *three percent* of Eligible Taxpayers, used Free File, a significant decrease  
17 from 2005, a year in which 5,142,125 taxpayers filed through Free File. *See* Internal Revenue  
18 Service Advisory Council Public Report (Nov. 2018), at 16, available at  
19 <https://www.irs.gov/pub/irs-pdf/p5316.pdf>.

20 **E. Plaintiff Olosoni's Experiences**

21 87. Plaintiff Olosoni's AGI for 2018 was less than \$66,000, so she was an Eligible  
22 Taxpayer under the IRS Free File program, and she qualified for a free federal return e-filing  
23 under multiple offers available under the IRS Free File program. If she had been directed to the  
24 IRS Free File website in 2019, Plaintiff Olosoni would have found offers from multiple providers  
25 to file her federal return for free.

26 88. Plaintiff Olosoni has been using Defendants' online products to file her taxes since  
27 about 2015. Defendants charged her fees in every year that she had filed through them despite the  
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1 fact that she qualified for truly free filing under the IRS Free File program and despite  
2 Defendants' representations in advertisements on their webpages that taxpayers could file tax  
3 returns for "free" through H&R Block.

4 89. Throughout this period, Plaintiff Olosoni saw television advertisements, heard  
5 radio advertisements, and viewed representations on Defendants' website that taxpayers could file  
6 tax returns for "free" through H&R Block.

7 90. At one point, Plaintiff Olosoni called Defendants to determine why she had been  
8 charged despite Defendants' representations that tax filing would be "free" and despite her belief  
9 that she was entitled to file her returns for free. That inquiry was never substantively answered.

10 91. In or about January 2019, Plaintiff Olosoni directly logged in to Defendants'  
11 website. When she logged in to her account, Defendants routed Plaintiff Olosoni to their Bait-  
12 and-Switch Program rather than Defendants' True Free File Service. Defendants never informed  
13 Plaintiff Olosoni that she was not accessing Defendants' True Free File Service or that  
14 Defendants' had established a Bait-and-Switch Program to supplant the IRS Free File program.  
15 Defendants concealed the fact that their Bait-and-Switch Program was separate from (and  
16 designed to compete with and undermine) Defendants' True Free File Service.

17 92. Based on her belief that she was eligible to file for free under generally available  
18 programs (such as the IRS Free File program), Defendants' representations in their television and  
19 radio advertisements, and the representations on Defendants' webpages within their Bait-and-  
20 Switch Program, Plaintiff Olosoni believed she qualified for a free tax return and that she could  
21 file a free tax return through Defendants' website. Plaintiff Olosoni spent approximately 45  
22 minutes entering in her sensitive personal and financial information, in reliance on that belief.

23 93. At the end of that process, she was informed that she was not eligible to file her  
24 tax return for free and that she would be charged fees (about \$85) for her state and federal filings.  
25 She was given the option to either pay upfront or have the fees deducted from her refund. She  
26 opted to have the fees deducted from her refund, in reliance on Defendants' representation that  
27 she did not qualify to file her tax return for free.

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1           94. Plaintiff Olosoni would not have paid for Defendants' service if she had been  
2 informed by Defendants at the outset of the process that she was eligible for Defendants' True  
3 Free File Service (as well as free tax filing from other tax service providers) and that the service  
4 to which she had been directed was not part of that True Free File Service and/or if she had been  
5 directed to the websites for those truly free e-filing services.

6           95. Plaintiff Olosoni will continue to seek free tax filing services in the future and  
7 expects to continue to be eligible for such services as mandated by the IRS. Because Defendants  
8 (a) disguise their Bait-and-Switch Program as being a true Free File program, (b) use deceptive  
9 and confusing terms to describe and market those services and can easily change the name of  
10 their True Free File Service and/or their competing Bait-and-Switch Program, (c) can change the  
11 conditions of and/or landing page for their True Free File Service, and (d) can deploy search  
12 engine optimization strategies to divert taxpayers away from Defendants' True Free File Service  
13 and the IRS Free File program and into alternative, competing services, Plaintiff Olosoni is likely  
14 to again be misled into spending time to complete tax forms through Defendants, including  
15 providing her sensitive financial information, and paying for her tax filings, unless the injunctive  
16 relief requested in this Class Action Complaint is awarded.

17           **F. Plaintiff Snarr's Experiences**

18           96. Plaintiff Snarr's AGI for 2018 was less than \$66,000, so he was an Eligible  
19 Taxpayer under the IRS Free File program, and he qualified for a free federal return e-filing under  
20 multiple offers available under the IRS Free File program. If he had been directed to the IRS Free  
21 File website in 2019, Plaintiff Snarr would have found offers from multiple providers to file his  
22 federal return for free.

23           97. Plaintiff Snarr conducted a Google search for the words "free tax filing" (or a  
24 substantially similar combination of words) on or about April 15th, 2019. Defendants' website  
25 was one of the top results.

26           98. Through that search result and its associated link, Defendants routed Plaintiff  
27 Snarr to their Bait-and-Switch Program rather than Defendants' True Free File Service.  
28

1 Defendants never informed Plaintiff Snarr that he was not accessing Defendants' True Free File  
2 Service or that Defendants' had established a Bait-and-Switch Program to supplant the IRS Free  
3 File program. Defendants concealed the fact that their Bait-and-Switch Program was separate  
4 from (and designed to compete with and undermine) Defendants' True Free File Service.

5 99. Plaintiff Snarr spent multiple hours entering his tax information on or about  
6 April 15, 2019, believing that he was eligible to file his tax return for free and that the tax  
7 preparation and filing service offered by Defendants would be free. But, at the end of H&R  
8 Block's online process for providing information for tax filing (part of Defendants' Bait-and-  
9 Switch Program), Plaintiff Snarr was informed that he did not qualify for the Fake "Free" Offer  
10 that Defendants' had advertised and to which Defendants had directed him, and was informed that  
11 he needed to pay fees to file his tax return with H&R Block.

12 100. Plaintiff Snarr was surprised by the fee disclosure because it was contrary to his  
13 belief that he was entitled to file for free and it was contrary to what Defendants had represented  
14 in their Google search result and on their website. Plaintiff Snarr opted to proceed, despite the  
15 fees (which were charged to him), in reliance on Defendants' representation that he did not  
16 qualify to file his tax return for free.

17 101. Plaintiff Snarr would not have paid for Defendants' service if he had been  
18 informed by Defendants at the outset of the process that he was eligible for Defendants' True  
19 Free File Service (as well as free tax filing from other tax service providers) and that the service  
20 to which he had been directed was not part of that True Free File Service and/or if he had been  
21 directed to the websites for those truly free e-filing services.

22 102. Plaintiff Snarr will continue to seek free tax filing services in the future and  
23 expects to continue to be eligible for such services as mandated by the IRS. Because Defendants  
24 (a) disguise their Bait-and-Switch Program as being a true Free File program, (b) use deceptive  
25 and confusing terms to describe and market those services and can easily change the name of  
26 their True Free File Service and/or their competing Bait-and-Switch Program, (c) can change the  
27 conditions of and/or landing page for their True Free File Service, and (d) can deploy search  
28



1 engine optimization strategies and tactics to divert taxpayers away from Defendants' True Free  
2 File Service and the IRS Free File program and into alternative, competing services, Plaintiff  
3 Snarr is likely to again be misled into spending time to complete tax forms through Defendants,  
4 including providing his sensitive financial information, and paying for his tax filings, unless the  
5 injunctive relief requested in this Complaint is awarded.

6 **G. Because Defendants Intend to Continue Their Deceptive and Unfair Conduct,**  
7 **a Public Injunction Is Needed to Protect the Public from Future Harm.**

8 103. While Defendants' Bait-and-Switch Program has been exposed in multiple  
9 articles, Defendants have not ended the Bait-and-Switch Program, and thus Defendants clearly  
10 intend to continue extracting money from taxpayers who are entitled to file returns for free and  
11 who should be directed to Defendants' True Free File Service or to the IRS Free File program's  
12 website.

13 104. Among other things, Defendants intend to continue (1) operating and aggressively  
14 marketing their Bait-and-Switch Program, including through television, radio, social media,  
15 banner advertising, paid search advertising, affiliate marketing programs, and search engine  
16 optimization programs, (2) hiding the availability of Defendants' True Free File Service by  
17 preventing search engines from indexing key pages and content of those webpages, by excluding  
18 Defendants' True Free File Service from affiliate marketing programs, and by otherwise  
19 depressing search engine rankings, (3) using the deceptive word "free" for their Bait-and-Switch  
20 Program, and targeting their marketing (affiliate marketing and otherwise) for Defendants' Bait-  
21 and-Switch Program to capture people searching for "free" tax filing services, in order to confuse  
22 their Bait-and-Switch Program with the IRS Free File program and to mislead taxpayers because  
23 Defendants' Bait-and-Switch Program is not actually free for most taxpayers, including those  
24 taxpayers who qualify for IRS Free File, (4) failing to provide a clear and prominent disclosure  
25 that the "free" portion of Defendants' Bait-and-Switch Program is not Defendants' True Free File  
26 Service and failing to clearly identify the differences between the programs, (5) failing to clearly  
27 inform taxpayers of their eligibility for the IRS Free File program, (6) failing to inform users at  
28

1 the earliest opportunity of their ineligibility for free filing under the Bait-and-Switch Program and  
2 to direct them to other truly free filing services, or to transfer to Defendants' Free File program  
3 any information they have already entered so that it need not be reentered, (7) prompting users for  
4 payment and selling paid services without clearly informing those users of their right to free tax  
5 services, (8) failing to clearly and accurately inform taxpayers that any information they have  
6 provided to Defendants will automatically and conveniently be transferred to Defendants' True  
7 Free File Service if the taxpayer elects to proceed with Defendants' True Free File Service and  
8 then immediately transferring all relevant information a taxpayer has provided to Defendants to  
9 Defendants' True Free File Service if the taxpayer elects to proceed with Defendants' True Free  
10 File Service, and (9) unfairly competing with, undermining, and supplanting both Defendants'  
11 True Free File Service and the IRS Free File program generally.

12 105. Defendants profit from the public's lack of awareness of or confusion about the  
13 various IRS Free File offers, from Defendants' efforts to minimize public awareness of the IRS  
14 Free File offers and the ways to take advantage of them, and from the victims of Defendants'  
15 Bait-and-Switch Program.

16 106. To protect these illicit and inequitable profits and to maintain space in which to  
17 conduct their deceptive and unfair practices with respect to taxpayers who are entitled to free tax  
18 preparation services, Defendants have spent millions of dollars lobbying to make sure that the  
19 IRS is legally prohibited from offering their own tax preparation and filing service, which would  
20 make tax filing easy and free for most taxpayers and thereby substantially reduce Defendants'  
21 profits from their Paid HRB Tax Programs.

22 107. Defendants' investment of money in such lobbying efforts shows a determination  
23 to minimize the number of people who actually file tax returns for free, an intent to continue to  
24

25  
26 <sup>1</sup> See, e.g., <https://www.propublica.org/article/congress-is-about-to-ban-the-government-from-offering-free-online-tax-filing-thank-turbotax> (last accessed April 23, 2019),  
27 <https://www.propublica.org/article/filing-taxes-could-be-free-simple-hr-block-intuit-lobbying-against-it> (last accessed May 13, 2019), and <https://sunlightfoundation.com/2013/04/15/tax-preparers-lobby-heavily-against-simple-filing/> (last accessed May 13, 2019).  
28

1 profit from taxpayers who should be filing for free, and thus an intent to undermine the IRS Free  
2 File program and the Eighth MOU.

3 108. Moreover, Defendants' practices are poised to become worse, not better, in the  
4 future. Because the IRS is allowed under current law to develop their own e-filing system,  
5 Defendants have at least some incentive to moderate their behavior. In theory, if Defendants'  
6 conduct were to go too far and there were too many complaints, the IRS could enter the market  
7 and eliminate much of Defendants' profits. At the same time, Defendants' incentive is to try to do  
8 the bare minimum to avoid such a result, without sacrificing too much of the profits it currently  
9 earns through the Bait-and-Switch Program. By offering fig-leaf solutions to their much larger  
10 problems, Defendants are attempting to convince the IRS that it does not need to develop their  
11 own system. More significantly at this point, Defendants are attempting to ensure the passage of  
12 the legislation that is on track to prohibit the IRS from developing their own generally available,  
13 easy-to-use, cost-free e-filing system (*see* footnote 1 herein). Once that law gets passed, and the  
14 IRS is prohibited from developing an e-filing system, Defendants will no longer face any  
15 deterrence at all from the threat of IRS competition.

16 109. To protect the general public from the threat of future injury, Plaintiffs seek a  
17 public injunction, under *McGill v. Citibank, N.A.*, 2 Cal. 5th 945 (2017), prohibiting Defendants  
18 from continuing their deceptive and unfair practices.

19 110. To stop Defendants', deceptive, unfair, and unlawful conduct, Defendants should  
20 be prohibited from marketing and operating a supposedly "free" service in competition with  
21 Defendants' True Free File Service. The only "free" e-filing service Defendants should be  
22 allowed to offer to the public is Defendants' True Free File Service. If Defendants wish to offer  
23 free filing to additional taxpayers beyond those eligible for their True Free File Service, they can  
24 simply expand the eligibility for their True Free File Service; there is no need to offer a  
25 competing "free" service. Defendants should be prohibited from using the word "free" in  
26 connection with services other than Defendants' True Free File Service. Defendants should be  
27 prohibited from advertising any alternative free tax filing service (including purchasing search  
28

1 advertisements in connection with the search term “free”) other than advertisements for  
2 Defendants’ True Free File Service.

3 111. Defendants must unequivocally inform taxpayers at the earliest feasible point—  
4 including on the landing page for their True Free File Service, any FAQs section for their True  
5 Free File Service, and at any point at which a taxpayer enters information indicating that the  
6 taxpayer is eligible for free filing under the IRS Free File program—whether the taxpayers are  
7 eligible or ineligible for Defendants’ True Free File Service, whether they are eligible for free  
8 filing under the IRS Free File program, and where and how the taxpayers may file for free using  
9 such services. Defendants should be prohibited from marketing Paid HRB Tax Products (whether  
10 through an upgrade prompt, a recommendation, an advertisement, or a menu featuring paid  
11 services) to taxpayers who are eligible for free filing under the IRS Free File program.

12 112. In the event Defendants are allowed to continue to offer a “free” service in  
13 addition to Defendants’ True Free File Service, then through a prominent disclosure on the home  
14 page of the alternative free service, on other webpages/screens throughout the process of such  
15 service, and on any page that indicates that a taxpayer does not qualify for the alternative free  
16 service or proposes an upgrade or payment for Defendants’ Paid HRB Tax Programs:

17 (a) Defendants must make clear that the alternative free service is not Defendants’ True Free File  
18 Service; (b) Defendants must clearly identify the differences between Defendants’ True Free File  
19 Service and the alternative free service; (c) Defendants must disclose that there are other free  
20 filing offers available through the IRS Free File program; (d) Defendants must provide a  
21 prominent link to Defendants’ True Free File Service and to the IRS Free File Landing Page; and  
22 (e) Defendants must unequivocally inform taxpayers at the earliest feasible point—including on  
23 the landing page for the alternative free service and as soon as the taxpayer enters any response  
24 (such as the taxpayer’s AGI) that is sufficient to determine the taxpayer’s eligibility for the  
25 following services—whether they are eligible or ineligible for Defendants’ True Free File  
26 Service, whether they are generally eligible or ineligible for other offers under the IRS Free File  
27 program, and whether they are eligible or ineligible for the alternative free e-filing service. At any  
28

1 point in which the choice to proceed with Defendants' True Free File Service is presented,  
2 Defendants must clearly inform the taxpayer that any information they have provided to  
3 Defendants and that would be used for Defendants' alternative free filing service will  
4 automatically be transferred to Defendants' True Free File Service and, if the taxpayer elects to  
5 proceed with Defendants' True Free File Service, Defendants must immediately transfer  
6 information the taxpayer has already provided to Defendants and that can be used for Defendants'  
7 True Free File Service.

8 113. In addition, Defendants should be prohibited from engaging in practices designed  
9 to lower the prominence and ranking of Defendants' True Free File Service in search results. In  
10 particular, Defendants should be prohibited from interfering with any search engine robot  
11 crawling or indexing that would tend to increase the ranking of the webpages for Defendants'  
12 True Free File Service. And Defendants should be prohibited from using search advertisements  
13 and search engine optimization techniques to promote the ranking of any competing service (such  
14 as their Bait-and-Switch Program or any other Paid HRB Tax Program) to the prejudice of  
15 Defendants' True Free File Service or to the prejudice of the IRS Free File program.

16 114. Absent injunctive relief, Plaintiffs and the public at large are likely to be misled or  
17 confused again by Defendants' practices. Defendants can easily change the name of their True  
18 Free File Service and/or their competing Bait-and-Switch Program (and the terms Defendants  
19 uses to describe and market those services), Defendants can also change the conditions of and/or  
20 landing page for their True Free File Service, and Defendants can deploy search engine  
21 optimization strategies to divert taxpayers away from Defendants' True Free File Service and the  
22 IRS Free File program and toward alternative, competing services, such that Plaintiffs and other  
23 members of the public will not be sure (a) whether they are actually proceeding with Defendants'  
24 True Free File Service or some other service or (b) whether they are actually eligible for  
25 Defendants' True Free File Service or some other service. Absent injunctive relief, Defendants  
26 could also continue to market their Paid HRB Tax Products and manipulate consumers into  
27 paying for Defendants' unnecessary services.

28

**CLASS ALLEGATIONS**

1  
2 115. Plaintiffs bring this action against Defendants, on behalf of themselves and all  
3 others similarly situated, as a class action pursuant to sections 382 and 1781 of the California  
4 Civil Code. Plaintiffs seek to represent the following groups of similarly situated persons, defined  
5 as follows:

6 All persons who, between May 17, 2015 and the present, paid to file one or more federal  
7 tax returns through Defendants' internet-based filing system even though they were  
8 eligible to file those tax returns for free under IRS Free File (the "Nationwide IRS Free  
9 File Class").

10 116. Plaintiffs also seek to represent a subclass consisting of those members of the  
11 Nationwide IRS Free File Class who were eligible to file the subject tax returns through  
12 Defendants' True Free File Service (the "Nationwide HRB Free File Subclass").

13 117. Plaintiffs also seek to represent a subclass consisting of those members of the  
14 Nationwide IRS Free File Class who resided in and were citizens of California at the time of the  
15 payments (the "California IRS Free File Subclass").

16 118. Plaintiffs also seek to represent a subclass consisting of those members of the  
17 Nationwide HRB Free File Class who resided in and were citizens of California at the time of the  
18 payments (the "California HRB Free File Subclass").

19 119. The Nationwide IRS Free File Class and Nationwide HRB Free File Subclass are  
20 referred to, collectively, as the "Nationwide Classes." The California IRS Free File Class and  
21 California HRB Free File Sub-subclass are referred to, collectively, as the "California  
22 Subclasses." The Nationwide Classes and California Subclasses are referred to collectively herein  
23 as the "Classes."

24 120. The following persons and entities are excluded from the Classes: Defendants and  
25 their officers, directors, employees, subsidiaries, and affiliates; and all judges assigned to this case  
26 and any members of their immediate families.

27 121. Plaintiffs reserve the right to propose additional or alternative classes or  
28 subclasses, or to narrow the above class and subclass definitions. This reservation includes but is

1 not limited to classes or subclasses involving consumers in multiple states or involving particular  
2 issues.

3 122. This action has been brought and may properly be maintained as a class action  
4 against Defendants because there is a well-defined community of interest in the litigation and the  
5 proposed Classes are easily ascertainable.

6 123. The proposed Classes are so numerous that joinder of all members is  
7 impracticable. The precise number of members in each of the Nationwide Classes is not yet  
8 known to Plaintiff, but it is well in excess of 1,000 people. The precise number of members in  
9 each of the California Subclasses is not yet known to Plaintiff, but it is well in excess of 1,000  
10 people.

11 124. Common Questions Predominate: This action involves common questions of law  
12 and fact to the Classes because each class member's claim derives from the deceptive, unlawful  
13 and/or unfair statements and omissions that led consumers to believe that Defendants' True Free  
14 File Service was actually free. The common questions of law and fact predominate over  
15 individual questions, as proof of a common or single set of facts will establish the right of each  
16 member of the Classes to recover. There are questions of law and fact that are common to the  
17 Classes, including, but not limited to, the following:

- 18 • whether Defendants' Bait-and-Switch Program was a deceptive, unfair, and/or  
19 unlawful practice (or set of practices);
- 20 • whether Defendants misled class members by representing that their Fake "Free"  
21 Offer was actually free;
- 22 • whether Defendants deceptively, unfairly, and/or unlawfully diverted Eligible  
23 Taxpayers from Defendants' True Free File Service into Defendants' paid products  
24 and services;
- 24 • whether Defendants deceptively, unfairly, and/or unlawfully diverted Eligible  
25 Taxpayers from truly free filing offers available under the IRS Free File program  
26 into Defendants' paid products and services;
- 26 • whether members of the Classes are third-party beneficiaries of the Eighth MOU  
27 and prior versions thereof;
- 28 • whether Defendants breached their obligations to the class;

- 1 • whether Defendants engaged in the alleged conduct knowingly, recklessly, or  
negligently;
- 2 • the amount of revenues and profits Defendants received and/or the amount of  
3 monies or other obligations lost by class members as a result of such wrongdoing;
- 4 • whether class members are entitled to injunctive relief and other equitable relief  
and, if so, what is the nature of such relief; and
- 5 • whether class members are entitled to payment of actual, compensatory, incidental,  
6 consequential, exemplary, and/or statutory damages plus interest, and if so, what is  
7 the nature of such relief.

8 125. Plaintiffs' claims against Defendants are typical of the claims of the Classes  
9 because Plaintiffs and all other members of the Classes were eligible for free filing under the IRS  
10 Free File program but were charged for Defendants' products and services as a result of  
11 Defendants' Bait-and-Switch Program.

12 126. Plaintiffs will fairly and adequately protect the interests of all class members  
13 because it is in their best interests to prosecute the claims alleged herein to obtain full  
14 compensation due to them for the unfair and illegal conduct of which they complain. Plaintiffs  
15 also have no interests that are in conflict with, or antagonistic to, the interests of class members.  
16 Plaintiffs have retained highly competent and experienced class action attorneys to represent them  
17 interests and that of the classes. By prevailing on their own claims, Plaintiffs will establish  
18 Defendants' liability to all class members. Plaintiffs and their counsel have the necessary  
19 financial resources to adequately and vigorously litigate this class action, and Plaintiffs and  
20 counsel are aware of their fiduciary responsibilities to the class members and are determined to  
21 diligently discharge those duties by vigorously seeking the maximum possible recovery for class  
22 members.

23 127. Superiority: There is no plain, speedy, or adequate remedy other than by  
24 maintenance of this class action. The prosecution of individual remedies by members of the  
25 classes will tend to establish inconsistent standards of conduct for Defendants and result in the  
26 impairment of class members' rights and the disposition of their interests through actions to  
27 which they were not parties. Class action treatment will permit a large number of similarly  
28 situated persons to prosecute their common claims in a single forum simultaneously, efficiently,



1 and without the unnecessary duplication of effort and expense that numerous individual actions  
2 would engender. Furthermore, as the damages suffered by each individual member of the classes  
3 may be relatively small, the expenses and burden of individual litigation would make it difficult  
4 or impossible for individual members of the class to redress the wrongs done to them, while an  
5 important public interest will be served by addressing the matter as a class action.

6 128. Plaintiffs are unaware of any difficulties that are likely to be encountered in the  
7 management of this action that would preclude its maintenance as a class action.

8 **PLAINTIFFS' FIRST CAUSE OF ACTION**

9 **(Violation of the Consumers Legal Remedies Act (the "CLRA"), California Civil Code §  
10 1750, *et seq.*, on behalf of Plaintiffs and the California Subclasses)**

11 129. Plaintiffs reallege and incorporate the paragraphs of this Complaint as if set forth  
12 herein.

13 130. Defendants' actions, representations and conduct have violated, and continue to  
14 violate the CLRA, because they extend to transactions that are intended to result, or which have  
15 resulted, in the sale of products to consumers.

16 131. Each Plaintiff and each member of the California Subclasses is a "consumer" as  
17 that term is defined by the CLRA in California Civil Code § 1761(d).

18 132. The tax services that Plaintiffs (and other similarly situated members of the  
19 California Subclasses) purchased from Defendants was a "service" within the meaning of  
20 California Civil Code § 1761(b).

21 133. Defendants' acts and practices, set forth in this Complaint, led Plaintiffs, members  
22 of the California Subclasses, and other members of the general public to falsely believe that  
23 Defendants' Fake "Free" Offer provides free tax preparation and filing for most taxpayers. In  
24 truth, the Fake "Free" Offer was and is subject to several undisclosed and surprising conditions  
25 and was and is not free for most taxpayers. Accordingly, Defendants' representations that the  
26 Fake "Free" Offer is a "free" service and that it is the free filing service taxpayers are seeking and  
27 to which they are entitled are false, misleading, and unfair.

28 134. By engaging in the actions, representations and conduct set forth in this

1 Complaint, Defendants have violated, and continue to violate, § 1770(a)(5), § 1770(a)(7),  
2 § 1770(a)(9), § 1770 (a)(10), and § 1770(a)(13) of the CLRA. In violation of California Civil  
3 Code §1770(a)(5), Defendants' acts and practices constitute improper representations that the  
4 goods and services they sell have sponsorship, approval, characteristics, ingredients, uses,  
5 benefits, or quantities, which they do not have (in particular, that Plaintiffs and members of the  
6 California Subclasses could/can file for free through Defendants' Fake "Free" Offer and/or that  
7 Defendants' Fake "Free" Offer was/is the truly free filing service Plaintiffs and members of the  
8 California Subclasses were/are seeking). In violation of California Civil Code §1770(a)(7),  
9 Defendants' acts and practices constitute improper representations that the Fake "Free" Offer and  
10 Defendants' tax services were and are of a particular standard, quality, or grade (in particular, that  
11 they were/are free to Plaintiffs and members of the California Subclasses and/or that Defendants'  
12 Fake "Free" Offer was/is the truly free filing service Plaintiffs and members of the California  
13 Subclasses were/are seeking), when they are not. In violation of California Civil Code  
14 §1770(a)(9), Defendants falsely, deceptively, and unfairly markets and advertises their Fake  
15 "Free" Offer as free for most taxpayers, with the intent to direct Plaintiffs and members of the  
16 California Subclasses into paid services, such that Plaintiffs and members of the California  
17 Subclasses did/do not receive Defendants' services as advertised. In violation of California Civil  
18 Code §1770(a)(10), Defendants falsely, deceptively, and unfairly market and advertise their Fake  
19 "Free" Offer as free for most taxpayers, with the intent to not to supply reasonably expected  
20 demand for such free e-filings but instead to direct Plaintiffs and members of the California  
21 Subclasses into paid services. Finally, in violation of California Civil Code §1770(a)(13),  
22 Defendants makes false and misleading statements of fact concerning the existence of and  
23 amounts of price reductions for their tax e-filing services.

24 135. Plaintiffs request that this Court enjoin Defendants from continuing to employ the  
25 unlawful methods, acts and practices alleged herein pursuant to California Civil Code  
26 § 1780(a)(2). If Defendants are not restrained from engaging in these types of practices in the  
27 future, Plaintiffs, members of the California Subclasses, and the general public will continue to  
28

1 suffer harm.

2 136. CLRA § 1782 NOTICE. **Irrespective of any representations to the contrary in**  
3 **this Class Action Complaint, Plaintiffs specifically disclaim, at this time, any request for**  
4 **damages under any provision of the CLRA.** Plaintiffs, however, hereby provide Defendants  
5 with notice and demand that within thirty (30) days from that date, Defendants correct, repair,  
6 replace or otherwise rectify the unlawful, unfair, false and/or deceptive practices complained of  
7 herein. Defendants failure to do so will result in Plaintiffs amending this Class Action Complaint  
8 to seek, pursuant to California Civil Code § 1780(a)(3), on behalf of themselves and those  
9 similarly situated members of the California Subclasses, compensatory damages, punitive  
10 damages and restitution of any ill-gotten gains due to Defendants' acts and practices.

11 137. Plaintiffs also request that this Court award their costs and reasonable attorneys'  
12 fees pursuant to California Civil Code § 1780(d).

13 **PLAINTIFFS' SECOND CAUSE OF ACTION**

14 **(False Advertising, Business and Professions Code § 17500, *et seq.* ("FAL"), on**  
15 **behalf of Plaintiffs and the California Subclasses)**

16 138. Plaintiffs reallege and incorporate by reference the paragraphs of this Complaint as  
17 if set forth herein.

18 139. Beginning at an exact date unknown to Plaintiffs, but within three (3) years  
19 preceding the filing of the Complaint, Defendants made untrue, false, deceptive and/or misleading  
20 statements in connection with the advertising and marketing of their Fake "Free" Offer.

21 140. Defendants made (and continue to make) representations and statements (by  
22 omission and commission) that led Plaintiffs, members of the California Subclasses, and other  
23 members of the general public to believe that Defendants' Fake "Free" Offer was free for most  
24 taxpayers and that Defendants' Fake "Free" Offer was the truly free filing service Plaintiffs and  
25 members of the California Subclasses were seeking when attempting to file their returns for free.

26 141. In truth, Defendants' Fake "Free" Offer is not part of the IRS Free File program, is  
27 subject to several undisclosed and surprising conditions, is not free for most taxpayers, and is part  
28

1 of Defendants' Bait-and-Switch Program, so Defendants' claims that that service is "free" are  
2 false and misleading.

3 142. Plaintiffs, members of the California Subclasses, and members of the general  
4 public relied to their detriment on Defendants' false, misleading and deceptive advertising and  
5 marketing practices, including each of the misrepresentations and omissions set forth in the  
6 Substantive Allegations above. Had Plaintiffs, members of the California Subclasses, and  
7 members of the general public been adequately informed and not intentionally deceived by  
8 Defendants, they would have acted differently by, without limitation, refraining from using  
9 Defendants' Fake "Free" Offer and the Paid HRB Tax Programs.

10 143. Defendants' acts and omissions are likely to deceive the general public.

11 144. Defendants engaged in these false, misleading and deceptive advertising and  
12 marketing practices to increase their profits. Accordingly, Defendants engaged in false  
13 advertising, as defined and prohibited by section 17500, *et seq.* of the California Business and  
14 Professions Code.

15 145. The aforementioned practices, which Defendants used, and continue to use, to  
16 their significant financial gain, also constitutes unlawful competition and provides an unlawful  
17 advantage over Defendants' competitors as well as injury to the general public.

18 146. As a direct and proximate result of such actions, Plaintiffs, the members of the  
19 California Subclasses, and other members of the general public have suffered, and continue to  
20 suffer, injury in fact and have lost money and/or property as a result of such false, deceptive and  
21 misleading advertising in an amount which will be proven at trial, but which is in excess of the  
22 jurisdictional minimum of this Court.

23 147. Plaintiffs seek, on behalf of themselves and those similarly situated, full restitution  
24 of monies, as necessary and according to proof, to restore any and all monies acquired by  
25 Defendants from Plaintiffs and from the members of the California Subclasses by means of the  
26 false, misleading and deceptive advertising and marketing practices complained of herein, plus  
27 interest thereon.

28



1           153. In particular, Defendants have engaged, and continue to engage, in unfair,  
2 unlawful, and fraudulent practices as set forth in paragraphs 1-9, 44-108, and 168 herein, which  
3 include without limitation:

- 4           a. concealing Defendants' True Free File Service from taxpayers (e.g., through  
5 coding and search engine strategies, by failing to link to or discuss the True  
6 Free File Service in prominent places on Defendants' webpages, by failing to  
7 clearly disclose the material differences between Defendants' Fake "Free"  
8 Offer and Defendants' True Free File Service while knowing that there is  
9 consumer confusion and that consumers are seeking the True Free File Service,  
10 and by failing to identify and link to the True Free File Service and the IRS  
11 Free File program after taxpayers provide information revealing that they are  
12 eligible for those truly free services);
- 13           b. marketing and operating Defendants' Bait-and-Switch Program to extract  
14 money from taxpayers entitled to free filing (e.g., using paid advertisements  
15 directed toward consumers seeking free filing, using marketing and search  
16 engine strategies to direct Eligible Taxpayers to Defendants' Fake "Free" Offer  
17 when they should be directed to Defendants' True Free File Service and/or the  
18 IRS Free File program, misrepresenting that Defendants' Fake "Free" Offer is  
19 free for most taxpayers, misrepresenting and causing Plaintiffs and members of  
20 the Classes to believe that Defendants' Fake "Free" Offer is the free filing  
21 service Plaintiffs and members of the California Subclasses are seeking when  
22 attempting to file their returns for free, causing consumers to spend substantial  
23 amounts of time and effort inputting their tax information (including sensitive  
24 personal and financial information) before notifying them they are not eligible  
25 for the Fake "Free" Offer, prompting Eligible Taxpayers to pay for  
26 Defendants' services and misrepresenting that Eligible Taxpayers are required  
27 to pay for services they do not actually need, and failing to use information  
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1 provided by Eligible Taxpayers to direct them to and automatically begin  
2 generating tax returns through Defendants' True Free File Service); and  
3 c. unlawfully, unfairly and/or fraudulently violating, breaching and/or  
4 circumventing the provisions of the Eighth MOU as set forth above and below.

5 154. Moreover, Defendants have unfairly competed with and continue to unfairly  
6 compete with the IRS Free File program and the truly free e-filing services available under that  
7 program, including Defendants' own True Free File Service. Defendants have profited and  
8 continues to profit from their unfair, deceptive, and unlawful conduct.

9 155. Plaintiffs, the members of the California Subclasses, and members of the general  
10 public relied to their detriment on Defendants' unlawful, unfair, and fraudulent business practices.  
11 Had Plaintiffs, the members of the California Subclasses, and members of the general public been  
12 adequately informed and not deceived by Defendants, they would have acted differently by not  
13 paying for Defendants' Paid HRB Tax Programs, and instead they would have used one of the  
14 IRS Free File services.

15 156. Defendants' acts and omissions are likely to deceive and mislead the general  
16 public.

17 157. Defendants engaged in these unfair, deceptive and unlawful practices to increase  
18 their profits. Accordingly, Defendants have engaged in unlawful trade practices, as defined and  
19 prohibited by section 17200, *et seq.* of the California Business and Professions Code.

20 158. The aforementioned practices, which Defendants have used to their significant  
21 financial gain, also constitute unlawful competition and provide an unlawful advantage over  
22 Defendants' competitors as well as injury to the general public.

23 159. As a direct and proximate result of such actions, Plaintiffs, the members of the  
24 California Subclasses, and other members of the public, have suffered and continue to suffer  
25 injury in fact and have lost money and/or property as a result of such deceptive and/or unlawful  
26 trade practices and unfair competition in an amount which will be proven at trial, but which is in  
27 excess of the jurisdictional minimum of this Court. Among other things, Plaintiffs and the  
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1 California Subclasses lost the amounts they paid for Defendants' services (as a result of  
2 Defendants' Bait-and-Switch Program), when they should not have paid anything to file their tax  
3 returns.

4 160. As a direct and proximate result of such actions, Defendants have enjoyed, and  
5 continue to enjoy, significant financial gain in an amount which will be proven at trial, but which  
6 is in excess of the jurisdictional minimum of this Court.

7 161. Plaintiffs seek, on behalf of themselves and those similarly situated members of  
8 the California Subclasses, full restitution of monies, as necessary and according to proof, to  
9 restore any and all monies acquired by Defendants from Plaintiffs, the members of the California  
10 Subclasses, the general public, or those similarly situated by means of the false, misleading and  
11 deceptive advertising and marketing practices complained of herein, plus interest thereon.

12 162. Plaintiffs seek, on behalf of themselves, the members of the California Subclasses,  
13 and the general public, a declaration that the above-described trade practices are fraudulent,  
14 unfair, and/or unlawful.

15 163. Plaintiffs seek, on behalf of themselves, the members of the California Subclasses,  
16 and the general public, an injunction to prohibit Defendants from continuing to engage in the  
17 deceptive and/or unlawful trade practices complained of herein. Such misconduct by Defendants,  
18 unless and until enjoined and restrained by order of this Court, will continue to cause injury in  
19 fact to the general public and the loss of money and property in that Defendants will continue to  
20 violate the laws of California, unless specifically ordered to comply with the same. This  
21 expectation of future violations will require current and future taxpayers to repeatedly and  
22 continuously seek legal redress in order to recover monies paid to Defendants to which they is not  
23 entitled. Plaintiffs, the members of the California Subclasses, and members of the general public  
24 have no other adequate remedy at law to ensure future compliance with the California Business  
25 and Professions Code alleged to have been violated herein.

26 **PLAINTIFFS' FOURTH CAUSE OF ACTION**

27 (Breach of Contract, on behalf of Plaintiffs and the Classes)

28



1           164. Plaintiffs reallege and incorporate by reference the paragraphs of this Complaint as  
2 if set forth herein.

3           165. The Eighth MOU is a contract between the IRS and FFI (including FFI Members).  
4 Defendants are Members of FFI and are subject to the terms of the Eighth MOU.

5           166. The Eighth MOU was entered into for the express benefit of “economically  
6 disadvantaged and underserved populations” of taxpayers and “the lowest 70 percent of the  
7 taxpayers.”

8           167. Plaintiffs and members of the Classes are third-party beneficiaries of the Eighth  
9 MOU.

10          168. Defendants breached the terms of the Eighth MOU by:

- 11           a. failing to comply with the first paragraph of Article 2, which requires  
12                Defendants to “extend[] the benefits of online tax preparation and electronic  
13                filing to economically disadvantaged and underserved populations at no cost to  
14                . . . the individual user;”
- 15           b. failing to comply with Section 2.1, which requires Defendants to “[m]ake tax  
16                preparation and filing easier and reduce the burden on individual taxpayers,  
17                particularly the economically disadvantaged and underserved populations;”
- 18           c. failing to comply with Section 2.4, which requires Defendants to “provid[e]  
19                taxpayers the option to file their tax return online without charge;”
- 20           d. failing to comply with Section 4.15.14, which requires Defendants to “clearly  
21                list their free customer service options;”
- 22           e. failing to comply with Section 4.19.2, which requires Defendants to  
23                “unequivocally inform taxpayers who are ineligible for the free offer at the  
24                earliest feasible point” that they are ineligible for the Free File offer and the  
25                reason for the ineligibility, and, in the event that a taxpayer is ineligible for  
26                either Defendants’ Fake “Free” Offer or Defendants’ True Free File Service,  
27                Defendants are required to direct the taxpayer “back to the IRS Free File  
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Landing Page as the first and most prominent alternative action so that [the taxpayer] may immediately consider other Free File offers available from the Free File Program;”

- f. failing to comply with Section 4.19.4, which prohibits Defendants from posting “a billing screen requesting or collecting bank/financial information (e.g., debit/credit card information) from customers who qualify for a free return where no state tax products have been purchased;”
- g. failing to comply with Sections 4.19.2 and 4.32.2, which require Defendants to direct taxpayers to Defendants’ True Free File Service as the first option, then direct Eligible Taxpayers who do not qualify for that True Free File Service to the IRS Free File program where such Eligible Taxpayers can find other free offers, and only then may Defendants present Eligible Taxpayers with an alternative free service, and, only as a last resort, may Defendants offer taxpayers paid services; and
- h. failing to comply with Section 4.19.4, which prohibits Defendants from “marketing, soliciting, sales or selling activity, or electronic links to such activity . . . in the Free File Program” (such violations include but are not limited to Defendants’ marketing of paid services on the landing page for their True Free File Service, as the first and most prominent alternative to using Defendants’ True Free File Service).

169. Plaintiffs and members of the Classes have been damaged by the Defendants’ breaches of the MOU because Plaintiffs and members of the Classes were entitled to file their federal tax returns for free pursuant to the Eighth MOU but were misled by Defendants and were charged by Defendants to file their tax returns.

170. Plaintiffs, on behalf of themselves and the members of the Classes, seek recovery for damages, as well as injunctive relief requiring Defendants to comply in good faith with the terms of the Eighth MOU.

**PLAINTIFFS' FIFTH CAUSE OF ACTION**

(Unjust Enrichment, on behalf of Plaintiffs and the Classes)

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3 171. Plaintiffs reallege and incorporate by reference the paragraphs of this Complaint as  
4 if set forth herein.

5 172. Plaintiffs and the members of the Classes conferred benefits on the Defendants by  
6 paying for Defendants' products and services, when they were eligible to file their tax returns for  
7 free.

8 173. But for Defendant's inequitable conduct alleged herein, which misled, misdirected,  
9 and manipulated Plaintiffs and the members of the Classes into paying for services they did not  
10 need, Plaintiffs and the members of the Classes would not have paid Defendants anything for  
11 their tax filings.

12 174. Defendants engaged in these unjust practices to increase their profits to the  
13 detriment of Plaintiffs and those similarly situated:

14 175. It would be unjust and inequitable for Defendants to retain the benefits of their  
15 misconduct as alleged herein, because, among other things, Defendants misled, misdirected, and  
16 manipulated Plaintiffs and the members of the Classes into paying for services they did not need,  
17 and Defendants knew or should have known that they were unjustly profiting from Plaintiffs and  
18 the members of the Classes.

19 176. Because Defendant's retention of the non-gratuitous benefit conferred on it by  
20 Plaintiffs and those similarly situated is unjust and inequitable, Defendant must disgorge such  
21 benefits and pay restitution to Plaintiffs and the members of the Classes for their unjust  
22 enrichment, as ordered by the Court.

23 177. Plaintiffs seek, on behalf of themselves and the members of the Classes, full  
24 disgorgement of Defendants' revenues or profits from their wrongful conduct and/or full  
25 restitution of the fees paid by Plaintiffs and members of the Classes, to restore any and all monies  
26 acquired by Defendants from Plaintiffs, members of the Classes, and the general public, by means  
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1 of the Bait-and-Switch Program and the false, misleading, and deceptive advertising and  
2 marketing practices complained of herein, plus interest thereon.

3 **REQUEST FOR RELIEF**

4 WHEREFORE, Plaintiffs, on behalf of themselves, the Classes, and the general public,  
5 respectfully requests that the Court enter judgment against Defendants as follows:

6 A. A public injunction temporarily and permanently enjoining Defendants from  
7 continuing the unlawful, deceptive, fraudulent, and unfair business practices alleged in  
8 this Complaint (including without limitation paragraphs 44-86, 103-14, 133-34, 139-  
9 40, and 153), and including without limitation:

- 10 1) prohibiting Defendants from marketing and operating any supposedly “free”  
11 service in addition to or in competition with Defendants’ True Free File  
12 Service, including prohibiting Defendants from advertising any other service  
13 as “free” and from purchasing search advertisements, other than  
14 advertisements for Defendants’ True Free File Service, in connection with the  
15 search term “free;”
- 16 2) as an alternative to the public injunction described immediately above, a public  
17 injunction requiring Defendants, on the home page of any alternative free tax  
18 filing service they may offer, on other webpages or screens throughout the  
19 process of using such service, and on any page that indicates that a taxpayer  
20 does not qualify for the alternative free service or proposes an upgrade or  
21 payment for Defendants’ Paid HRB Tax Programs, (a) to provide a clear and  
22 prominent disclosure that the alternative free service is not Defendants’ True  
23 Free File Service; (b) to clearly identify the differences between Defendants’  
24 True Free File Service and the alternative free service; (c) to disclose that there  
25 are other free filing offers available through the IRS Free File program; (d) to  
26 provide a prominent link to Defendants’ True Free File Service and to the IRS  
27 Free File Landing Page; (e) to unequivocally inform taxpayers at the earliest  
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1 feasible point—including on the landing page for the alternative free service  
2 and/or as soon as the taxpayer enters any response (such as the taxpayer’s  
3 AGI) that is sufficient to determine the taxpayer’s eligibility for the following  
4 services—whether they are eligible or ineligible for Defendants’ True Free File  
5 Service, whether they are generally eligible or ineligible for other offers under  
6 the IRS Free File program, and whether they are eligible or ineligible for  
7 Defendants’ alternative free e-filing service; (f) to clearly and accurately  
8 inform taxpayers that any information they have provided to Defendants and  
9 that would be used for Defendants’ alternative free filing service will  
10 automatically and conveniently be transferred to Defendants’ True Free File  
11 Service if the taxpayer elects to proceed with Defendants’ True Free File  
12 Service; and (g) to immediately transfer all relevant information a taxpayer has  
13 provided to Defendants to Defendants’ True Free File Service if the taxpayer  
14 elects to proceed with Defendants’ True Free File Service;

15 3) prohibiting Defendants from engaging in practices designed to lower the  
16 prominence and ranking of Defendants’ True Free File Service in search  
17 engine results, including prohibiting Defendants from disallowing any search  
18 engine robot crawling and indexing that would tend to increase the ranking of  
19 the webpages for Defendants’ True Free File Service, and prohibiting  
20 Defendants from using search advertisements and search engine optimization  
21 techniques to promote the ranking of any competing service to the prejudice of  
22 Defendants’ True Free File Service or to the prejudice of the IRS Free File  
23 program;

24 4) prohibiting Defendants from initiating, directing, or using any affiliate  
25 marketing program as part of a Bait-and-Switch Program or that refers  
26 taxpayers to a Bait-and-Switch Program, including any affiliate marketing  
27 program that targets search terms involving “free” filing or “free” tax returns  
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- 1 and then paying affiliates when those individuals seeking “free” services are  
2 ultimately referred to and/or charged for Defendants’ Paid HRB Tax Programs;  
3 5) requiring Defendants to provide clear information, at the earliest feasible point,  
4 about each taxpayer’s eligibility for genuinely free e-filing services under the  
5 IRS Free File program and how the taxpayer can get to an online provider who  
6 will provide free filing services to that taxpayer;  
7 6) prohibiting Defendants from marketing paid services (whether through an  
8 upgrade prompt, a recommendation, an advertisement, or a menu featuring  
9 paid services) to taxpayers who are eligible for free filing under the IRS Free  
10 File program;

11 B. Additionally:

- 12 a. On Cause of Action Number 1 against Defendants and in favor of Plaintiffs  
13 and the other members of the California Subclasses:  
14 i. For restitution of the fees paid by Plaintiffs and members of the  
15 California Subclasses to Defendants, in an amount to proven at trial;  
16 ii. for injunctive relief pursuant to California Civil Code section 1780 and  
17 as described and requested in Section A;  
18 iii. [Reserved];  
19 iv. [Reserved];  
20 b. On Cause of Action Number 2 against Defendants and in favor of Plaintiffs  
21 and the other members of the California Subclasses:  
22 i. For restitution of the fees paid by Plaintiffs and members of the  
23 California Subclasses to Defendants, in an amount to proven at trial  
24 pursuant to, without limitation, the California Business & Professions  
25 Code §§ 17200, *et seq.*; and 17500, *et seq.*; and  
26 ii. for declaratory and injunctive relief pursuant to, without limitation, the  
27 California Business & Professions Code §§ 17200, *et seq.* and 17500 *et*  
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*seq.* and as described and requested in Section A;

c. On Cause of Action Number 3 against Defendants and in favor of Plaintiffs and the other members of the California Subclasses:

- i. For restitution of the fees paid by Plaintiffs and members of the California Subclasses to Defendants, in an amount to proven at trial, pursuant to, without limitation, the California Business & Professions Code §§ 17200, *et seq.*; and
- ii. for declaratory and injunctive relief pursuant to, without limitation, the California Business & Professions Code §§ 17200, *et seq.* and as described and requested in Section A;

d. On Cause of Action Number 4 against Defendants and in favor of Plaintiffs and the other members of the Classes:

- i. For compensatory damages (including the fees paid by Plaintiffs and members of the Classes), in an amount to proven at trial; and
- ii. for declaratory and injunctive relief as described and requested in Section A;

e. On Cause of Action Number 5 against Defendants and in favor of Plaintiffs and the other members of the Classes:

- i. For disgorgement or restitution of the benefits Defendants have obtained from (i.e., the fees paid by) Plaintiffs and members of the Classes, in an amount to proven at trial;

C. For reasonable attorneys' fees and the costs of suit incurred; and

D. For such further relief as this Court may deem just and proper.

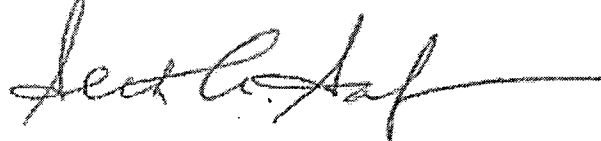
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**JURY TRIAL DEMANDED**

Plaintiffs hereby demands a trial by jury as to all issues.

Dated: May 17, 2019

**GUTRIDE SAFIER LLP**



Seth A. Safier (California Bar No. 197427)  
100 Pine Street, Suite 1250  
San Francisco, CA 94111  
Attorneys for Plaintiffs



# Exhibit 1

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**EXHIBIT 1**

I, Derek Snarr, declare:

1. I am a Plaintiff in this action. If called upon to testify, I could and would competently testify to the matters contained herein based upon my personal knowledge.

2. I submit this Declaration pursuant to California Civil Code § 1780(d) and California Code of Civil Procedure section § 2015.5.

3. On or about April 15, 2019, I used and was charged for Defendants' online tax filing service while I was located in San Francisco, California, where I resided at the time and where I continue to reside.

4. I declare under penalty of perjury under the laws of California that the foregoing is true and correct.

Executed in San Francisco, California on 5/17/2019

DocuSigned by:  
*Derek Snarr*  
BBE21ED4B12B4EE  
Derek Snarr

## **Exhibit 2**

**EIGHTH MEMORANDUM OF UNDERSTANDING ON SERVICE STANDARDS AND DISPUTES**

**Between the Internal Revenue Service and Free File, Incorporated**

This Eighth Memorandum of Understanding (“MOU”) is entered into as of the date of the last signature on this document between Free File, Inc. (“FFI”) and the IRS.

This MOU is a 3-year follow-on agreement entered between the parties, and that has a termination date of October 31, 2021.

**Preamble**

**WHEREAS**, FFI (then Free File Alliance LLC) and the IRS entered into a 3-year agreement which was published in the Federal Register (Vol. 67, No. 153, page 51621) on August 8, 2002, and executed on October 30, 2002, (IRS Agreement) that set forth parameters to which industry members of the Alliance would offer online tax preparation and filing services to taxpayers least able to afford e-filing tax returns at no cost to such taxpayers (Services), and pursuant to which it was agreed that the Alliance will offer the Services and the IRS will provide taxpayers with links to the Services offered by the Alliance participants through a web page, which is hosted at [irs.gov](http://irs.gov) with links from [www.usa.gov](http://www.usa.gov); and

**WHEREAS**, on October 29, 2005, the Alliance and the IRS agreed to amend and extend the IRS Agreement for an additional 4 years (2005 IRS Agreement); and

**WHEREAS**, the Alliance and the IRS agreed to amend and extend the IRS Agreement for an additional 5 years from October 30, 2009, through October 30, 2014 (2009 Free On-Line Electronic Tax Filing Agreement Amendment); and

**WHEREAS**, the Alliance applied for 501(C)(3) tax-exempt organization status, and the IRS granted the FFI such status in 2012; and

**WHEREAS**, FFI and the IRS agreed to amend and extend the Agreement for one year, from April 30, 2014 to December 1, 2015, with the intention to negotiate this multi-year agreement; and

**WHEREAS**, the IRS has hosted and maintained its website in accordance with the IRS Agreement; and

**WHEREAS**, the IRS publishes annually to all FFI Members its specifications, requirements, and restrictions for a fillable form program and FFI has agreed to permit one or more Members to provide the IRS an unbranded product that meets the IRS specifications for an unbranded fillable form utility; and

**WHEREAS**, FFI Members are innovators who have introduced innovations through their commercial products that make tax preparation easier, more efficient, and less prone to human error; and

**WHEREAS**, IRS believes Free File should be a place for testing and delivering innovation to taxpayers, and there is a desire to have these product innovations provided for free in the Free File Members' software programs, FFI and IRS agree that specific, continuous, and ongoing efforts should be made to provide further innovations for the benefit of Free File taxpayers over the five-year term of this Memorandum of Understanding.

**NOW THEREFORE**, for good and valuable considerations, the parties, intending to be legally bound by this MOU, hereby agree as follows:

**ARTICLE 1  
DEFINITIONS**

- 1.1 “Affiliate” of the Member, Executive Director, or other entity shall mean any Person, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with the Member, Executive Director, or other entity, as applicable. The term “control,” as used in the immediately preceding sentence, shall mean with respect to a corporation or limited liability company the right to exercise, directly or indirectly, more than 50 percent of the voting rights attributable to the controlled corporation or limited liability company, and, with respect to any individual, partnership, trust, other entity, or association, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled entity.
- 1.2 “FFI Filers” shall mean those taxpayers with an Adjusted Gross Income (AGI) equal to or less than 70 percent of all United States (U.S.) taxpayers or below for the prior year, including those least able to afford e-filing tax returns, based upon verifiable characteristics in their tax return and, as a result, who for free, online tax return preparation and filing services are offered by an individual Member.
- 1.3 “Bankruptcy” shall mean: (a) the filing of an application by the Member for, or its consent to, the appointment of a trustee, receiver, or custodian of its assets; (b) the entry of an order for relief with respect to the Member in proceedings under the U.S. Bankruptcy Code, as amended or superseded from time to time; (c) the making by the Member of a general assignment for the benefit of creditors; (d) the entry of an order, judgment, or decree by any court of competent jurisdiction appointing a trustee, receiver, or custodian of the assets of the Member unless the proceedings and the Person appointed are dismissed within ninety (90) days; or (e) the failure by the Member generally to pay its debts as the debts become due within the meaning of Section 303(h)(1) of the U.S. Bankruptcy Code, as determined by the Bankruptcy Court, or the admission in writing of its inability to pay its debts as they become due.
- 1.4 “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time, and the provisions of succeeding law.
- 1.5 “Coverage” shall mean the lowest 70 percent of taxpayer population calculated using AGI. The IRS uses the prior year tax return information to compute the AGI amount that equates to 70 percent of the tax return population. The number of taxpayers covered each year will be adjusted for each filing season thereafter based on taxpayer population and income changes, but the agreed upon percentage of coverage will not change.
- 1.6 The “IRS” shall mean the Internal Revenue Service.
- 1.7 “Executive Director” shall mean the Executive Director of FFI.
- 1.8 “Member’s Free File Website” shall mean Members’ websites that offer free, online tax return preparation and filing services to FFI Filers.

- 1.9 “Member” shall mean each company in the electronic tax preparation and filing industry who is a member in good standing with FFI
- 1.10 “Member Free File Landing Page” shall mean the first page a taxpayer sees when leaving the IRS site to the Member company’s site.
- 1.11 “New Market Entrant” shall mean a Person who is not yet a Member that intends to offer Services in the upcoming tax season but has not done so for past seasons.
- 1.12 “Person” shall mean an individual, partnership, limited partnership, limited liability company, corporation, association, or any other entity.
- 1.13 “Services” Shall mean free, online tax return preparation and Filing of Federal individual income tax returns.
- 1.14 “Software Programs” shall mean the software program a Member uses to provide online tax return preparation and filing services to taxpayers.
- 1.15 “Treasury Regulations” shall, unless the context clearly indicates otherwise, mean the regulations in force as final or temporary that have been issued by the U.S. Department of Treasury pursuant to its authority under the Code, and any successor regulations.
- 1.16 The “IRS Website” refers to [www.irs.gov](http://www.irs.gov) (or [IRS.gov](http://IRS.gov)).
- 1.17 The “IRS Free File Website” shall mean the website hosted and maintained by the IRS through which the Services are offered to taxpayers.
- 1.18 The “IRS Free File Landing Page” shall mean the introductory IRS Free File splash screen or landing site within the IRS Website.
- 1.19 “Unbranded Fillable Form Utility” shall mean an unbranded software product that is forms based and provided by a FFI Member in compliance with the particular requirements, limitations, and standards applicable to that service as set forth in the IRS Free File Program Fillable Forms Utility Specifications dated December 9, 2008, and is chosen by the IRS for placement on the IRS Website.
- 1.20 “State Free File Program” shall mean those programs in states that offer free preparation and e-filing of individual tax returns based on criteria that are materially consistent with the federal Free File program, and which do not provide taxpayer-funded online software for tax preparation and e-filing. In 2014, there are 21 states and the District of Columbia participating in the State Free File Program (see

Appendix A) but this definition applies to all states meeting the above criteria in a given year, and the list of eligible states may change from year to year..

- 1.21 “Non-Free File States” shall mean those states that have their own taxpayer-funded online software for tax preparation and e-filing.
- 1.22 “Active Duty Military” shall mean those individual taxpayers currently serving full time in the armed forces, including the United States Army, Navy, Marines, Air Force, Coast Guard, and National Guard, and whose income equates to the lowest 70% of the national AGI.

## ARTICLE 2 FFI AND IRS OBJECTIVES

Members shall work in concert with the IRS to increase electronic filing of tax returns, which includes extending the benefits of online federal tax preparation and electronic filing to economically disadvantaged and underserved populations at no cost to either the individual user or to the public treasury. Further, the IRS and FFI (previously Free File Alliance or Alliance) agree that to serve the greater good and ensure the long-term stability of FFI, the scope of this program is focused on covering the taxpayers least able to afford e-filing their returns on their own. In recognition of this commitment, the federal government has pledged to not enter the tax preparation software and e-filing services marketplace. Members shall also:

- 2.1 Make tax return preparation and filing easier and reduce the burden on individual taxpayers, particularly the economically disadvantaged and underserved populations;
- 2.2 Support the IRS’s statutory goals of increased electronic filing, pursuant to the IRS Restructuring and Reform Act of 1998;
- 2.3 Provide greater service and access to the Services to taxpayers; and
- 2.4 Implement one of the proposals in the President’s Fiscal Year 2003 budget, specifically to encourage further growth in electronic filing by providing taxpayers the option to file their tax return online without charge using cooperation with, and encouraging competition within, the private sector.



### ARTICLE 3 TRANSPARENCY IN MANAGEMENT

To manage the program in a transparent manner, the IRS will utilize the then current AGI number which equates to the lowest 70 percent of the taxpayers to manage the program, and will not accept or post any offer by a Member which exceeds this AGI amount. The IRS will describe this limitation on the IRS Free File website. FFI will not have a role in this IRS management process.

### ARTICLE 4 STANDARDS OF PRACTICE

#### 4.1 Level of Service.

##### 4.1.1 Each Member and New Market Entrant shall:

- (i) Be engaged in the electronic tax preparation and filing industry;
- (ii) Have processed a cumulative total of 2,500 online returns during previous years, or has processed 25,000 e-file returns before becoming a Member;
- (iii) Meet a 75 percent acceptance rate for electronic returns for traditional Free File throughout the filing season, excluding business rules and any subsequent codes associated with prior year AGI and self-select pin mismatches. The IRS will work with FFI to identify any business rule errors that are a result of new legislation and/or policy. Specific business rule errors may be excluded from the computation of a company's acceptance rate.
- (iv) Meet any increased standard agreed to for subsequent years by the IRS and FFI

4.1.2 Any Member who does not meet the minimum acceptance rate set out in 4.1.1 (iii) and (iv) above may be removed from the IRS Free Website.

##### 4.1.3 Each Member and New Market Entrant shall:

- (i) Make its Services available to not less than 10 percent and not more than 50 percent of the individual taxpayer population, or approximately seventy million (70,000,000) taxpayers, within the Coverage, as annually adjusted through IRS analysis of the taxpayer database to determine the lower 70% of all U.S. taxpayers. Additionally, any free services offered under this MOU to Active Duty Military members who meet the requirement of earning no more than the lowest 70% of the national AGI shall be exempt from this service cap of 50% of the taxpayer population. Notwithstanding other terms in this MOU, this provision exempting eligible Active Duty Military members from the service cap shall become effective in January 2015;

- (ii) Offer its Services on a non-discriminatory basis;
- (iii) Be an authorized IRS e-File Provider in accordance with IRS Revenue Procedure 2005-60;
- (iv) Be in compliance with applicable Department of Treasury/IRS rules, including, but not limited to, 31 C.F.R. Part 10, IRS Revenue Procedure 2005-60, current versions of IRS Publications 1345, 1345-A and 3112, 4164, Modernized e-File (MeF) Guide for Software Developers and Transmitters, 1436 Test Package for Electronic Filers of Individual Income Tax Returns for Tax Year 2014 and IRC Section 7216;
- (v) Possess and provide appropriate documentation to the IRS and the Executive Director demonstrating they have acquired third party security and privacy certifications which are applicable for the period the company is actively listed on the IRS Free File Website;
- (vi) Have appropriate logos or seals (for both privacy and security) from acceptable and recognized third party privacy and security certification providers placed in clearly visible locations on the Member's Free File Landing Page; and
- (vii) New Market Entrants shall self-certify in writing to the Executive Director, and available upon request to the IRS, that the New Market Entrant has sufficient technical capacity to meet the Level of Service requirements as set forth in this MOU and then current FFI Operating Agreement and are commercial tax preparation software providers aside from their FFI offering.

4.1.4 Participation of Non-Profits. Non-Profit Organizations will be allowed to participate in the Free File program provided that they meet all of the requirements specified in the MOU, including, but not limited to, that their services and products cannot be paid for with Government funds.

4.2 OMITTED BY INTENTION:

4.3 Only one version of each Software Program permitted other than an unbranded fillable forms utility.

4.3.1 Only one version of a Software Program is permitted per Member, except that any Member that chooses to offer an unbranded fillable form Software Program may offer that product in addition to the Software Program that is accessible from the Member's Free File Website. This provision does not preclude a Member from using the same Software Program for access both from the Member's Free File Website and as an unbranded fillable form accessible from the IRS's website. A Member may own the copyright in a Software Program or have a valid license to use a Software Program, but a Software Program may not be used by more than one Person to obtain FFI membership.

4.3.2 Members and/or any New Market Entrant applying for membership with FFI will provide the Executive Director with information as requested by the Executive Director to permit a determination as to whether Software Programs are duplicative and/or substantially similar based upon features, functions, and/or general characteristics and would violate Section 4.3.1. The IRS or the Executive Director shall review the following list of characteristics (i) through (vii), and request any facts needed from the Member or possible New Market Entrant that will assist in this evaluation. No single characteristic below is dispositive of any determination as to whether software is identical or similar. The IRS or the Executive Director may weigh items (i), (ii) and (iii) most heavily, but can take into account any fact or factor:

- (i) The degree to which the underlying software programs are substantially identical or similar;
- (ii) Changes in the logo, color, and presentation do not transform similar software programs into different versions;
- (iii) The degree to which two software programs have a look or feel that is identical or similar;
- (iv) The relationship, if any, of the respective owners of companies; for example, the degree to which corporate officers are the same or dissimilar; whether locations of incorporation are the same or similar, whether the same Uniform Resource Locator is being used by more than one entity; the degree to which two member companies use the same third party developer, etc.;
- (v) The degree to which the company's revenue is related to FFI or principally through commercial sales of software, tax preparation services, and electronic filing to the general public;
- (vi) The degree to which each company has adequate financial resources;
- (vii) The degree to which each company has the necessary organization, experience, operational controls, and technical skills to participate in the tax software preparation industry;
- (viii) The degree to which each company has the necessary technical equipment and facilities; provided that companies are permitted to sell, license, or otherwise transfer software programs for services utilized in FFI offerings, but such sale, license, or other arrangement may be reviewed for its underlying purpose and must be consistent with this entire section; or
- (ix) The degree to which the company has offered and sold tax preparation software and e-filing services competitively in substantial quantities to the general public in the commercial marketplace based on established

catalog prices. For these purposes, catalog prices shall be interpreted consistent with the current definition as described in FAR Part 2.101, or if repealed in entirety, the last version of such definition.

4.3.3 Members and/or New Market Entrants applying for membership in FFI will make the following disclosures with respect to any licensed Software Programs:

- (i) Disclose whether another Person owns more than 25 percent of the code of the licensed Software Program. In the event another Person owns more than 25 percent of the code of the proposed Software Program, the Member and/or New Market Entrants applying for membership must additionally disclose the Person from whom the license has been obtained, as well as the business address and contact point to verify the scope of the license and the relationship between the parties.
- (ii) Disclose whether another Person is providing the Member and/or New Market Entrant with servers or other back-end support other than telecommunications, and provide the business address and contact information for such Person.

4.3.4 All Members shall adhere to industry best practices to ensure the taxpayer return information entrusted to them is secure and the privacy of such information is maintained. In any instance where a Member company contracts with a service provider to obtain technology services, the service provider must adhere to the established industry best practices standard. To the extent multiple Members rely on a single service provider for front or back office services (not Internet Service Provider services), such Members must maintain such taxpayer security and privacy from others who share these service providers.

4.4 Functionality of Member's Website and Software Program. Members and/or New Market Entrants will provide the Executive Director and the IRS with a link to the Member's and/or New Market Entrant's proposed Member's Free File Website no less than 15 business days before the Website is expected to go live. Members' Free File Websites will be functionally adequate in permitting a taxpayer to complete taxpayer's return if the return is consistent with the Member's free offer. Prior to launch, the IRS and the Executive Director will review each Member's Free File Website usability. If the IRS and/or the Executive Director determine that a Member's and/or New Entrant's Software Program is difficult to use, and has or will result in a significant and measurable reduction in the ability of taxpayers to complete their return, the Member will not be listed on the IRS Free File Website or may be delisted until both the IRS and the Executive Director are satisfied that the issue(s) which led to the concern regarding Members' and/or New Market Entrants' Free File Website usability have been addressed.

4.5 Disclosure of Forms and Schedules and Limitations.

- 4.5.1 Each Member will offer all of the same federal forms and schedules as offered in their basic commercial online consumer programs if they are outside of the minimum required core forms and schedules.
- 4.5.2 Each Member will offer as a minimum the Core Forms and Schedules as shown in Attachment 1. IRS reserves the right to negotiate with FFI to add new forms before the start of the filing season as necessitated by new legislation.
- 4.5.3 Each Member and/or New Market Entrant will disclose any limitations in the forms and schedules that are likely to be needed to support Members and/or New Market Entrant's free offerings. This disclosure shall take place on Members' and/or New Market Entrants' Free File Landing Pages (or such page must have a clear link to such disclosures directly from this page). Representative examples of limitations required to be disclosed include, but are not limited to, the inability to support more than one W-2 Form, and/or the lack of a form necessary to prepare a return that is likely to be based on the offer. Limitations in forms and schedules do not include any form that is not routinely required, e.g., the separate forms required for taxpayers with foreign income, unless a Member's offering is particularly orientated around such forms.
- 4.5.4 Each Member will clearly disclose the supported schedules and forms in addition to the required core forms supported on the Members' Free File Landing Pages or through links on such page.

4.6 Security.

- 4.6.1 Members will comply with the IRS e-file Security and Privacy Standards, <http://www.irs.gov/uac/IRS-e-file-Security-Privacy-and-Business-Standards-Mandated-as-of-January-1-2010>
- 4.6.2 Members will provide no later than December 15th, each year to the IRS the following information:
  - (i) The identity of the company's Approved Payment Card Industry (PCI) scanning vendor, [https://www.pcisecuritystandards.org/approved\\_companies\\_providers/approved\\_scanning\\_vendors.php](https://www.pcisecuritystandards.org/approved_companies_providers/approved_scanning_vendors.php).
  - (ii) An Executive Summary of the Member's PCI Vulnerability Security Scan. The summary shall include the name of the certified PCI scanning vendor, the date the scan conducted, how many live hosts were scanned, and a discussion of the findings. Vulnerability severity levels should be used to categorize the vulnerabilities (i.e., critical problem or high risk, areas of concern, or medium risk or low risk but potential problems).
- 4.6.3 Members will possess and provide appropriate documentation to the IRS and the Executive Director demonstrating they have acquired third party security and privacy certifications.

- 4.6.4 Annually before filing season launch, FFI, or its Members, will conduct penetration and vulnerability assessment of individual Members prior to the start of the filing season. The annual assessments will be conducted prior to, or concurrent with, the annual Acceptance Testing System (ATS) testing. Services relating to this assessment must be obtained from a list of approved vendors jointly created by the IRS and FFI
  - 4.6.5 If a Member is not listed, or is delisted by agreement of the IRS and Executive Director due to perceived security or privacy vulnerabilities, the IRS and FFI have the independent authority to require a penetration test be conducted by an approved third party vendor chosen by the Member if the Member is delisted for concerns which include, but are not limited to, such penetration.
  - 4.6.6 Only the Executive Director, the IRS, and affected individual company will be apprised of a Member's deficiencies identified as a result of any assessment by the IRS or Free File Inc.
  - 4.6.7 Implementation of Completely Automated Turning Test to Tell Computers and Humans Apart (CAPTCHA). Members must implement a CAPTCHA program on the Member's Free File Website as a condition for participation in the program. The CAPTCHA images of text should be distorted randomly and users must then manually enter the text identically as it appears on the screen. The CAPTCHA must be implemented such that a user must successfully complete the CAPTCHA test for proceeding to the next screen. For additional information on the CAPTCHA program, Members may refer to Carnegie Mellon University's CAPTCHA resource page: <http://www.captcha.net>
  - 4.6.8 Each Member will ensure that visually impaired taxpayers may access and complete the CAPTCHA program.
- 4.7 Hacker Attacks and Attempts at Intrusion on Member Websites.
- 4.7.1 Any Member that learns of an inappropriate disclosure of a taxpayer's return information to an unauthorized Person, in the course Member's provision of Services, must immediately:
    - (i) Report as soon as possible the unauthorized disclosure to the Executive Director and the IRS but not later than the next business day after confirmation of the incident. Members shall follow the Instructions on IRS.gov for submitting incident reports, [http://www.irs.gov/Tax-Professionals/e-File-Providers-&-Partners/Instructions-for--Reporting-Web-site-Security-Incidents-\(updated-10-02-08\)](http://www.irs.gov/Tax-Professionals/e-File-Providers-&-Partners/Instructions-for--Reporting-Web-site-Security-Incidents-(updated-10-02-08)).
    - (ii) Shut down Member's Free File Website at the time of detection.
  - 4.7.2 The Executive Director and/or the IRS have complete emergency authority to shut down and/or remove the link to any Member's Free File Website if the Executive Director and/or the IRS believe, based upon objective information, that

unauthorized disclosure of taxpayer information has occurred and/or a threat of disclosure of taxpayer return information exists. Objective information includes, but is not limited to, copies of screens containing unauthorized taxpayer information. Objective information is not merely a complaint or allegation by a taxpayer or third party that an unauthorized disclosure has taken place. However, such a complaint or allegation, when supported by additional facts, can become the necessary objective information. Once a Member's Free File Website has been voluntarily or involuntarily shut down, the Executive Director, the IRS and the Member will conduct a prompt review to ensure that the decision to shut down a Member's Free File Website was well founded. Such a review should be completed by the second business day after a Member is delisted. Inability to substantively complete the review based on a failure by the Member to cooperate shall extend this review. A Member's Free File Website may be relisted once the issues which caused concerns are remedied, but the Executive Director and/or IRS may request or require a broader evaluation of a Member's Free File Website before any relisting is permitted.

- 4.8 One Time No Cost Refiling of Taxpayer Return. When the IRS has rejected a taxpayer's return, Members will permit the IRS rejected return to be refiled at least one time without cost to the taxpayer regardless of whether the IRS rejected the taxpayer's return solely as a result of the taxpayer's mistake, e.g., the taxpayer's entry of an incorrect SSN causes the IRS rejection of the taxpayer's return.
- 4.9 Self-Select Personal Identification Numbers (PINs). Members must permit self-select PINs as an option for taxpayers who qualify for electronic filing of free services.
- 4.10 Time Out Feature. All Members must include a feature in their tax preparation software that will "time out" the session after no changes are made for a period of time consistent with best practices approved by privacy seal certification program.
- 4.11 Guarantee of Calculations.
  - 4.11.1 Each Member shall guarantee the accuracy of calculations performed by its federal free file offering. State returns are not included in this guarantee. For the purposes of this section, the term "Calculations" is defined to mean the numerical addition, subtraction, or multiplication of numbers, and related automatic features that select numbers from tax tables. Calculations do not include any instance where a taxpayer can make a decision to substitute a number for the one automatically computed by the program, and Members are not responsible for changes in tax law made by the Congress during the tax season. All Members will pay any IRS penalties and/or interest resulting from an error in the Member's Software Program's Calculations, notwithstanding the lack of revenue from FFI Filers. The amount of this guarantee shall be limited to the amount accrued when the IRS provides notice to the taxpayer of an improper calculation.

- 4.12 Section 7216 Compliance. Members shall only use or disclose the tax return data Members collect in provision of Services to taxpayers in accordance with the provisions of Section 7216 of the Code.
- 4.12.1 Members will validate that the servers and transmission of tax return data are located in the U.S. If the servers or transmitter are located outside the U.S. or any territory or possession of the U.S., the taxpayer must agree and sign a form consenting to the disclosure. Refer to Revenue Procedure 2008-35, section 4.04(1)(e) and to Treasury Regulation §301.7216-3(a)(3) for complete information and for specific language.
- 4.13 Use of SSN. Whenever taxpayers are requested or required to provide their SSN, it must be part of a secure session.
- 4.14 Returning Free File Tax Filers. If a taxpayer used and completed his/her return with a Member's Free File products or services in the immediately preceding tax year, and in the subsequent tax year visits the Member's commercial website(s) for tax preparation and logs into an account registered with the Member, the taxpayer must be given a first option to return to the Member's Free File offer before receiving any other alternative choices for the Member's publicly available commercial tax preparation products or services. FFI, in consultation with the IRS, shall prescribe the requirements of this uniform communication to the taxpayer, including but not limited to the text, format and prominence of the messaging. Manipulation of the font size and other graphical elements in order to give prominence to the secondary non-Free File option is prohibited.
- 4.15 Disclosure of Taxpayer Service Options.
- 4.15.1 Members must permit a taxpayer who qualifies for a free return to print their return for free on their personal computer system for both e-filed and paper filed returns. This capacity must be provided for the same period of time (e.g., 3 days, 3 weeks, or 3 months) that such services are provided for free to commercial customers.
- 4.15.2 Members must permit a taxpayer who does not qualify for a free return to print their return after paying the applicable fee, if any, charged to Members' commercial customers.
- 4.15.3 Members must permit taxpayers who have begun to complete a tax return to complete the return during the current tax year.
- 4.15.4 Members must clearly list their free customer service options. This disclosure must be available on the Member's Free File Landing Page (or such page must have a clear and prominent link to such disclosures directly from this page). Members must provide taxpayers a free electronic method to obtain a copy and learn the status of their electronically filed tax return.



- 4.16 Availability of Free Services. If a Member's services have not been made available on or before March 15 of any tax season, the Member will not be listed after that

date. If a Member's free services will not be available for the remainder of the tax season based on any unplanned outage, their listing will be removed. Each Member shall promptly notify FFI and the IRS of any planned or unplanned unavailability or scheduled maintenance (i.e., down time) of an offering that is anticipated to exceed 5 hours in duration. Members whose services are delisted will be restored to the IRS Free File Website consistent with IRS service capabilities, but not more than 5 business days after the IRS and the Executive Director agree the services can be relisted. IRS may display members whose Free File program remains active on IRS.gov up to the date that IRS closes processing through the MeF program.

- 4.17 Blackouts. Maintaining a consistent level of service is important.
- 4.17.1 No planned blackouts of service are permitted from January 15 through April 15.
- 4.17.2 Unplanned blackouts or scheduled maintenance in excess of 5 hours requires electronic notice of unavailability to the IRS, FFI, and, whenever possible, via Member's Free File Landing Page. Failure to provide this notice on more than one occasion is grounds for delisting.
- 4.17.3 During any unplanned blackout or scheduled maintenance, customers seeking to access the Free File option should not be directed to or have access to the fee-based services of the Member.
- 4.18 Contact Person for Notification. Each Member, in making its offer, shall provide a contact name and number of a person(s) who may be reached 24 hours per day/7 days a week for issues regarding unavailability of the services and security breach of taxpayer data. The IRS (as well as the Executive Director) is entitled to delist any Member if contacts with such person are not successful within a 12 hour period.
- 4.19 Eligible Taxpayers/No Promotional Codes or Rebates/Links to Paid Sites. In providing free services to qualified taxpayers, Member programs cannot utilize promotional codes or rebates as the methodology of providing free services.
- 4.19.1 Tagging of Returns. For taxpayers who enter a Member Free File Website from the IRS Free File Website and save any portion of their return, that return should be "tagged" so as to remain eligible for the Member's free offer. This paragraph does not apply to those services offered by Members in permitting extensions (4868) to be filed.
- 4.19.2 Ineligibility Notification. Free File Member programs must unequivocally inform taxpayers who are ineligible for the free offer at the earliest feasible point:
- (i) That they are ineligible for the Free File offer, and

- (ii) The reason that they are not eligible for the offer, and
- (iii) The taxpayer shall be directed back to the IRS Free File Landing Page as the first and most prominent alternative action so that they may immediately consider other Free File offers available from the Free File Program, and
- (iv) The disqualification practice of each Member must adhere to the standard messaging, language and formatting guidance to be provided by FFI in consultation with the IRS.
- (v) The taxpayer next may be offered a free alternative for completion of their return, provided that the taxpayer is covered by the Program limit of being among the lowest 70 percent of taxpayers.
- (vi) The taxpayer would next be offered the option to continue on the Free File Member's site and pay a fee – which is fully disclosed – to file their federal and/or state return.

4.19.3 Links to Paid Site. Providing an automatic link from the IRS Free File Website to a Member's paid website will result in delisting.

4.19.4 Solicitation for Payment. Members shall not post a billing screen requesting or collecting bank/financial information (e.g., debit/credit card information) from customers who qualify for a free return where no state tax return products have been purchased.

4.20 Date Changes. The IRS has the authority to change any date utilized in this MOU to conform to changes made in regulatory or statutory requirements, or to update the MOU each calendar year. Notice of such change will be tied to such specific regulatory or statutory requirements.

4.21 Disclosure of State Preparation and Filing Options. FFI shall offer free state tax preparation and e-filing in all states that participate in a State Free File Program. FFI is not required to provide free services for state returns in Non-Free File States. The IRS will not provide links to any Non-Free File State Department of Revenue websites from the IRS.gov Free File Website.

4.21.1 FFI members must disclose their state service offerings on each individual Member's Free File Landing Page and make clear whether such returns are free or paid. Any offer for paid state return preparation and e-filing services shall state clearly all the details of the offer, including a single, consolidated fee for such service. Free or paid state offers shall be displayed on the Free File Landing Page prominently. Members must provide the list of states that they currently support. This list shall only include states that have completed state testing and whose software programs have been approved by the state and are ready for use. Members shall include a listing of each State Free File Program that the Member participates in and a hyperlink that will allow taxpayers to access the Members' Department of Revenue State Free File offering.

4.21.2 The IRS may provide information for taxpayers on the IRS Free File Website.

Such information may include, but is not limited to, the following:

- (i) Federal Free File supports preparation of Federal tax returns. Many member companies also offer free or paid state tax preparation and e-filing services.

- (ii) Some companies may not offer state tax preparation and e-file services for all states.

The IRS further agrees it will not provide links to the Websites of any Non-Free File States Department of Revenue Websites from the IRS.gov Free File website

- 4.22 Unilateral Changes by U.S. Government. Any unilateral changes imposed by the U.S. government on FFI whether by statute, regulation, or administrative action will result in an immediate re-evaluation of the decision to continue FFI, and could result in an immediate suspension of free services upon the decision of each Member. Any inclusion of links from the IRS Free File Website to Non-Free File State Department of Revenue websites is grounds for FFI to immediately dissolve its obligations in this MOU.
- 4.23 Compliance with Federal, State, and Local Laws. Each Member shall provide all Services in accordance with all applicable federal, state, and local laws, rules, and regulations. Each Member shall immediately notify the Executive Director upon its receipt of any notification, oral or written, alleging that such Member is not providing the Services as set forth herein.
- 4.24 No Transfer or Assignment of Membership Permitted. No Member may transfer its membership interest in FFI to any Person, unless as a result of a merger or acquisition to a successor corporation to the Member reported in a timely fashion to FFI
- 4.25 Free File Indicator. Members will provide an electronic Free File indicator. If the Member is providing a Spanish version of their Free File product they will provide a Spanish Free File indicator.
  - 4.25.1 The IRS agrees it will not use the indicator to build a marketing database;
  - 4.25.2 The IRS agrees it will not use the indicator to compile company specific data or proprietary data; and
  - 4.25.3 The IRS agrees it will only use the database to create aggregate data profiles of all users.
- 4.26 Disclosure. The IRS will ensure its Freedom of Information Act office is aware of FFI concerns about disclosure of company specific data, and actively afford notice and opportunity to intervene by FFI and impacted company as is required by statute and regulation.
  - 4.26.1 The IRS will promptly notify the Executive Director in writing if a governmental agency or entity, including, but not limited to the Congress, any Inspector General, or Taxpayer Advocate, or a private party is requesting aggregate data concerning individual Members; and the IRS has concluded it cannot refuse to provide such data:

- (i) The Executive Director upon receipt of the IRS's written notification may immediately advise Members that they can cease providing the indicator;
  - (ii) FFI cannot unilaterally suspend the indicator absent proof which it supplies the IRS that the aggregate data concerning an individual Member described above has been compiled or released;
  - (iii) In the event any domestic law enforcement agency formally subpoenas or provides the IRS with appropriate process for data resulting from the indicator that is not aggregated, notification to the Executive Director can be delayed for a period not to exceed 90 days; and
  - (iv) Any Member(s) which suspends the indicator in accordance with the terms described above shall be expected to provide the total number of accepted e-filed tax returns originating from their Free File service under procedures mutually agreed to by the IRS and the Executive Director.
- 4.27 Pop-ups, Spyware and other Marketing Tools. The IRS will work with FFI to develop further agreed upon guidance for Members to ensure that their web sites/Free File pages are in compliance with IRC §7216 with respect to pop-ups, pop-unders, adware, spyware, etc.
- 4.28 Customer Satisfaction Survey. The Members will provide the necessary support to accomplish a customer satisfaction survey.
- 4.29 Annual Review. For any multi-year agreement between the IRS and the FFI on an annual basis, the parties will review the Free File Program and decide what, if any, improvements need to be made for the next filing season. Any improvements agree to by the parties shall be reflected in an MOU executed by the parties.
- 4.29.1 Review for Compliance. FFI and IRS conduct reviews of Members' Free File Landing Pages for compliance with the requirements and obligations contained in this MOU. The review process is under the control of the Executive Director and IRS leadership but will consist of a pre-filing season review for compliance that allows a Member to remediate any identified deficiencies, and a review to ensure that remediation has occurred. The IRS also conducts a random, unannounced review during the filing season to ensure continued compliance.
- 4.30 Annual Revision. The IRS and the Executive Director may annually revise the MOU between the parties that provides structure for the roles.
- 4.31 Modifications to Standards of Practice. The Executive Director and the IRS may unilaterally propose additional standards necessary for the Standards of Practice during the tax season. Any additional standards shall be provided to the Members by email. The Executive Director and/or the IRS shall determine whether the standards need to become effective immediately or can await a Member meeting. In any instance where the Executive Director and/or the IRS believe the standards need to be immediately effective, the immediacy of the effect of the new standard shall be noted in the email transmittal, and the additional standards will become effective 5

days later, or the first business day if the fifth day falls on a weekend or holiday.

4.32 Permitted Sales, Limits on Ancillary Sales, and Selling Activity

- 4.32.1 Sale of State Tax Returns Permitted But Not Required. Taxpayers who enter a Member's Free File Landing Page must be able to see a clearly-stated offer for state tax return preparation and e-filing. The free or paid state return offer must be

clear and located on the top half of the landing page, and if different fonts are used, the fees and description of the state tax preparation and e-filing must be presented with a typeface and prominence no less than the majority of text on the page, and must include a single, consolidated fee charged for state return preparation and e-filing, as well as a link to a list of state forms offered and federal forms and schedules offered. This offer to provide a free or paid state return may be repeated one additional time in the Member's site. Member providers of unbranded fillable form utilities may not offer a state return.

- 4.32.2 Provision of Federal Return When Taxpayer Does Not Qualify for a Member Free File Offer Is Permitted. When a taxpayer enters a Member's Free File Landing Page and begins to complete a return but ultimately cannot qualify for the Member's free offer, the Member must provide, as a first option, a prominent hyperlink for the taxpayer to return to the IRS Free File Landing Page (consistent with Paragraph 4.19.2). A Member also may provide free returns to those who do not qualify for the Free File offer, provided they are covered within the terms of the Program. Finally, a Member may inform the taxpayer that he or she has the choice of preparing and filing a federal return using the Member's commercial product. The charge for such commercial product or service shall not exceed the usual commercial price for such products or services.
- 4.32.3 Reasonable and Customary Charges for Taxpayer Use of Credit Card or its Equivalent Are Permitted. A Member company may charge taxpayers who have a balance due reasonable and customary charges from credit card service providers or their equivalent related to payment services they provide. Refund Anticipation Loans, Refund Anticipation Checks, and other forms of payment are not permitted by this section.
- 4.32.4 Email Communication with Free File Taxpayers. Free File Members shall communicate not less than once annually via email with their taxpayer customers who used Free File services and completed their returns through Free File in the immediately preceding tax year prior to the opening of the following tax season. The content of this email(s) shall only remind the taxpayer about the availability of the Member's Free File offer and invite them to return to the Member's Free File Landing Page. Free File Members shall not use these communications to communicate with the taxpayer about any non-Free File commercial products or services. No marketing, soliciting, sale or selling activity, or electronic links to such activity, will be permitted in these email(s).
- 4.32.5 No Other Sales and Selling Activity. No marketing, soliciting, sales or selling activity, or electronic links to such activity, are permitted in the Free File Program, with the exception of the following: (i) the sale of a federal return where, as noted herein, the taxpayer is determined ineligible for the Member's Free File offer and chooses to complete and file his or her return using the Member's commercial offer, or (ii) disclosures or sales (as applicable) related to free or paid state tax preparation offers as specifically provided for in this MOU.



4.32.6 Prohibition on “Value-Added” Button. Members shall not include a “value-added” button (i.e., an icon, link or any functionality that provides a taxpayer with access to a Member’s commercial products or services) on the Member’s Free File Landing Page.

- 4.32.7 The Member shall have a prominent link permitting taxpayers on a Member's Free File Landing Page to easily and clearly return to the IRS.gov Free File Landing Page.
- 4.33 Names Utilized by Member Companies. Members shall possess a clear association between the company or product name posted on IRS.gov and the Member's company or product name. Where a company or product name has been used prior to 2007 by a Member company, the Executive Director and the IRS has the authority to accept or reject a proposed name change to company or product name, and if the Executive Director refuses to permit such change, it is subject to the Dispute Resolution Mechanism at Article 7. No change in name of company or product will be permitted once the Member submits its name to FFI and the IRS for the tax season, unless such a change is required by an adjudication regarding such name.
- 4.34 Use of the Free File Logo. The IRS and the Members agree to use the logo consistent with the terms specified in Version 1 of the Trademark and Copyright Assignment and License Agreement, December 31, 2007.
- 4.35 Promotion of the Free File Program. The IRS will make consistent, good-faith efforts to promote the Free File Program in appropriate media activities, interactions with other federal agencies, social media and social networking activities, and in its appropriate technology applications.
- 4.36 Innovations. FFI and IRS agree that specific, continuous, and ongoing efforts should be made to provide further innovations for the benefit of Free File taxpayers.
- 4.36.1 Pre-Population of Returning Taxpayer's Prior Year Tax Information. IRS and FFI share the goal that Members should be encouraged to incorporate technology that pre-populates a taxpayer's prior year return data into the current year return

whenever a Free File taxpayer uses a Member's Free File Website for any consecutive year(s).

- 4.36.2 Pre-Population of Taxpayer Data from W-2 and 1099 to Current Year Returns. IRS and FFI agree that Members should incorporate technology that permits taxpayers to upload forms, such as W-2 and 1099, in order to pre-populate individual, current-year tax returns with the data from these forms. FFI will make a good faith effort to offer Members the use of such technology for use in the Free File program, which may be patented, copyrighted, or trade secret protected. If successful in procuring such technology at no cost, FFI will offer the use of such technology for free to Members who choose to provide this service to taxpayers within the Free File program. Notwithstanding the foregoing, any member may use its own technology to provide the services described in this paragraph. IRS will investigate requirements or voluntary agreements it may reach with payroll companies to encourage them to cooperate with this pre-population.
- 4.36.3 IRS and FFI mutually agree to support and promote Free File as an "Innovation Lab" to test, pilot, and offer capabilities to simplify taxpayer compliance, such as data importation offered by industry as described herein, and such as IRS's Application Programming Interface (API) projects, consistent with all other terms and conditions in this MOU.
- 4.36.4 This agreement does not limit IRS from providing phone-based, web-based or electronic interaction between the IRS and a taxpayer (or taxpayer's representative) regarding issues in a previously filed return after such a return has been accepted by IRS. IRS will make an effort to communicate its activities in this respect to FFI and seek opportunities to work with FFI Members.

## **ARTICLE 5 TERM**

This agreement [the 8<sup>th</sup> MOU] shall be complete and binding as of the date of the last signature on this document. Notwithstanding this, the 7<sup>th</sup> MOU continues in force and effect until its termination on October 30, 2018. The term of this 8<sup>th</sup> MOU is 3 years, from its effective date on October 31, 2018 to its termination date, which shall be October 31, 2021, and may only be terminated or amended according to the terms of this agreement.

The early completion of the 7<sup>th</sup> MOU is intended to enhance the Free File Program by providing additional taxpayer protections and choice.

**ARTICLE 6**  
**BREACH AND REMOVAL FROM THE IRS FREE FILE WEBSITE**

- 6.1 Removal from the IRS Free File Website. A Member's listing may be removed from the IRS Free File Website, or a New Market Entrant may be refused permission to list its offering upon the IRS Free File Website, based upon the occurrence of any of the following:
- 6.1.1 The IRS and/or the Executive Director's determination that a New Market Entrant does not meet the Level of Service and/or Standards of Practice of this MOU;
  - 6.1.2 The IRS and/or the Executive Director's determination that a Member has failed to provide Services in accordance with the Standards of Practice set forth in this MOU, and the Member has not taken necessary corrective actions, if any may be taken, in the timeframe allotted by the IRS's and/or Executive Director's written notice to the Member;
  - 6.1.3 The IRS and/or the Executive Director's determination that a Member has failed to comply with its obligations under this MOU per Section 4.29.1, and that the Member has failed to timely remediate identified deficiencies.
  - 6.1.4 The IRS and/or the Executive Director's receipt of notice that a Member has undergone an event of Bankruptcy; or
  - 6.1.5 The IRS and/or the Executive Director's receipt of written notice from a Member that the Member does not wish to be listed on the IRS Free File Website and/or continue in FFI
- 6.2 Determination Process. The Executive Director and/or the IRS may make the determinations described in 6.1.1 through 6.1.4 above (i) in coordination with each other; (ii) upon each party's own volition with written notice to the other party; or (iii) upon the reasonable request of a Member and/or third party as determined by the IRS in coordination with the Executive Director.

**ARTICLE 7**  
**DISPUTES**

- 7.1 Administrative Review. After a determination process pursuant to Article 6 of this MOU, a Member advised by the IRS of the denial or removal of its free offer from posting on the IRS Free File Website has the right to an administrative review. The Member may submit a detailed written explanation with supporting documentation requesting a final determination that the decision to deny or remove their offer from the IRS Free File Website should be withdrawn. Within 3 business days of receipt of the Member's written response, the IRS will reconsider and may either withdraw or affirm its action. During this administrative review process, the decision remains in effect.
- 7.2 Administrative Remedy. After a determination process pursuant to Article 6 of this MOU, any Member who has been refused the ability to list on the IRS Free File Website and/or has been removed from the IRS Free File Website by the IRS, or

mutually by the IRS and FFI, may challenge the determination to the Civilian Board of Contract Appeals (CBCA) in accordance with the CBCA's Rule of Procedure.

The CBCA's review is authorized by the Alternative Dispute Resolution laws and regulations issued by the U.S. Government and are in lieu of any litigation in any court.

- 7.2.1 The CBCA will be the exclusive venue for resolving disputes concerning any action taken by the IRS or the IRS and FFI under the terms of this MOU as described in 7.2.
- 7.2.2 FFI shall be responsible for paying the CBCA for all costs incurred by the CBCA in any proceeding related to this provision. Each party to the adjudication shall initially pay its own costs and fees. For the purposes of this section, a party to adjudication may include any Member, FFI, and/or the IRS.
- 7.2.3 If the IRS, or mutually by the IRS and FFI, determines not to permit a New Market Entrant to list its offering on the IRS Free File Website, the IRS and FFI, by mutual agreement, may permit or refuse the New Market Entrant the right to use this provision to review the decision not to permit the New Market Entrant's listing on the IRS Free File Website. For the purposes of this Section, the payment provisions of Section 7.2.2 apply to any adjudication brought by a New Market Entrant.
- 7.2.4 A Member or New Market Entrant who does not prevail in its appeal before the CBCA is required to pay 100 percent of the costs, fees, and expenses incurred by the CBCA and FFI. FFI will invoice the Member and/or New Market Entrant for such costs, fees and expenses, and the Member and/or New Market Entrant shall pay FFI within 10 days of presentation of an invoice for such amount. If the Member or New Market Entrant does not pay these costs, they are no longer in good standing and cannot participate in FFI meetings or be posted on the IRS website.
- 7.3 The following rules apply to all CBCA proceedings: the Member and/or New Market Entrant who challenges an IRS determination or a joint determination of the IRS and FFI under Section 6 or 7 of this MOU shall not be entitled to any monetary remedies, and the Member's and/or New Market Entrant's sole and only remedy shall be an order directing the IRS to act in accordance with the CBCA's decision. The CBCA's decision with respect to the termination or reinstatement of the Member on the IRS Free File Website or any other order shall be final and binding and shall not be subject to review. The CBCA shall have the authority to grant motions, including motions to dismiss and motions for summary judgment, in appropriate circumstances. The CBCA shall have no authority to add to or to modify this MOU, except as permitted by joint agreement of the CBCA, IRS and FFI.

## **ARTICLE 8 NO RELATIONSHIP TO FFI OPERATING AGREEMENT**

FFI can continue to change and amend the FFI Operating Agreement without regard to this MOU. Notwithstanding the prior sentence, the terms of the FFI Operating Agreement and/or any change in the FFI Operating Agreement have no impact on this MOU unless and until the

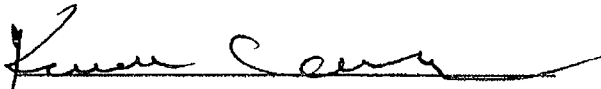
MOU is amended in writing by agreement between the IRS and FFI, which agreement can be withheld by the IRS.

**ARTICLE 9  
INTEGRATED AGREEMENTS**

The terms of this MOU are final and binding unless and until it is superseded by a signed agreement between the parties. The IRS and FFI agree that this document and all prior original and supplemental signed agreements other than only the current and latest MOU between the IRS and FFI remain in full force and effect unless the language of this MOU is inconsistent with such prior written terms, in which case the terms and language of this MOU shall control.

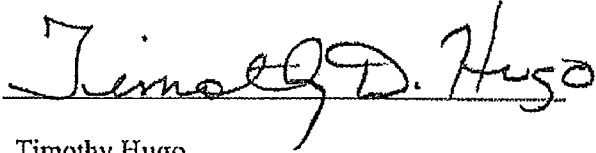
**ARTICLE 10  
TERMINATION**

- 10.1 Either party may terminate this MOU for cause if the other Party fails to comply with this MOU, and such failure is not cured within thirty days of written notice of such failure from the other party.
- 10.2 The IRS may terminate this MOU without cause, such termination to be effective 12 months after the date of notice of such termination.
- 10.3 Should the IRS commit funding to offer Services for free to taxpayers the IRS shall notify FFI immediately. If the IRS gives such notice during the tax season (between January 1 and April 15, or the last day of the filing deadline if that date is changed from April 15) of any year, FFI may, by written notice to IRS, terminate this MOU, effective on April 16 (or, if the filing deadline is changed from April 15, on the day following such new deadline) of that year. If the IRS gives such notice between April 16 (or, if the filing deadline is changed from April 15, on the day following such new deadline) and October 15 of any year, then FFI may, by written notice to IRS other than during a tax season, terminate this Agreement, such termination to be effective no fewer than 30 days after the date of FFI's notice of such termination. If IRS gives such notice between October 15 and December 31, FFI may by written notice immediately terminate this Agreement at any time on or before December 31.



Kenneth Corbin  
Commissioner, Wage and Investment Division  
Internal Revenue Service

Date: 10-31-18



Timothy Hugo  
Executive Director,  
Free File, Inc.

Date: 10-25-18



ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, telephone number, and address):  
Seth Safier, Esq. (SBN 197427)  
Gutride Safier LLP, 100 Pine Street, Suite 1250, San Francisco, CA 94111  
TELEPHONE NO.: 415-336-6545 FAX NO.: 415-449-6469  
ATTORNEY FOR (Name): Plaintiffs

FOR COURT USE ONLY  
**FILED**  
San Francisco County Superior Court  
MAY 17 2019  
CLERK OF THE COURT  
BY: *Janetina Schiavone*  
Deputy Clerk

SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN FRANCISCO  
STREET ADDRESS: 400 McAllister Street  
MAILING ADDRESS: 400 McAllister Street  
CITY AND ZIP CODE: San Francisco, CA 94102  
BRANCH NAME: San Francisco Superior Court

CASE NAME:  
Olosoni, et al v. H&R BLOCK, INC

**CIVIL CASE COVER SHEET**  
 Unlimited (Amount demanded exceeds \$25,000)  Limited (Amount demanded is \$25,000 or less)  
Complex Case Designation  
 Counter  Joinder  
Filed with first appearance by defendant (Cal. Rules of Court, rule 3.402)

CASE NUMBER:  
**CGC-19-576093**  
JUDGE:  
DEPT:

Items 1-6 below must be completed (see instructions on page 2).

1. Check one box below for the case type that best describes this case:
- |   |  |  |
|---|--|--|
| <b>Auto Tort</b><br><input type="checkbox"/> Auto (22)<br><input type="checkbox"/> Uninsured motorist (46)<br><b>Other PIPD/W (Personal Injury/Property Damage/Wrongful Death) Tort</b><br><input type="checkbox"/> Asbestos (04)<br><input type="checkbox"/> Product liability (24)<br><input type="checkbox"/> Medical malpractice (45)<br><input type="checkbox"/> Other PIPD/W (23)<br><b>Non-PIP/W (Other) Tort</b><br><input checked="" type="checkbox"/> Business tort/unfair business practice (07)<br><input type="checkbox"/> Civil rights (08)<br><input type="checkbox"/> Defamation (13)<br><input type="checkbox"/> Fraud (16)<br><input type="checkbox"/> Intellectual property (19)<br><input type="checkbox"/> Professional negligence (25)<br><input type="checkbox"/> Other non-PIP/W tort (35)<br><b>Employment</b><br><input type="checkbox"/> Wrongful termination (36)<br><input type="checkbox"/> Other employment (15) | <b>Contract</b><br><input type="checkbox"/> Breach of contract/warranty (06)<br><input type="checkbox"/> Rule 3.740 collections (09)<br><input type="checkbox"/> Other collections (09)<br><input type="checkbox"/> Insurance coverage (18)<br><input type="checkbox"/> Other contract (37)<br><b>Real Property</b><br><input type="checkbox"/> Eminent domain/Inverse condemnation (14)<br><input type="checkbox"/> Wrongful eviction (33)<br><input type="checkbox"/> Other real property (26)<br><b>Unlawful Detainer</b><br><input type="checkbox"/> Commercial (31)<br><input type="checkbox"/> Residential (32)<br><input type="checkbox"/> Drugs (38)<br><b>Judicial Review</b><br><input type="checkbox"/> Asset forfeiture (05)<br><input type="checkbox"/> Petition re: arbitration award (11)<br><input type="checkbox"/> Writ of mandate (02)<br><input type="checkbox"/> Other judicial review (39) | <b>Provisionally Complex Civil Litigation (Cal. Rules of Court, rules 3.400-3.403)</b><br><input type="checkbox"/> Antitrust/Trade regulation (03)<br><input type="checkbox"/> Construction defect (10)<br><input type="checkbox"/> Mass tort (40)<br><input type="checkbox"/> Securities litigation (28)<br><input type="checkbox"/> Environmental/Toxic tort (30)<br><input type="checkbox"/> Insurance coverage claims arising from the above listed provisionally complex case types (41)<br><b>Enforcement of Judgment</b><br><input type="checkbox"/> Enforcement of judgment (20)<br><b>Miscellaneous Civil Complaint</b><br><input type="checkbox"/> RICO (27)<br><input type="checkbox"/> Other complaint (not specified above) (42)<br><b>Miscellaneous Civil Petition</b><br><input type="checkbox"/> Partnership and corporate governance (21)<br><input type="checkbox"/> Other petition (not specified above) (43) |
|---|--|--|

2. This case  is  is not complex under rule 3.400 of the California Rules of Court. If the case is complex, mark the factors requiring exceptional judicial management:
- |  |  |
|--|--|
| a. <input type="checkbox"/> Large number of separately represented parties   | d. <input type="checkbox"/> Large number of witnesses  |
| b. <input type="checkbox"/> Extensive motion practice raising difficult or novel issues that will be time-consuming to resolve | e. <input type="checkbox"/> Coordination with related actions pending in one or more courts in other counties, states, or countries, or in a federal court |
| c. <input type="checkbox"/> Substantial amount of documentary evidence   | f. <input type="checkbox"/> Substantial postjudgment judicial supervision  |
3. Remedies sought (check all that apply): a.  monetary b.  nonmonetary; declaratory or injunctive relief c.  punitive
4. Number of causes of action (specify): four (4)
5. This case  is  is not a class action suit.
6. If there are any known related cases, file and serve a notice of related case. (You may use form CM-015.)

Date: May 17, 2019  
Seth A. Safier, Esq.

*Seth A. Safier*  
(SIGNATURE OF PARTY OR ATTORNEY FOR PARTY)

**NOTICE**

- Plaintiff must file this cover sheet with the first paper filed in the action or proceeding (except small claims cases or cases filed under the Probate Code, Family Code, or Welfare and Institutions Code). (Cal. Rules of Court, rule 3.220.) Failure to file may result in sanctions.
- File this cover sheet in addition to any cover sheet required by local court rule.
- If this case is complex under rule 3.400 et seq. of the California Rules of Court, you must serve a copy of this cover sheet on all other parties to the action or proceeding.
- Unless this is a collections case under rule 3.740 or a complex case, this cover sheet will be used for statistical purposes only.

FILE BY FAX

# **EXHIBIT B**

**NOTICE TO PLAINTIFF**

A Case Management Conference is set for:

**DATE: OCT-16-2019**  
**TIME: 10:30AM**  
**PLACE: Department 610**  
**400 McAllister Street**  
**San Francisco, CA 94102-3680**

All parties must appear and comply with Local Rule 3.

CRC 3.725 requires the filing and service of a case management statement form CM-110 no later than 15 days before the case management conference. However, it would facilitate the issuance of a case management order **without an appearance** at the case management conference if the case management statement is filed, served and lodged in Department 610 twenty-five (25) days before the case management conference.

Plaintiff must serve a copy of this notice upon each party to this action with the summons and complaint. Proof of service subsequently filed with this court shall so state. **This case is eligible for electronic filing and service per Local Rule 2.11. For more information, please visit the Court's website at [www.sfsuperiorcourt.org](http://www.sfsuperiorcourt.org) under Online Services.**

**[DEFENDANTS: Attending the Case Management Conference does not take the place of filing a written response to the complaint. You must file a written response with the court within the time limit required by law. See Summons.]**

**ALTERNATIVE DISPUTE RESOLUTION REQUIREMENTS**

**IT IS THE POLICY OF THE SUPERIOR COURT THAT EVERY CIVIL CASE SHOULD PARTICIPATE IN MEDIATION, ARBITRATION, NEUTRAL EVALUATION, AN EARLY SETTLEMENT CONFERENCE, OR OTHER APPROPRIATE FORM OF ALTERNATIVE DISPUTE RESOLUTION PRIOR TO A TRIAL.**

(SEE LOCAL RULE 4)

Plaintiff **must** serve a copy of the Alternative Dispute Resolution (ADR) Information Package on each defendant along with the complaint. (CRC 3.221.) The ADR package may be accessed at [www.sfsuperiorcourt.org/divisions/civil/dispute-resolution](http://www.sfsuperiorcourt.org/divisions/civil/dispute-resolution) or you may request a paper copy from the filing clerk. All counsel must discuss ADR with clients and opposing counsel and provide clients with a copy of the ADR Information Package prior to filing the Case Management Statement.

**Superior Court Alternative Dispute Resolution Administrator**  
**400 McAllister Street, Room 103-A**  
**San Francisco, CA 94102**  
**(415) 551-3869**

See Local Rules 3.3, 6.0 C and 10 B re stipulation to judge pro tem.

# **EXHIBIT C**

1 Darren K. Cottriel (State Bar No. 184731)  
JONES DAY  
2 3161 Michelson Drive  
Suite 800  
3 Irvine, CA 92612  
Telephone: +1.949.851.3939  
4 Facsimile: +1.949.553.7539  
Email: dcottriel@jonesday.com

5 Nathaniel P. Garrett (State Bar No. 248211)  
6 JONES DAY  
555 California Street, 26th Floor  
7 San Francisco, CA 94104  
Telephone: +1.415.626.3939  
8 Facsimile: +1.415.875.5700  
Email: ngarrett@jonesday.com

9  
10 Attorneys for Defendants  
H&R BLOCK, INC.; HRB TAX GROUP, INC.; and  
11 HRB DIGITAL LLC

12 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
13 **COUNTY OF SAN FRANCISCO**

14  
15 PELANATITA OLOSONI, and DEREK  
16 SNARR, on behalf of themselves, the general  
public, and those similarly situated,

17 Plaintiffs,

18 v.

19 H&R BLOCK, INC., HRB TAX GROUP,  
20 INC., HRB DIGITAL LLC, and DOES 1  
THROUGH 50,

21 Defendants.  
22  
23  
24  
25  
26  
27  
28

**CASE NO. CGC-19-576093**

**NOTICE TO STATE COURT AND  
ADVERSE PARTY OF REMOVAL OF  
CIVIL ACTION FROM STATE  
COURT TO UNITED STATES  
DISTRICT COURT FOR THE  
NORTHERN DISTRICT OF  
CALIFORNIA**

Complaint Filed: May 17, 2019  
Trial Date: None set

1           **TO ALL PARTIES, THEIR ATTORNEYS OF RECORD, AND THE CLERK OF**  
2 **THE ABOVE-ENTITLED COURT:**

3           PLEASE TAKE NOTICE THAT, on June 21, 2019, Defendants H&R Block, Inc.,  
4 HRB Tax Group, Inc., and HRB Digital LLC filed a Notice of Removal of Civil Action in the  
5 United States District Court for the Northern District of California. In compliance with 28  
6 U.S.C. § 1446(d), a copy of that Notice of Removal and all of its attachments is attached to  
7 and filed and served with this Notice as Exhibit 1.

8           PLEASE TAKE FURTHER NOTICE THAT under 28 U.S.C. § 1446(d), the filing and  
9 service of this Notice effects the removal of this action and stays any further proceedings in  
10 connection therewith in the San Francisco County Superior Court unless and until this action is  
11 remanded.

12 Dated: June 21, 2019

JONES DAY

13  
14 By: \_\_\_\_\_  
15           Darren K. Cottriel

16           Counsel for Defendants  
17           H&R BLOCK, INC.; HRB TAX GROUP,  
18           INC.; and HRB DIGITAL LLC

# **EXHIBIT D**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K**

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
**For the fiscal year ended April 30, 2019**

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
**For the transition period from**                      **to**  
**Commission file number 1-06089**

**H&R Block, Inc.**

(Exact name of registrant as specified in its charter)

**MISSOURI**(State or other jurisdiction of  
incorporation or organization)**44-0607856**(I.R.S. Employer  
Identification No.)

**One H&R Block Way, Kansas City, Missouri 64105**  
(Address of principal executive offices, including zip code)

**(816) 854-3000**  
(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, without par value	HRB	New York Stock Exchange

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

Common Stock, without par value  
(Title of Class)

Indicate by check mark whether the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes  No Indicate by check mark if 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 (§232.405 of this chapter) 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 an 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 is a shell company (as defined in Rule 12b-2 of the Act). Yes  No 

The aggregate market value of the registrant's Common Stock (all voting stock) held by non-affiliates of the registrant, computed by reference to the price at which the stock was sold on October 31, 2018, was \$5,462,853,571.

Number of shares of the registrant's Common Stock, without par value, outstanding on May 31, 2019: 201,960,249.

**Documents incorporated by reference**

The definitive proxy statement for the registrant's Annual Meeting of Shareholders, to be held September 12, 2019, is incorporated by reference in Part III to the extent described therein.





**2019 FORM 10-K AND ANNUAL REPORT  
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## INTRODUCTION

"H&R Block," "the Company," "we," "our" and "us" are used interchangeably to refer to H&R Block, Inc. or to H&R Block, Inc. and its subsidiaries, as appropriate to the context.

Specified portions of our proxy statement are "incorporated by reference" in response to certain items. Our proxy statement will be made available to shareholders no later than 120 days after April 30, 2019, and will also be available on our website at [www.hrblock.com](http://www.hrblock.com).

## FORWARD-LOOKING STATEMENTS

This report and other documents filed with the Securities and Exchange Commission (SEC) may contain forward-looking statements. In addition, our senior management may make forward-looking statements orally to analysts, investors, the media and others. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words or variation of words such as "expects," "anticipates," "intends," "plans," "believes," "commits," "seeks," "estimates," "projects," "forecasts," "targets," "would," "will," "should," "could," "may" or other similar expressions. Forward-looking statements provide management's current expectations or predictions of future conditions, events or results. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements. They may include estimates of revenues, client trajectory, income, effective tax rate, earnings per share, cost savings, capital expenditures, dividends, share repurchases, liquidity, capital structure, market share, industry volumes or other financial items, descriptions of management's plans or objectives for future operations, services or products, or descriptions of assumptions underlying any of the above. All forward-looking statements speak only as of the date they are made and reflect the Company's good faith beliefs, assumptions and expectations, but they are not guarantees of future performance or events. Furthermore, the Company disclaims any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions, factors, or expectations, new information, data or methods, future events or other changes, except as required by law.

By their nature, forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Factors that might cause such differences include, but are not limited to, a variety of economic, competitive, operational and regulatory factors, many of which are beyond the Company's control. In addition, factors that may cause the Company's actual effective tax rate to differ from estimates include the Company's actual results from operations compared to current estimates, future discrete items, changes in interpretations and assumptions the Company has made and future actions of the Company. Investors should understand that it is not possible to predict or identify all such factors and, consequently, should not consider any such list to be a complete set of all potential risks or uncertainties.

Details about risks, uncertainties and assumptions that could affect various aspects of our business are included throughout this Form 10-K. Investors should carefully consider all of these risks, and should pay particular attention to Item 1A, "Risk Factors," and Item 7 under "Critical Accounting Estimates" of this Form 10-K.

## PART I

### ITEM 1. BUSINESS

#### GENERAL DEVELOPMENT OF BUSINESS

H&R Block, Inc. was organized as a corporation in 1955 under the laws of the State of Missouri and has subsidiaries that provide tax preparation and other services. A complete list of our subsidiaries as of April 30, 2019 can be found in Exhibit 21.

We provide assisted, do-it-yourself (DIY), and virtual tax preparation solutions and other services and products related to income tax return preparation to the general public primarily in the United States (U.S.), Canada, Australia, and their respective territories.

[Table of Contents](#)**RECENT DEVELOPMENTS –**

**Agreement to Acquire Wave Financial Inc.** On June 10, 2019 we entered into a definitive agreement to acquire Wave Financial Inc. (Wave), a rapidly growing financial solutions platform focused on changing the way small business owners manage their finances. Based in Toronto, Ontario, Wave is innovating and disrupting the small business market with free accounting, invoicing, and receipt tracking software. Wave generates revenue by offering payment processing, payroll services, and bookkeeping services, with additional products currently in development.

Under the terms of the agreement, H&R Block will acquire all outstanding shares of Wave for \$405 million, subject to customary adjustments for working capital, debt and transaction expenses. The acquisition will be funded with available cash. The transaction is expected to close within the next few months, subject to regulatory approval and customary closing conditions.

**Pricing Structure.** In our Annual Report on Form 10-K for the fiscal year ended April 30, 2018, we disclosed our intent to review our overall pricing structure which was expected to negatively impact revenues in fiscal year 2019. As a result of this review, on October 29, 2018, we announced that, beginning January 2019, we would offer upfront, transparent pricing for all tax preparation methods, and lower prices for millions of our assisted tax preparation clients. As anticipated, this strategic decision resulted in a revenue decline in fiscal year 2019. See Item 7, under "Results of Operations," for further discussion related to the decline in revenues.

**FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS**

We operate as a single segment that includes all of our continuing operations, which are designed to enable clients to obtain tax preparation services seamlessly. See discussion below and in Item 8, within the notes to the consolidated financial statements.

**DESCRIPTION OF BUSINESS**

**GENERAL** – We provide assisted, DIY, and virtual tax return preparation solutions through multiple channels (including in-person, online and mobile applications, virtual, and desktop software) and distribute H&R Block-branded products and services, including those of our financial partners, to the general public primarily in the U.S., Canada, Australia, and their respective territories. Major revenue sources include fees earned for assisted and DIY tax preparation, royalties from franchisees and fees from related services and products.

**Tax Returns Prepared.** During fiscal year 2019, 23.6 million tax returns were prepared by and through H&R Block worldwide, including those prepared by our franchisees, and through our DIY and virtual solutions. This is a 1.2% increase from the 23.3 million prepared in fiscal year 2018. We prepared 23.0 million tax returns in fiscal year 2017. In the U.S., 20.3 million tax returns were prepared by and through H&R Block during fiscal year 2019, an increase of 1.5% from 20.0 million in 2018, and 19.5 million in 2017.

U.S. tax returns prepared by and through us during the fiscal year 2019, including those prepared by our franchisees, and through our DIY and virtual solutions, constituted approximately 13.2% of an Internal Revenue Service (IRS) estimate of total individual income tax returns filed during fiscal year 2019, compared to 13.1% in the prior year. See Item 7, under "Results of Operations," for further discussion of changes in the number of tax returns prepared.

**ASSISTED** – Assisted income tax return preparation and related services are provided by tax professionals via a system of retail offices operated directly by us or our franchisees.

Assisted tax returns are covered by our 100% accuracy guarantee, whereby we will reimburse a client for penalties and interest attributable to an H&R Block error on a return.

**Offices.** During the 2019 tax season, we, together with our franchisees, operated in 9,504 offices across the U.S. at the peak of the tax season, compared to 9,981 in the prior year. A summary of our company-owned and franchise offices is included in Item 7, under "Operating Statistics."

**Franchises.** We offer franchises as a way to expand our presence in certain geographic areas. Our franchise arrangements provide us with certain rights designed to protect our brand. Most of our franchisees receive, among other things, the right to use our trademarks and software, access to product offerings and expertise, signs, specialized forms, advertising, and initial and ongoing training and advisory services. In the U.S., our franchisees pay us

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approximately 30% of gross tax return preparation and related service revenues as a franchise royalty in the U.S. Our franchise arrangements typically include a ten-year term and do not provide for automatic renewal.

From time to time, we have sold certain company-owned offices to existing franchisees or have acquired the assets of existing franchisees and other tax return preparation businesses, and may continue to do so if future conditions warrant and satisfactory terms can be negotiated.

**DO-IT-YOURSELF** – We develop and market DIY income tax preparation software. We offer a comprehensive range of DIY tax services, including federal and state income tax return solutions, access to tax tips, advice and tax-related news, use of calculators for tax planning, error checking and electronic filing. Our online software may be accessed through our website at [www.hrblock.com](http://www.hrblock.com) or in a mobile application, while our desktop software may be purchased online, through third-party retail stores or via direct mail. DIY tax returns are covered by our 100% accuracy guarantee, whereby we will reimburse a client up to a maximum of \$10,000 if our software makes an arithmetic error that results in payment of penalties and/or interest to the IRS that the client would otherwise not have been required to pay.

We are a member of Free File, Inc. This organization was created by the tax return preparation industry and the IRS, and allows qualified filers with an adjusted gross income of \$66,000 or less to prepare and file their federal return online at no charge. We believe this program provides a valuable public service and increases our visibility with new clients.

**VIRTUAL** – Virtual income tax return preparation and related services are provided by our tax professionals in three distinct ways. First, we offer a mobile-first fully assisted experience for consumers called Tax Pro Go<sup>SM</sup>. Second, Tax Pro Review<sup>SM</sup> is a product for the DIY consumer who wants an expert review before submitting their return. And finally, Ask A Tax Pro<sup>SM</sup> is an on-demand service for DIY filers to get their tax questions answered as they complete their return. Our virtual offerings may be accessed through our website at [www.hrblock.com](http://www.hrblock.com) or in a mobile application. Virtual tax returns prepared using Tax Pro Go<sup>SM</sup> or Tax Pro Review<sup>SM</sup> are covered by our 100% accuracy guarantee, under which we will reimburse a client for penalties and interest attributable to an H&R Block error on a return. Tax Pro Go<sup>SM</sup> and Tax Pro Review<sup>SM</sup> returns are included in our Assisted return counts. Returns in which a DIY client has chosen to use Ask A Tax Pro<sup>SM</sup> are included in our DIY return counts.

**OTHER OFFERINGS** – We also offer U.S. clients a number of additional services, including Refund Transfers (RTs), our Peace of Mind<sup>®</sup> Extended Service Plan (POM), H&R Block Emerald Prepaid Mastercard<sup>®</sup> (Emerald Card), H&R Block Emerald Advance<sup>®</sup> lines of credit (EAs), Tax Identity Shield<sup>®</sup> (TIS), and Refund Advance loans (RAs). For our Canadian clients we also offer POM, H&R Block Instant Refund<sup>™</sup>, and H&R Block Pay With Refund<sup>®</sup> services.

**Refund Transfers.** RTs enable clients to receive their tax refunds by their chosen method of disbursement and include a feature enabling clients to deduct tax preparation and service fees from their tax refunds. Depending on circumstances, clients may choose to receive their RT proceeds by a load to their Emerald Card, by receiving a check or by direct deposit to an existing account. RTs are available to U.S. clients and are frequently obtained by those who (1) do not have bank accounts into which the IRS can direct deposit their refunds; (2) like the convenience and benefits of a temporary account for receipt of their refund; and/or (3) prefer to have their tax preparation fees paid directly out of their refunds. RTs are offered through our relationship with Axos Bank, formerly known as BofI Federal Bank, a federal savings bank (Axos). We offer a similar program to our Canadian clients through a Canadian chartered bank, referred to as H&R Block Pay With Refund<sup>®</sup>.

**Peace of Mind<sup>®</sup> Extended Service Plan.** We offer POM to U.S. and Canadian clients, whereby we (1) represent our clients if they are audited by a taxing authority, and (2) assume the cost, subject to certain limits, of additional taxes owed by a client resulting from errors attributable to H&R Block. The additional taxes paid under POM have a cumulative limit of \$6,000 for U.S. clients and \$3,000CAD for Canadian clients with respect to the federal, state/provincial and local tax returns we prepared for applicable clients during the taxable year protected by POM.

**H&R Block Emerald Prepaid Mastercard<sup>®</sup>.** The Emerald Card<sup>®</sup> enables clients to receive their tax refunds from the IRS directly on a prepaid debit card, or to direct RT, EA or RA proceeds to the card. The card can be used for everyday purchases, bill payments and ATM withdrawals anywhere Mastercard<sup>®</sup> (Mastercard is a registered trademark of Mastercard International Incorporated) is accepted. Additional funds can be added to the card year-round through direct deposit or at participating retail locations. We distribute the Emerald Card<sup>®</sup> issued by Axos.

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**H&R Block Emerald Advance® Lines of Credit.** EAs are lines of credit offered to clients in our offices, typically from mid-November through mid-January, currently in an amount not to exceed \$1,000. If the borrower meets certain criteria as agreed in the loan terms, the line of credit can be utilized year-round. In addition to the required monthly payments, borrowers may elect to pay down balances on EAs with their tax refunds. These lines of credit are offered by Axos, and we subsequently purchase a participation interest in all EAs originated by Axos.

**Tax Identity Shield®.** Our TIS program offers clients assistance in helping protect their tax identity and access to services to help restore their tax identity, if necessary. Protection services include a daily scan of the dark web for personal information, a monthly scan for social security number in credit header data (new in fiscal year 2019), a pre-tax season identity theft risk assessment (only available to clients having returns prepared in retail offices), notifying clients if their information is detected on a tax return filed through H&R Block, and obtaining additional IRS identity protections when eligible.

**Refund Advance Loans.** RAs are interest-free loans offered by Axos, which are available to eligible U.S. assisted clients in company-owned and participating franchise locations. In tax season 2019, RAs were offered in amounts of \$500, \$750, \$1,250 and \$3,000, based on client eligibility as determined by Axos.

**H&R Block Instant Refund™.** Our Canadian operations advance refunds due to certain clients from the Canada Revenue Agency (CRA), for a fee. The fee charged for this service is mandated by federal legislation which is administered by the CRA. The client assigns to us the full amount of the tax refund to be issued by the CRA and the refund amount is then sent by the CRA directly to us.

**SEASONALITY OF BUSINESS** – Because the majority of our clients file their tax returns during the period from February through April of each year, a substantial majority of our revenues from income tax return preparation and related services and products are earned during this period. As a result, we generally operate at a loss through the first three quarters of our fiscal year.

**COMPETITIVE CONDITIONS** – We provide assisted, DIY, and virtual tax preparation services and products and face substantial competition in and across each category. There are a substantial number of tax return preparation firms and accounting firms offering tax return preparation services, and we face significant competition from independent tax preparers and certified public accountants. Many tax return preparation firms are involved in providing RTs and RAs or similar services to the public. Tax return preparation firms are highly competitive with regard to price and service, and many firms offer services that may include preparation of tax returns at no charge.

Our DIY and virtual tax preparation services include various forms of digital electronic assistance, including online and mobile applications and desktop software. Many other companies offer DIY and virtual tax preparation services, including Intuit Inc., our largest competitor offering such services. Price and marketing competition for DIY tax preparation services is intense among value and premium product offerings and many firms offer DIY services and products at no charge.

Our assisted tax preparation business faces competition from firms offering DIY and virtual tax preparation services and products, while our DIY and virtual tax preparation services also compete with in-office tax preparation services. U.S. federal and certain state and foreign taxing authorities also currently offer, or facilitate the offering of, tax return preparation and filing options to taxpayers at no charge.

In terms of the number of offices and revenues, we believe we are the largest single provider of tax return preparation solutions and electronic filing services in the U.S. In terms of the number of tax returns prepared by and through H&R Block, we believe we are the second largest provider in the U.S. We also believe we operate the largest tax return preparation businesses in Canada and Australia.

**GOVERNMENT REGULATION – TAX PREPARERS** – Our tax preparation business is subject to various forms of government regulation, including the following:

**U.S. Federal Tax Preparer Regulations.** U.S. federal legislation requires income tax return preparers to, among other things, set forth their signatures and identification numbers, including their Preparer Tax Identification Number (PTIN), on all tax returns prepared by them and retain all tax returns prepared by them for three years. U.S. federal laws also subject income tax return preparers to accuracy-related penalties in connection with the preparation of income tax returns. Preparers may be prohibited from continuing to act as income tax return preparers if they repeatedly engage in specified misconduct.

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The U.S. federal government regulates the electronic filing of income tax returns in part by requiring electronic filers to comply with all publications and notices of the IRS applicable to electronic filing. We are required to provide certain electronic filing information to taxpayers and comply with advertising standards for electronic filers. We are also subject to possible monitoring by the IRS, and if deemed appropriate, the IRS could impose various penalties, including suspension from the IRS electronic filing program.

**Financial Consumer Protection and Privacy Regulations.** The Gramm-Leach-Bliley Act and related Consumer Financial Protection Bureau (CFPB) and Federal Trade Commission (FTC) regulations require income tax preparers to (1) adopt and disclose consumer privacy notices, (2) provide consumers a reasonable opportunity to control (via "opt-out") whether their nonpublic personal information is disclosed to unaffiliated third-parties (subject to certain exceptions), and (3) implement reasonable safeguards to protect the security and confidentiality of nonpublic personal information. In addition, the IRS generally prohibits the use or disclosure of taxpayer information by tax return preparers for purposes other than tax return preparation without the prior written consent of the taxpayer. The CFPB or state regulators may issue regulations that apply to our subsidiaries, or certain of our third party service providers that provide consumer financial services and products. The CFPB or state regulators may examine, and take enforcement actions against, our subsidiaries or our third party service providers. See Item 1A, "Risk Factors," and Item 7, "Regulatory Environment," for further information on the CFPB and its recent actions.

**State Regulations.** Certain states have privacy laws and regulations in addition to the U.S. federal regulations described above. All states have now passed data security breach notice laws which may require notice to impacted individuals and others if there is unauthorized access to certain sensitive personal information. Several states require income tax return preparers to, among other things, register as a return preparer and comply with certain registration requirements such as testing and continuing education. State regulations may also subject income tax return preparers to accuracy-related penalties in connection with the preparation of income tax returns, and may prohibit preparers from continuing to act as income tax return preparers if they engage in specified misconduct. Certain states have regulations and requirements relating to offering income tax courses. These requirements may include licensing, bonding and certain restrictions on advertising.

**Franchise Regulations.** Many of the income tax return preparation offices operating in the U.S. under the name "H&R Block" are operated by franchisees. Our franchising activities are subject to the rules and regulations of the FTC, potential enforcement by the CFPB, and various state laws regulating the offer and sale of franchises. The FTC and various state laws require us to furnish to prospective franchisees a franchise disclosure document containing certain prescribed information. A number of states in which we are currently franchising regulate the sale of franchises and require registration of the franchise disclosure document with certain state authorities. We are currently operating under exemptions from registration in several of these states based on our net worth and experience. Substantive state laws regulating the franchisor/franchisee relationship presently exist in a large number of states, and bills have been introduced in Congress from time to time that would provide for federal regulation of the franchisor/franchisee relationship in certain respects. The state laws often limit, among other things, the duration and scope of non-competition provisions, the ability of a franchisor to terminate or refuse to renew a franchise and the ability of a franchisor to designate sources of supply. From time to time, we may make appropriate amendments to our franchise disclosure document to comply with our disclosure obligations under U.S. federal and state laws.

**FOREIGN REGULATIONS** – We are also subject to a variety of other regulations in various foreign markets, including anti-corruption laws, and regulations concerning privacy, data protection and data retention. Foreign regulations and laws potentially affecting our business are evolving rapidly. We rely on external and internal counsel in the countries in which we do business to advise us regarding compliance with applicable laws and regulations. We continue to develop and enhance our internal legal and operational compliance programs that guide our businesses in complying with laws and regulations applicable in the countries in which we do business.

#### **SERVICE MARKS, TRADEMARKS AND PATENTS**

We have made a practice of offering our services and products under service marks and trademarks and of securing registration for many of these marks in the U.S. and other countries where our services and products are marketed. We consider these service marks and trademarks, in the aggregate, to be of material importance to our business, particularly our businesses providing services and products under the "H&R Block" brand. The initial duration of U.S. federal trademark registrations is 10 years. Most U.S. federal registrations can be renewed perpetually at 10-year intervals and remain enforceable so long as the marks continue to be used.

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We hold a small but growing patent portfolio that we believe is important to our overall competitive position, although we are not materially dependent on any one patent or particular group of patents in our portfolio at this time. Our patents have remaining terms generally ranging from one to 20 years.

### EMPLOYEES AND EXECUTIVE OFFICERS

We had approximately 3,100 regular full-time employees as of April 30, 2019. Our business is dependent on the availability of a seasonal workforce, including tax professionals, and our ability to hire, train, and supervise these employees. The highest number of persons we employed during the fiscal year ended April 30, 2019, including seasonal employees, was approximately 86,100.

Information about our executive officers is as follows:

Name, age	Current position	Business experience since May 1, 2014
<b>Jeffrey J. Jones II</b> , age 51	President and Chief Executive Officer	President and Chief Executive Officer since October 2017; President and Chief Executive Officer-Designate from August 2017 to October 2017; President of Ridesharing at Uber Technologies, Inc. from October 2016 until March 2017; Executive Vice President and Chief Marketing Officer of Target Corporation from April 2012 until September 2016.
<b>Tony G. Bowen</b> , age 44	Chief Financial Officer	Chief Financial Officer since May 2016; Vice President, U.S. Tax Services Finance from May 2013 through April 2016.
<b>Kellie J. Logerwell</b> , age 49	Chief Accounting Officer	Chief Accounting Officer since July 2016; Vice President of Corporate and Field Accounting from December 2014 until July 2016; Assistant Controller from December 2010 until December 2014.
<b>Thomas A. Gerke</b> , age 63	General Counsel and Chief Administrative Officer	General Counsel and Chief Administrative Officer since May 2016; served as Chief Executive Officer (in an interim capacity) from August 2017 until October 2017; Chief Legal Officer (formerly titled Senior Vice President and General Counsel) from January 2012 through April 2016; Executive Vice President, General Counsel and Secretary of YRC Worldwide from January 2011 until April 2011; Executive Vice Chairman, Century Link, Inc. from July 2009 until December 2010; President and Chief Executive Officer, Embarq Corporation (in an interim capacity from December 2007 until March 2008 and by appointment from March 2008 until June 2009).
<b>Karen Orosco</b> , age 48	Senior Vice President, U.S. Retail	Senior Vice President, U.S. Retail since May 2016; Vice President of Retail Operations from May 2011 until May 2016.

### AVAILABILITY OF REPORTS AND OTHER INFORMATION

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed with or furnished to the SEC are available, free of charge, through our website at [www.hrblock.com](http://www.hrblock.com) as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. The SEC maintains a website at [www.sec.gov](http://www.sec.gov) containing reports, proxy and information statements and other information regarding issuers who file electronically with the SEC.

The following corporate governance documents are posted on our website at [www.hrblock.com](http://www.hrblock.com):

- The Amended and Restated Articles of Incorporation of H&R Block, Inc.;
- The Amended and Restated Bylaws of H&R Block, Inc.;
- The H&R Block, Inc. Corporate Governance Guidelines;
- The H&R Block, Inc. Code of Business Ethics and Conduct;
- The H&R Block, Inc. Board of Directors Independence Standards;
- The H&R Block, Inc. Audit Committee Charter;
- The H&R Block, Inc. Compensation Committee Charter;
- The H&R Block, Inc. Finance Committee Charter; and
- The H&R Block, Inc. Governance and Nominating Committee Charter.

If you would like a printed copy of any of these corporate governance documents, please send your request to H&R Block, Inc., One H&R Block Way, Kansas City, Missouri 64105, Attention: Corporate Secretary.

Information contained on our website does not constitute any part of this report.

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## ITEM 1A. RISK FACTORS

Our business activities expose us to a variety of risks. Identification, monitoring, and management of these risks are essential to the success of our operations and the financial soundness of H&R Block. Senior management and the Board of Directors, acting as a whole and through its committees, take an active role in our risk management process and have delegated certain activities related to the oversight of risk management to the Company's Enterprise Risk Management department and the Enterprise Risk Committee, which is comprised of Vice Presidents and senior directors of major businesses and control functions. The Company's Enterprise Risk Management department, working in coordination with the Enterprise Risk Committee, is responsible for identifying and monitoring risk exposures and related mitigation and leading the continued development of our risk management policies and practices.

An investment in our securities involves risk, including the risk that the value of that investment may decline or that returns on that investment may fall below expectations. There are a number of significant factors that could cause actual conditions, events, or results to differ materially from those described in forward-looking statements, many of which are beyond management's control or its ability to accurately estimate or predict, or that could adversely affect our financial position, results of operations, cash flows, and the value of an investment in our securities.

### RISKS RELATING TO CONTINUING OPERATIONS

**Changes in applicable tax laws may have a negative impact on the demand for and pricing of our services, which could adversely affect our business and our consolidated financial position, results of operations, and cash flows.**

The U.S. government has in the past made, and may in the future make, changes to the individual income tax provisions of the Internal Revenue Code. In addition, taxing authorities in various state, local, and foreign jurisdictions in which we operate may change the income tax laws in their respective jurisdictions. It is difficult to predict the manner in which future changes to the Internal Revenue Code and state, local, and foreign tax laws may impact us and the tax return preparation industry. Such future changes could decrease the demand or the amount we charge for our services, and, in turn, have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

There are various other initiatives from time to time seeking to modify the Internal Revenue Code or otherwise simplify tax return preparation. In addition, taxing authorities in various state, local, and foreign jurisdictions in which we operate have also introduced measures seeking to simplify or otherwise modify the preparation and filing of tax returns in their respective jurisdictions. The adoption or expansion of any measures that significantly simplify tax return preparation, expedite refunds, or otherwise reduce the need for third-party tax return preparation services could reduce demand for our services and products and could have a material adverse effect on our business and our consolidated financial position, results of operations and cash flows.

**Increased competition for tax preparation clients could adversely affect our current market share and profitability. Offers of free tax preparation services could adversely affect our revenues and profitability.**

We provide assisted, DIY, and virtual tax preparation services and products and face substantial competition throughout our businesses. All categories in the tax return preparation industry are highly competitive and additional competitors have entered, and in the future may enter, the market to provide tax preparation services or products. In the assisted tax services category, there are a substantial number of tax return preparation firms and accounting firms offering tax return preparation services. Commercial tax return preparers are highly competitive with regard to price and service. In the DIY and virtual categories, options include various forms of digital electronic assistance, including online and mobile applications, and desktop software, all of which we offer. Our DIY and virtual services and products compete with a number of online and software companies, primarily on price and functionality. Individual tax filers may elect to change their tax preparation method, choosing from among various assisted, DIY, and virtual offerings, and technology increasingly makes switching among tax preparers and tax preparation methods easier for those consumers. Technology advances quickly and in new and unexpected ways, and it is difficult to predict the manner in which these changes will impact the tax return preparation industry, the problems we may encounter in enhancing our services and products or the time and resources we may need to devote to the creation, support, and maintenance of technological enhancements. If we are slow to enhance our services, products, or technologies, if our competitors are able to achieve results more quickly than us, or if there are new and unexpected entrants into the industry, we may fail to capture, or lose, a significant share of the market. Additionally, we and many other tax return preparation firms are involved in providing one or more of RTs, prepaid cards, RAs, other financial services and products, and other



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tax-related services and products, many of which are subject to regulatory scrutiny, litigation, and other risks. We can make no assurances that we will be able to offer, or continue to offer, all of these services and products and a failure to do so could negatively impact our financial results and ability to compete. Intense competition could result in a reduction of our market share, lower revenues, lower margins, and lower profitability.

U.S. federal, state and foreign governmental authorities in certain jurisdictions in which we operate currently offer, or facilitate the offering of, tax return preparation and electronic filing options to taxpayers at no charge, and certain volunteer organizations also prepare tax returns at no charge for low-income taxpayers. In addition, many of our competitors offer certain tax preparation services and products at no charge. In order to compete, we have offered certain, and may in the future offer additional, tax preparation services and related products at no charge. There can be no assurance that we will be able to attract clients or effectively ensure the migration of clients from our free tax service offerings to those for which we receive fees, and clients who have formerly paid for our tax service offerings may elect to use free offerings instead. These competitive factors may diminish our revenue and profitability, or harm our ability to acquire and retain clients.

Government tax authorities, volunteer organizations, and our competitors may also elect to implement or expand free offerings in the future. Free File, Inc., which exists under an agreement that expires in October 2021, is currently the sole means by which the IRS offers DIY tax software to taxpayers. If the Free File program is terminated and the IRS itself provides tax preparation services, the federal government would become our direct competitor, which could potentially have material adverse revenue implications.

In addition, from time to time, U.S. federal and state governments have considered various proposals through which the respective governmental taxing authorities would use 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 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 have a material adverse effect on our business and our consolidated financial position, results of operations and cash flows. There are various initiatives from time to time seeking to expedite refunds, which could reduce the demand for RTs. In addition, the IRS has in the past explored the possibility of allowing taxpayers to allocate a portion of their tax refunds to pay tax preparation fees, but the IRS has not advanced this initiative. We believe that governmental encroachment at both the U.S. federal and state levels, as well as comparable government levels in foreign jurisdictions in which we operate, could present a continued competitive threat to our business for the foreseeable future.

**Compliance with the complex and evolving laws and regulations regarding privacy and data protection could require changes in our business practices and increase costs of operation; failure to comply with such laws could result in significant claims, fines, penalties, and damages.**

In the course of our business, we collect, use, and retain large amounts of personal information and data from our clients, including tax return information, financial product and service information, and social security numbers. In addition, we collect, use and retain personal information and data of our employees in the ordinary course of our business.

We are subject to laws, rules, and regulations relating to the collection, use, disclosure, and security of such consumer and employee personal information, which have drawn increased attention from U.S. federal, state, and foreign governmental authorities in jurisdictions in which we operate. In the U.S., the IRS generally requires a tax return preparer to obtain the prior written consent of the taxpayer to use or disclose the taxpayer's information for certain purposes other than tax return preparation, which may limit our ability to market revenue-generating products to our clients. In addition, other regulations require financial institutions to adopt and disclose their consumer privacy notice and generally provide consumers with a reasonable opportunity to "opt-out" of having nonpublic personal information disclosed to unaffiliated third parties.

Numerous jurisdictions have passed, and may in the future pass, new laws related to the use and retention of consumer information and this area continues to be an area of interest for U.S. federal, state, and foreign governmental authorities. For example, the State of California has adopted the California Consumer Privacy Act, which will become effective January 1, 2020 and imposes new requirements on how businesses collect, process, manage, and retain certain personal information of California residents, and other states have proposed and may adopt their own, different consumer privacy laws. These laws may contain different requirements and may be interpreted and applied

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inconsistently from jurisdiction to jurisdiction. Our current privacy and data protection policies and practices may not be consistent with all of those requirements, interpretations, or applications. In addition, changes in U.S. federal and state regulatory requirements, as well as requirements imposed by governmental authorities in foreign jurisdictions in which we operate, could result in more stringent requirements and in a need to change business practices, including the types of information we can use and the manner in which we can use such information. Establishing systems and processes, or making changes to our existing policies, to achieve compliance with these complex and evolving requirements may increase our costs or limit our ability to pursue certain business opportunities.

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.

**A security breach of our systems, or third-party systems on which we rely, resulting in unauthorized access to personal information of our clients or employees or other sensitive, nonpublic information, may adversely affect the demand for our services and products, our reputation, and financial performance.**

We offer a range of services and products to our clients, including assisted, DIY, and virtual tax return preparation solutions, and financial products and services. Due to the nature of these services and products, we use multiple digital technologies to collect, transmit, and store high volumes of client personal information. We also host, collect, use, and retain other sensitive, nonpublic information, such as employee social security numbers, healthcare information, and payroll information, as well as confidential, nonpublic business information. Certain third parties and vendors have access to personal information to help deliver client benefits and products, or may host certain of our and our clients' sensitive and personal information and data. Information security risks continue to increase due in part to the increased adoption of and reliance upon digital technologies by companies and consumers. Our risk and exposure to these matters remain heightened due to a variety of factors including, among other things, the evolving nature of these threats and related regulation, the increased activity and sophistication of nation states, organized crime, cyber criminals, and hackers, the prominence of our brand, our and our franchisees' extensive office footprint, our plans to continue to implement strategies for our online and mobile applications and our desktop software, and our use of third-party vendors.

Cybersecurity risks may result from fraud or malice (a cyberattack), human error, or accidental technological failure. Cyberattacks are designed to electronically circumvent network security for malicious purposes such as unlawfully obtaining personal information, disrupting our ability to offer services, damaging our brand and reputation, stealing our intellectual property, and advancing social or political agendas. We face a variety of cyberattack threats including computer viruses, malicious codes, worms, phishing attacks, social engineering, denial of service attacks, ransomware, and other sophisticated attacks.

Although we use security and business controls to limit access to and use of personal information and expend significant resources to maintain multiple levels of protection in order to address or otherwise mitigate the risk of a security breach, such measures cannot provide absolute security. We regularly test our systems to discover and address potential vulnerabilities, and we rely on training and testing of our employees regarding heightened phishing and social engineering threats. We also conduct certain employee background checks on our employees, as allowed by law, and limit access to systems and data. Due to the structure of our business model, we also rely on our franchisees and other private and governmental third parties to maintain secure systems and respond to cybersecurity risks. We impose certain requirements and controls on these third parties, but it is possible that they may not appropriately employ the controls that we require of them or that such controls may be insufficient to protect personal information. Cybersecurity and the continued development and enhancement of our controls, processes, and practices designed to protect our systems, computers, software, data, and networks from attack, damage, or unauthorized access remain a high priority for us. As risks and regulations continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate information security vulnerabilities. Notwithstanding these efforts, there can be no assurance that a security breach, intrusion, or loss or theft of personal information will not occur. In addition, the techniques used to obtain unauthorized access change frequently, become more sophisticated, and are often difficult to detect until after a successful attack, causing us to be unable to anticipate these techniques or implement adequate preventive measures. Although we generally seek to maintain insurance from time to time that might mitigate some of our damages in the event of a significant security breach or cyberattack, we would still be exposed to damages in the amounts of our deductibles, retentions, and for losses outside of the scope of our policies (e.g., reputational harm). Furthermore, insurance against

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cybersecurity risks may cease to be available to us in the future or the pricing of such insurance may be prohibitively expensive.

A breach of our security measures or those of our franchisees or third parties on whom we rely, or other fraudulent activity, could result in unauthorized access to personal information of our clients or employees or other sensitive, nonpublic information. If such an event were to occur, it could have serious short- and long-term negative consequences. Unauthorized access to personal information could cause us to determine that it is required or advisable for us to notify affected individuals, regulators, or others under applicable privacy laws and regulations. Security breach remediation could also require us to expend significant resources to assist impacted individuals, repair damaged systems, implement modified information security measures, and maintain client and business relationships. Other consequences could include reduced client demand for our services and products, loss of valuable intellectual property, reduced growth and profitability and negative impacts to future financial results, loss of our ability to deliver one or more services or products (e.g., inability to provide financial products and services or to accept and process client credit card transactions or tax returns), modifying or stopping existing business practices, legal actions, harm to our reputation and brands, fines, penalties, and other damages, and further regulation and oversight by U.S. federal, state, or foreign governmental authorities.

A security breach or other unauthorized access to our systems could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

**Stolen identity refund fraud and other fraud could impede our clients' ability to timely and successfully file their tax returns and receive their tax refunds, and could diminish consumers' perceptions of the security and reliability of our products and services, resulting in negative publicity. Increased governmental regulation to attempt to combat fraud could adversely affect our revenues and profitability.**

Companies offering tax preparation services (especially those offering DIY solutions) are at risk of criminals utilizing 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 and offer our TIS product to help protect clients, stolen identity refund fraud could impede our clients' ability to timely and successfully file their returns and receive their tax refunds, and could diminish consumers' perceptions of the security and reliability of our products and services, resulting in negative publicity, despite there having been no breach in the security of our systems. In addition, if stolen identity refund fraud is perpetrated at a material level through our products or services, state, federal, or foreign tax authorities may refuse to allow us to continue to process our clients' tax returns electronically. As a result, stolen identity refund fraud could harm our revenue, results of operations, and reputation.

Federal, state, and foreign governmental authorities in jurisdictions in which we operate have taken action, and may in the future take additional action, in an attempt to combat stolen identity refund fraud, which may require changes to our systems and business practices, that we cannot anticipate. These actions may have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

Our clients may access our services and products from personal or public computers and mobile devices and may install and use our DIY desktop software on their computers. Those computers and other devices may have outdated systems, may run software that is no longer supported, or may not have security patches installed on a timely basis. Due to these and other factors, a person with malicious intent could obtain user account and password information from our clients through hacking, phishing, or other means of cyberattack, in order to perpetrate stolen identity refund fraud and other crimes against our clients. A number of companies, including some in the tax return preparation industry, have reported instances where criminals gained unauthorized and illegal access to their systems by using stolen identity information (e.g., user account and password information) obtained from sources other than those companies. We could experience this form of unauthorized and illegal access to our systems, despite there having been no breach in the security of our systems, which could negatively impact our clients and harm our revenue, results of operations, and reputation. Additionally, if such unauthorized or illegal access occurs, we may be subject to claims and litigation by clients, non-clients, or governmental agencies.

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**An interruption in our information systems, or those of our franchisees or a third party on which we rely, or an interruption in the internet, could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.**

We, our franchisees, and other third parties involved in our business operations rely heavily upon communications, networks, and information systems and the internet to conduct our business, including third-party internet-based or cloud computing services. These networks, systems, and operations are potentially vulnerable to damage or interruption from upgrades and maintenance, network failure, hardware failure, software failure, power or telecommunications failures, cyberattacks involving the penetration of our network by hackers or other unauthorized users (e.g., through computer viruses and worms, malicious code, phishing attacks, denial of service attacks, information security breaches, or other negative disruptions to the operation of the internet), human error, and natural disasters. As our businesses are seasonal, our systems must be capable of processing high volumes during our peak periods. Therefore, any failure or interruption in our information systems, or information systems of our franchisees or a private or government third party on which we rely, or an interruption in the internet or other critical business capability, could negatively impact our business operations and reputation, and increase our risk of loss.

There can be no assurance that system or internet failures, or interruptions in critical business capabilities will not occur, or, if they do occur, that we, our franchisees or the private or governmental third parties on whom we rely, will adequately address them. The precautionary measures that we have implemented to avoid systems outages and to minimize the effects of any data or communication systems interruptions or failures may not be adequate in all circumstances, and we may not have anticipated or addressed all of the potential events that could threaten or undermine our information systems or other critical business capabilities. We do not have redundancy for all of our systems and our disaster recovery planning may not account for all eventualities. Our software and computer systems utilize data processing and storage capabilities provided by Microsoft Corporation. If the Microsoft Azure Cloud is unavailable for any reason, our clients may not be able to access certain of our cloud products or features, which could significantly impact our operations, business, and financial results.

The occurrence of any systems or internet failure, or business interruption could negatively impact our ability to serve our clients, which in turn could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

**The Dodd-Frank Act created the CFPB to administer and, in some cases, enforce U.S. federal financial consumer protection laws and expanded the role of state regulators with respect to consumer protection laws. Regulations promulgated by the CFPB or other regulators may affect our financial services businesses in ways we cannot predict, which may require changes to our financial products, services, and contracts.**

The Dodd-Frank Act created the CFPB and gave it broad powers to administer, investigate compliance with, and, in some cases, enforce U.S. federal financial consumer protection laws. The CFPB has broad rule-making authority for a wide range of financial consumer protection laws that apply to banks and other financial services companies, including the authority to prohibit "unfair, deceptive, or abusive" acts and practices.

The CFPB and state regulators may examine, investigate, and take enforcement actions against our subsidiaries that provide consumer financial services and products, as well as financial institutions and service providers upon which our subsidiaries rely to provide consumer financial services and products. The Dodd-Frank Act also expanded the role of state regulators in enforcing and promulgating financial consumer protection laws, the results of which could be (i) states issuing new and broader financial consumer protection laws, some of which could be more comprehensive than existing U.S. federal regulations, or (ii) state attorneys general bringing actions to enforce federal consumer protection laws in the absence of CFPB action.

Currently proposed or new CFPB and state regulations may require changes to our financial products, services and contracts, and this could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

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**The nature of our tax service and product offerings requires timely product launches. Any significant delays in launching our tax service and product offerings, changes in government regulations or processes that affect how we provide such offerings to our clients, or significant problems with such offerings or the manner in which we provide them to our clients may harm our revenue, results of operations, and reputation.**

Tax laws and tax forms are subject to change each year, and the nature and timing of such changes are unpredictable. As a part of our business, we must incorporate any changes to tax laws and tax forms into our tax service and product offerings, including our online and mobile applications and desktop software. The unpredictable nature, timing and effective dates of changes to tax laws and tax forms can result in condensed development cycles for our tax service and product offerings because our clients expect high levels of accuracy and a timely launch of such offerings to prepare and file their taxes by the tax filing deadline and, in turn, receive any tax refund amounts on a timely basis. In addition, governmental authorities regularly change their processes for accepting tax filings and related tax forms. Further, changes in governmental administrations or regulations could result in a delay of the start of the tax season or in further and unanticipated changes in requirements or processes. Changes in governmental regulations and processes that affect how we provide services and products to our clients may require us to make corresponding changes to our client service systems and procedures. Furthermore, unanticipated changes in governmental processes for accepting tax filings and related forms, or the ability of taxing authorities to accept electronic tax return filings, may result in delays in our processing of our clients' tax filings, or delays in tax authorities accepting electronic tax return filings, and, in turn, delay any tax refund amounts to which such clients may be entitled. From time to time, we review and enhance our quality controls for preparing accurate tax returns, but there can be no assurance that we will be able to prevent all inaccuracies. Any significant delays in launching our tax service and product offerings, changes in government regulations or processes that affect how we provide such offerings to our clients, or significant problems with such offerings or the manner in which we provide them to our clients may harm our revenue, results of operations, and reputation.

If we encounter development challenges or discover errors in our systems, services or products, we may elect to delay or suspend our offerings. Any major defects or launch delays, or unanticipated changes in governmental processes for accepting tax filings and related forms, may lead to loss of clients and revenue, negative publicity, client and employee dissatisfaction, a deterioration in our business relationships with our franchisees, reduced retailer shelf space and promotions, exposure to litigation, and increased operating expenses. Any of the risks described above could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

**Regulatory actions could have an adverse effect on our business and our consolidated financial position, results of operations, and cash flows.**

The Company is subject to additional federal, state, local, and foreign laws and regulations, including, without limitation, in the areas of franchise, labor, immigration, advertising, consumer protection, financial services and products, payment processing, privacy and data security, anti-competition, environmental, health and safety, insurance, and healthcare. There have been significant new regulations and heightened focus by the government in some of these areas, including, for example, consumer financial services and products, restrictive covenants, and labor, including overtime and exemption regulations and state and local laws on minimum wage and other labor-related issues. There may be additional regulatory actions or enforcement priorities, or new interpretations of existing requirements that differ from ours. These developments could impose unanticipated limitations or require changes to our business, which may make elements of our business more expensive, less efficient, or impossible to conduct, and may require us to modify our current or future services or products, which effects may be heightened given the nature, broad geographic scope, and seasonality of our business.

**We rely on a single vendor or a limited number of vendors to provide certain key services or products, and the inability of these key vendors to meet our needs could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.**

Historically, we have contracted, and in the future we will likely continue to contract, with a single vendor or a limited number of vendors to provide certain key services or products for our tax, financial, and other services and products. A few examples of this type of reliance are our relationships with Fidelity National Information Services, Inc. (FIS), for data processing and card production services, Axos, for the issuance of RTs, EAs, RAs and Emerald Cards, and Microsoft Corporation, for cloud computing services. In certain instances, we are vulnerable to vendor error, service

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inefficiencies, service interruptions, or service delays. Our sensitivity to any of these issues may be heightened (1) due to the seasonality of our business, (2) with respect to any vendor that we utilize for the provision of any product or service that has specialized expertise, (3) with respect to any vendor that is a sole or exclusive provider, or (4) with respect to any vendor whose indemnification obligations are limited or that does not have the financial capacity to satisfy its indemnification obligations. Some of our vendors are subject to the oversight of regulatory bodies and, as a result, our product or service offerings may be affected by the actions or decisions of such regulatory bodies. Vendor failures could occur in various ways including (1) vendor error, (2) inability to meet our needs in a timely manner, or (3) termination or delay in the services or products provided by a vendor because the vendor fails to perform adequately, is no longer in business, experiences shortages, or discontinues a certain product or service that we utilize. If our vendors are unable to meet our needs and we are not able to develop alternative sources for these services and products quickly and cost-effectively, it could result in a material and adverse impact on our business and our consolidated financial position, results of operations, and cash flows.

**The specialized and highly seasonal nature of our business presents financial risks and operational challenges, which, if not satisfactorily addressed, could materially affect our business and our consolidated financial position, results of operations, and cash flows.**

Our business is highly seasonal, with the substantial portion of our revenue earned in the fourth quarter of our fiscal year. Success in our industry depends on our ability to attract, develop, motivate, and retain key personnel in a timely manner, including members of our executive team and those in seasonal tax preparation positions or with other required specialized expertise, including technical positions. The market for such personnel is extremely competitive, and there can be no assurance that we will be successful in our efforts to attract and retain the required personnel within necessary timeframes. If we are unable to attract, develop, motivate, and retain key personnel, our business, operations, and financial results could be negatively impacted. In addition, if our costs of labor or related costs increase for other reasons or if new or revised labor laws, rules or regulations are adopted or implemented that increase our labor costs, there could be a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

The concentration of our revenue-generating activity during this relatively short period presents a number of additional challenges for us, including (1) cash and resource management during the first nine months of our fiscal year, when we generally operate at a loss and incur fixed costs and costs of preparing for the upcoming tax season, (2) ensuring compliance with financial covenants under our Third Amended and Restated Credit and Guarantee Agreement (2018 CLOC), particularly if the timing of our revenue generation deviates from this seasonal period, (3) responding to changes in competitive conditions, including marketing, pricing, and new product offerings, which could affect our position during the tax season, (4) disruptions in a tax season, including any client dissatisfaction issues or negative social media campaigns, which may not be timely discovered or satisfactorily addressed, and (5) 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, we could experience a loss of business, which could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

**We face legal actions in connection with our various business activities, and current or future legal actions may damage our reputation, impair our product offerings, or result in material liabilities and losses.**

We have been named, and from time to time will likely continue to be named, in various legal actions, including arbitrations, class or representative actions, actions or inquiries by state attorneys general and other regulators, and other litigation arising in connection with our various business activities, including relating to our various service and product offerings. We also grant our franchisees a limited license to use our registered trademarks and, accordingly, there is risk that one or more of the franchisees may be alleged to be controlled by us. Third parties, regulators or courts may seek to hold us responsible for the actions or failures to act by our franchisees. Adverse outcomes related to legal actions could result in substantial damages and could cause our earnings to decline. Negative public opinion could also result from our or our franchisees' actual or alleged conduct in such claims, possibly damaging our reputation, which, in turn, could adversely affect our business prospects and cause the market price of our securities to decline.

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**Our access to liquidity may be negatively impacted as disruptions in credit markets occur, if our credit ratings are downgraded, or if we fail to meet certain covenants. Our funding costs may increase, leading to reduced earnings.**

We need liquidity to meet our off-season working capital requirements, to service debt obligations including refinancing of maturing obligations, and for general corporate purposes. Our access to and the cost of liquidity could be negatively impacted in the event of credit rating downgrades or if we fail to meet existing financial covenants. Events may also occur which could increase our need for liquidity above current levels.

If rating agencies downgrade our credit rating, the cost of debt under our existing financing arrangements, as well as future financing arrangements, could increase and capital market access could decrease or become unavailable. Our 2018 CLOC is subject to various covenants, and a violation of a covenant could impair our access to liquidity currently available through the 2018 CLOC. The 2018 CLOC includes provisions that allow for the issuance of equity to comply with the financial covenant calculations as a means to avoid a shortfall. If current sources of liquidity were to become unavailable, we would need to obtain additional sources of funding, which may not be available or may only be available under less favorable terms. This could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

**The continued payment of dividends on our common stock and repurchases of our common stock are dependent on a number of factors, and future payments and repurchases cannot be assured.**

We need liquidity sufficient to fund payments of dividends on our common stock and repurchases of our common stock. In addition, holders of our common stock are only entitled to receive such dividends as our Board of Directors may declare out of funds legally available for such payments, and our Board of Directors may only authorize the Company to repurchase shares of our common stock with funds legally available for such repurchases. The payment of future dividends and future repurchases will depend upon our earnings, economic conditions, liquidity and capital requirements, and other factors, including our debt leverage. Even if we have sufficient resources to pay dividends and to repurchase shares of our common stock, the Board of Directors may determine to use such resources to fund other Company initiatives. Accordingly, we cannot make any assurance that future dividends will be paid, or future repurchases will be made, at levels comparable to our historical practices, if at all. In addition, payments of dividends negatively impact net worth. Due to the seasonal nature of our business and the fact that our business is not asset-intensive, we have had, and are likely to continue to have, a negative net worth under U.S. generally accepted accounting principles (GAAP) at various times throughout the year, and thus the payment of dividends or stock repurchases causes us to further increase that GAAP negative net worth.

**Our businesses may be adversely affected in the event of difficult economic conditions, in particular, high unemployment levels.**

Difficult economic conditions are frequently characterized by high unemployment levels and declining consumer and business spending. These poor economic conditions may negatively affect demand and pricing for our services and products. In the event of difficult economic conditions that include high unemployment levels, especially within the client segments we serve, clients may elect not to file tax returns or utilize lower cost preparation and filing alternatives. Sustained levels of high unemployment may negatively impact our ability to increase or retain tax preparation clients.

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

Developing and maintaining awareness of our brands is critical to achieving widespread acceptance of our existing and future services and products and is an important element in attracting new clients. In addition, our franchisees may operate their businesses under our brands. Adverse publicity (whether or not justified) relating to events or activities involving or attributed to us, our franchisees, employees, or agents or our services or products, which may be enhanced due to the nature of social media, may tarnish our reputation and reduce the value of our brands. Damage to our reputation and loss of brand equity may reduce demand for our services and products and thus have an adverse effect on our future financial results, as well as require additional resources to rebuild our reputation and restore the value of our brands.

**Failure to protect our intellectual property rights may harm our competitive position and litigation to protect our intellectual property rights or defend against third party allegations of infringement may be costly.**

Despite our efforts to protect our intellectual property and proprietary information, we may be unable to do so effectively in all cases. Our intellectual property could be wrongfully acquired as a result of a cyberattack or other

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wrongful conduct by employees or third parties. To the extent that our intellectual property is not protected effectively by trademarks, copyrights, patents, or other means, other parties with knowledge of our intellectual property, including former employees, may seek to exploit our intellectual property for their own or others' advantage. Competitors may also misappropriate our trademarks, copyrights or other intellectual property rights or duplicate our technology and products. Any significant impairment or misappropriation of our intellectual property or proprietary information could harm our business and our brand, and may adversely affect our ability to compete.

In addition, third parties may allege we are infringing their intellectual property rights, and we may face intellectual property challenges from other parties. We may not be successful in defending against any such challenges or in obtaining licenses to avoid or resolve any intellectual property disputes and, in that event, we could lose significant revenues, incur significant royalty or technology development expenses, suffer harm to our reputation, or pay significant monetary damages.

**Failure to maintain sound business relationships with our franchisees may have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.**

Our financial success depends in significant part on our ability to maintain sound business relationships with our franchisees. The support of our franchisees is also critical for the success of our ongoing operations. Deterioration in our relationships with our franchisees could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

**Our international operations are subject to risks which may harm our business and our consolidated financial position, results of operations, and cash flows.**

We have international operations, including in Canada and Australia, and may consider expansion opportunities in additional countries in the future. There is uncertainty about our ability to generate revenues from new or emerging foreign operations and expand into other international markets. Additionally, there are risks inherent in doing business internationally, including: (1) changes in trade regulations; (2) difficulties in managing foreign operations as a result of distance, language, and cultural differences; (3) profit repatriation restrictions, and fluctuations in foreign currency exchange rates; (4) geopolitical events, including acts of war and terrorism, and economic and political instability; (5) compliance with U.S. laws such as the Foreign Corrupt Practices Act and other applicable foreign anti-corruption laws; (6) compliance with U.S. and international laws and regulations, including those concerning privacy, and data protection and retention; and (7) risks related to other government regulation or required compliance with local laws. These risks inherent in our international operations and expansion could increase our costs of doing business internationally and could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

In addition, we prepare U.S. federal and state tax returns for taxpayers residing in foreign jurisdictions, including the European Union (EU), and we operate and have franchisees who operate in foreign jurisdictions. As a result, certain aspects of our operations are subject, or may in the future become subject, to the laws, regulations, and policies of those jurisdictions that regulate the collection, use, and transfer of personal information, which may be more stringent than those of the U.S. For example, in May 2018, the EU implemented a new privacy and data protection regulation, known as the General Data Protection Regulation.

Costs for us to comply with such laws, regulations, and policies that are applicable to us could be significant. We may also face audits or investigations by one or more foreign government agencies relating to these laws, regulations, and policies that could result in the imposition of penalties or fines.

**We may be adversely impacted by changes in corporate tax rates, the adoption of new tax legislation in the jurisdictions in which we operate, and exposure to additional tax liabilities.**

As a multinational corporation, we are subject to taxes in the U.S. and numerous foreign jurisdictions where our subsidiaries are organized and conduct their operations. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. Tax rates in the various jurisdictions in which our subsidiaries are organized and conduct their operations may change significantly as a result of political or economic factors beyond our control. Additionally, our future effective tax rates could be adversely affected by changes in the valuation of deferred tax assets and liabilities or changes in tax laws or their interpretation. Our tax returns and other tax matters are periodically examined by tax authorities and governmental bodies, including the IRS, which may disagree with



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positions taken by us in determining our tax liability. There can be no assurance as to the outcome of these examinations. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes.

On December 22, 2017, the U.S. government enacted the Tax Cuts and Jobs Act (Tax Legislation), which made broad and complex changes to the U.S. tax code that impacted our financial statements. Given the lack of regulatory guidance that clarifies the interpretations of the Tax Legislation, regulatory interpretations that differ from our existing interpretations of the Tax Legislation could materially affect our effective tax rates.

In addition, projects undertaken by international organizations may change international tax norms relating to each country's jurisdiction to tax cross-border international trade. Given the unpredictability of these and other possible changes to tax laws and related regulations, it is difficult to assess the overall effect of such potential changes, but any such changes could, if adopted and applicable to us, adversely impact our effective tax rates.

If our effective tax rates were to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, our operating results, cash flows, and financial condition could be adversely affected.

#### RISKS RELATING TO DISCONTINUED OPERATIONS

**Sand Canyon Corporation, previously known as Option One Mortgage Corporation (including its subsidiaries, collectively, SCC) is subject to potential contingent losses related to representation and warranty claims, which may have an adverse effect on our business and our consolidated financial condition, results of operations, and cash flows. SCC has in the past accrued, and may in the future accrue, an estimated liability related to these contingent losses, which may not be adequate.**

SCC exited its mortgage business in fiscal year 2008, but remains exposed to losses relating to mortgage loans it previously originated. Mortgage loans originated by SCC were sold either as whole loans to single third-party buyers or in the form of residential mortgage-backed securities (RMBSs).

In connection with the sale of loans or RMBSs, SCC made certain representations and warranties. Claims under these representations and warranties together with any settlement arrangements related to these losses are collectively referred to as "representation and warranty claims."

The statute of limitations for a contractual claim to enforce a representation and warranty obligation is generally six years or such shorter limitations period that may apply under the law of a state where the economic injury occurred. On June 11, 2015, the New York Court of Appeals, New York's highest court, held in *ACE Securities Corp. v. DB Structured Products, Inc. (ACE)*, that the six-year statute of limitations under New York law starts to run at the time the representations and warranties are made, not the date when the repurchase demand was denied. This decision applies to claims and lawsuits brought against SCC where New York law governs. New York law governs many, though not all, of the transactions into which SCC entered. However, this decision would not affect representation and warranty claims and lawsuits SCC has received or may receive, for example, where the statute of limitations has been tolled by agreement or a suit was timely filed.

In response to the statute of limitations rulings in the *ACE* case and similar rulings in other state and federal courts, parties seeking to pursue representation and warranty claims or lawsuits have sought, and may in the future seek, to distinguish certain aspects of the *ACE* decision, pursue alternate legal theories of recovery, or assert claims against other contractual parties such as securitization trustees.

For example, a 2016 ruling by a New York intermediate appellate court, followed by the federal district court in the second Homeward case described in Item 8, note 13 to the consolidated financial statements, allowed a counterparty to pursue litigation on additional loans in the same trust even though only some of the loans complied with the condition precedent of timely pre-suit notice and opportunity to cure or repurchase. Additionally, plaintiffs in litigation to which SCC is not party have alleged breaches of an independent contractual duty to provide notice of material breaches of representations and warranties and pursued separate claims to which, they argue, the statute of limitations ruling in the *ACE* case does not apply. The impact on SCC from alternative legal theories seeking to avoid or distinguish the *ACE* decision, or judicial limitations on the *ACE* decision, is unclear.

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SCC has not concluded that a loss related to representation and warranty claims is probable and has not accrued a related liability for these claims as of April 30, 2019. See Item 8, note 12 to the consolidated financial statements for additional information regarding representation and warranty claims. If SCC were required to pay material amounts with respect to contingent losses arising from representation and warranty claims, it could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows, as SCC's financial condition, results of operations and cash flows are included in our consolidated financial statements.

**SCC is subject to litigation and other claims, including potential contingent losses related to securitization transactions in which SCC participated as a depositor or loan originator, which may result in significant financial losses.**

Although SCC ceased its mortgage loan origination activities in December 2007 and sold its loan servicing business in April 2008, SCC has been, remains, and may in the future be, subject to litigation, claims, including indemnification and contribution claims, and other loss contingencies pertaining to SCC's mortgage business activities that occurred prior to such termination and sale. See Item 8, note 13 to the consolidated financial statements for a description of litigation and other claims to which SCC may be subject.

Between January 2005 and November 2007, SCC originated mortgage loans totaling approximately \$80 billion. Mortgage loans originated by SCC were sold either as whole loans to single third-party buyers, who generally securitized such loans, or in the form of RMBSs. SCC estimates approximately 90% of the loans it originated in 2005, 2006, and 2007 were securitized in approximately 110 securitization transactions. In most of these securitization transactions, SCC agreed, subject to certain conditions and limitations, to indemnify the underwriters or depositors for certain losses and expenses that the underwriters or depositors may incur as a result of certain claims made against them relating to loans originated by SCC, including certain legal expenses the underwriters or depositors incur in their defense of such claims.

Some of those underwriters and depositors are, or have been, defendants in lawsuits where various other parties allege a variety of claims, including violations of U.S. federal and state securities law and common law fraud based on alleged materially inaccurate or misleading disclosures, arising out of the activities of such underwriters or depositors in their sale of RMBSs or mortgage loans. Based on information currently available to SCC, it believes that the 21 lawsuits in which notice of a claim for indemnification has been made involve 39 securitization transactions with original investments of approximately \$14 billion (of which the outstanding principal amount is approximately \$3.1 billion). Certain of the notices received included, and future notices may include, a reservation of rights to assert claims for contribution, which are referred to herein as "contribution claims." Contribution claims may become operative if indemnification is unavailable or insufficient to cover all of the losses and expenses involved. These indemnification and contribution claims are frequently not subject to a contractual term or limit. Additional lawsuits against the underwriters or depositors may be filed in the future, and SCC may receive additional notices of claims for indemnification or contribution from underwriters or depositors with respect to existing or new lawsuits or settlements of such lawsuits.

Securitization trustees also are, or have been, involved in lawsuits related to securitization transactions in which SCC participated. Plaintiffs in these lawsuits allege, among other things, that originators, depositors, servicers or other parties breached their representations and warranties or otherwise failed to fulfill their obligations, including that securitization trustees breached their contractual obligations, breached their fiduciary duties, or violated statutory requirements by failing to properly protect the certificate holders' interests. SCC has received notices from securitization trustees of potential indemnification obligations, and may receive additional notices with respect to existing or new lawsuits or settlements of such lawsuits, in its capacity as originator, depositor, or servicer.

In addition, other counterparties to the securitization transactions, including certificate holders and monoline insurance companies, have filed or may file lawsuits, or may assert indemnification or contribution claims, directly against depositors and loan originators in securitization transactions alleging a variety of claims, including U.S. federal and state securities law violations, common law torts and fraud and breach of contract claims, among others. Additional or new lawsuits or claims may be filed or asserted against SCC in the future.

We have not concluded that a loss related to these matters is probable, nor have we accrued a liability for these claims as of April 30, 2019. However, if SCC were required to pay material amounts with respect to these matters, it could have a material adverse effect on our business and our consolidated financial position, results of operations

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and cash flows, as SCC's financial condition, results of operations, and cash flows are included in our consolidated financial statements. See Item 8, note 13 to the consolidated financial statements for additional information.

**H&R Block has guaranteed the payment of certain limited claims against SCC.**

SCC is subject to representation and warranty claims by counterparties to SCC whole loan sales and securitization transactions, including certificate holders, securitization trustees, monoline insurance companies, and subsequent purchasers of whole loans. In certain limited circumstances described below, H&R Block guaranteed payment if claims are successfully asserted by such counterparties.

These guarantees include representation and warranty claims with respect to a limited number of whole loan sales by SCC with an aggregate outstanding principal and liquidated amount of approximately \$1.0 billion as of April 30, 2019, based on the data available to SCC. There have been a total of approximately \$41 million of representation and warranty claims with respect to these whole loan sales.

These guarantees also cover limited representation and warranty claims on other outstanding securitization transactions, with a potential claims exposure of less than \$200 million. In addition, as is customary in divestiture transactions, H&R Block guaranteed the payment of any indemnification claims from the purchaser of SCC's servicing business, including claims relating to pre-closing services (closing occurred in 2008).

**We could be subject to claims by the creditors of SCC.**

As discussed above, SCC is subject to representation and warranty claims, indemnification and contribution claims, and other claims and litigation related to its past sales and securitizations of mortgage loans. Additional claims and litigation may be asserted in the future. If the amount that SCC is ultimately required to pay with respect to these claims and litigation, together with related administration and legal expense, exceeds its net assets, the creditors of SCC, or a bankruptcy trustee if SCC were to file or be forced into bankruptcy, may attempt to assert claims against us for payment of SCC's obligations. Claimants have also attempted, and may in the future attempt, to assert claims or seek payment directly from the Company even if SCC's assets exceed its liabilities. SCC's principal assets, as of April 30, 2019, total approximately \$289 million and consist of an intercompany note receivable. We believe our legal position is strong on any potential corporate veil-piercing arguments; however, if this position is challenged and not upheld, it could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows. In addition, in certain limited instances, H&R Block guaranteed amounts as outlined in the above risk factor.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Most of our tax offices are operated under leases throughout the U.S., Canada and Australia.

We own our corporate headquarters, which is located in Kansas City, Missouri. Our Canadian executive offices are located in a leased office in Calgary, Alberta. Our Australian executive offices are located in a leased office in Thornleigh, New South Wales.

All current leased and owned facilities are in reasonably good repair and adequate to meet our needs.

**ITEM 3. LEGAL PROCEEDINGS**

For a description of our material pending legal proceedings, see discussion in Item 8, note 13 to the consolidated financial statements.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

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**PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

**MARKET INFORMATION AND HOLDERS** – H&R Block's common stock is traded on the New York Stock Exchange (NYSE) under the symbol HRB. On May 31, 2019, there were 15,474 shareholders of record and the closing stock price on the NYSE was \$26.25 per share.

**PURCHASES OF EQUITY SECURITIES BY THE ISSUER** – A summary of our purchases of H&R Block common stock during the fourth quarter of fiscal year 2019 is as follows:

(in 000s, except per share amounts)

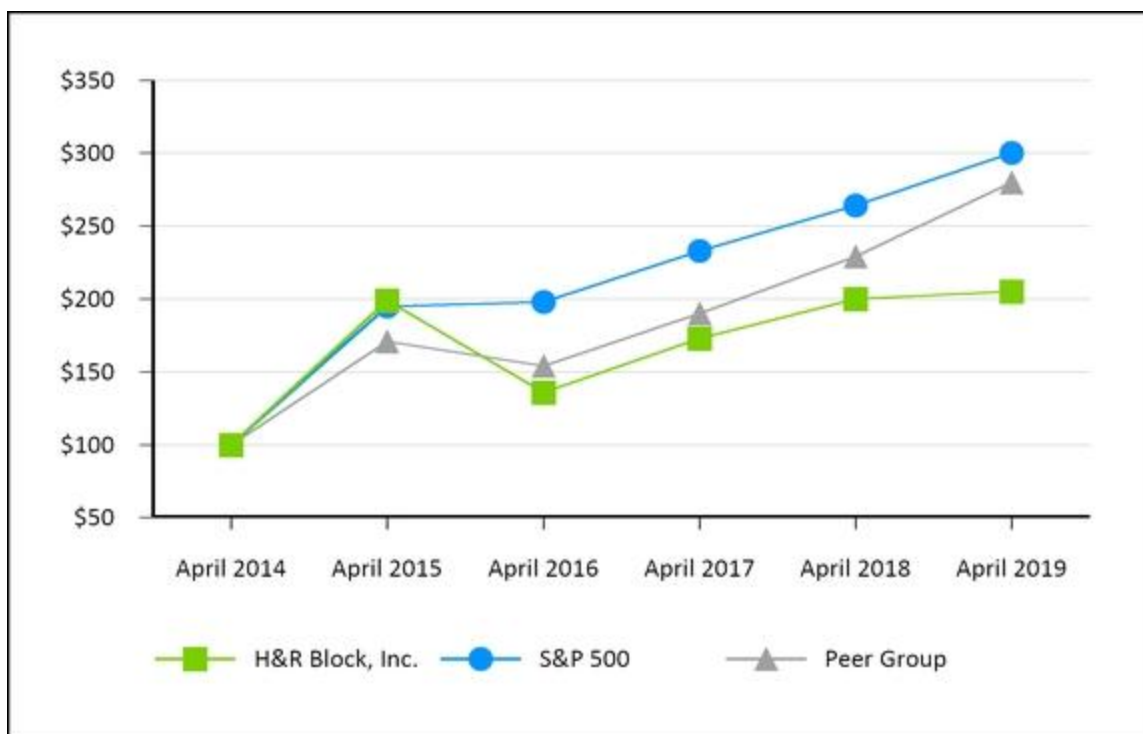
	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Dollar Value of Shares that May be Purchased Under the Plans or Programs (2)
February 1 – February 28	1,750	\$ 23.83	1,749	\$ 1,032,179
March 1 – March 31	1,416	\$ 23.81	1,416	\$ 998,470
April 1 – April 30	—	—	—	\$ 998,470
	<u>3,166</u>	<u>\$ 23.82</u>	<u>3,165</u>	

(1) We purchased approximately 1 thousand shares in connection with funding employee income tax withholding obligations arising upon the lapse of restrictions on restricted shares and restricted share units.

(2) In September 2015, we announced that our Board of Directors approved a \$3.5 billion share repurchase program, effective through June 2019. In June 2019, our Board of Directors extended the share repurchase program through June 2022.

**PERFORMANCE GRAPH** – The following graph compares the cumulative five-year total return provided to shareholders on H&R Block, Inc.'s common stock relative to the cumulative total returns of the S&P 500 index and a selected peer group. The peer group used is based on companies with similar market capitalization or public companies in the tax return preparation industry.

An investment of \$100, with reinvestment of all dividends, is assumed to have been made in our common stock and in each of the indexes on April 30, 2014, and its relative performance is tracked through April 30, 2019.



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Note: The peer group includes the following companies: Intuit Inc., Blucora, Inc., Liberty Tax, Inc., CBIZ, Inc., Resources Connection, Inc., ICF International, Inc., Willis Towers Watson PLC, Navigant Consulting, Inc., and Huron Consulting Group Inc.

[Table of Contents](#)**ITEM 6. SELECTED FINANCIAL DATA**

We derived the selected financial data presented below from our audited consolidated financial statements as of and for each of the five annual periods ending April 30, 2019. Results of operations of fiscal years 2019 and 2018 are discussed in Item 7. The data set forth below should be read in conjunction with Item 7 and the consolidated financial statements in Item 8. See Item 8, note 10 to the consolidated financial statements for details on the impact of the Tax Legislation in fiscal year 2018.

(in 000s, except per share amounts)

April 30,	2019	2018	2017	2016	2015
Revenues	\$ 3,094,881	\$ 3,159,931	\$ 3,036,314	\$ 3,038,153	\$ 3,078,658
Net income from continuing operations	445,256	626,909	420,917	383,553	486,744
Net income	422,509	613,149	408,945	374,267	473,663
Basic earnings per share:					
Net income from continuing operations	\$ 2.16	\$ 2.99	\$ 1.97	\$ 1.54	\$ 1.77
Net income	2.05	2.93	1.92	1.50	1.72
Diluted earnings per share:					
Net income from continuing operations	\$ 2.15	\$ 2.98	\$ 1.96	\$ 1.53	\$ 1.75
Net income	2.04	2.91	1.91	1.49	1.71
Total assets	\$ 3,299,945	\$ 3,140,949	\$ 2,694,108	\$ 2,847,225	\$ 4,512,071
Long-term debt <sup>(1)</sup>	1,492,629	1,495,635	1,493,998	1,492,201	502,739
Stockholders' equity (deficiency)	541,527	393,711	(60,883)	23,103	1,832,949
Shares outstanding	201,959	209,254	207,171	220,517	275,275
Dividends per share	\$ 1.00	\$ 0.96	\$ 0.88	\$ 0.80	\$ 0.80

(1) Includes current portion of long-term debt.

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<b>(Unaudited)</b>		(in 000s, except per share amounts)							
	April 30,		January 31,		October 31,		July 31,		
	<b>2019</b>	2018	<b>2019</b>	2018	<b>2018</b>	2017	<b>2018</b>	2017	
Revenues	\$ <b>2,332,443</b>	\$ 2,392,849	\$ <b>468,384</b>	\$ 488,426	\$ <b>148,871</b>	\$ 140,854	\$ <b>145,183</b>	\$ 137,802	
Income (loss) from continuing operations before taxes (benefit)	<b>1,134,579</b>	1,231,021	<b>(158,664)</b>	(120,805)	<b>(231,990)</b>	(236,265)	<b>(198,765)</b>	(205,219)	
Net income (loss) from continuing operations	<b>884,769</b>	1,145,964	<b>(119,779)</b>	(242,925)	<b>(170,937)</b>	(148,312)	<b>(148,797)</b>	(127,818)	
Net loss from discontinued operations	<b>(6,860)</b>	(3,037)	<b>(6,675)</b>	(2,720)	<b>(5,339)</b>	(5,254)	<b>(3,873)</b>	(2,749)	
Net income (loss)	<b>877,909</b>	1,142,927	<b>(126,454)</b>	(245,645)	<b>(176,276)</b>	(153,566)	<b>(152,670)</b>	(130,567)	
Basic earnings (loss) per share:									
Continuing operations	\$ <b>4.36</b>	\$ 5.47	\$ <b>(0.58)</b>	\$ (1.16)	\$ <b>(0.83)</b>	\$ (0.71)	\$ <b>(0.72)</b>	\$ (0.62)	
Consolidated	\$ <b>4.32</b>	\$ 5.45	\$ <b>(0.62)</b>	\$ (1.18)	\$ <b>(0.86)</b>	\$ (0.74)	\$ <b>(0.74)</b>	\$ (0.63)	
Diluted earnings (loss) per share:									
Continuing operations	\$ <b>4.32</b>	\$ 5.43	\$ <b>(0.58)</b>	\$ (1.16)	\$ <b>(0.83)</b>	\$ (0.71)	\$ <b>(0.72)</b>	\$ (0.62)	
Consolidated	\$ <b>4.29</b>	\$ 5.42	\$ <b>(0.62)</b>	\$ (1.18)	\$ <b>(0.86)</b>	\$ (0.74)	\$ <b>(0.74)</b>	\$ (0.63)	
Dividends paid per share	\$ <b>0.25</b>	\$ 0.24	\$ <b>0.25</b>	\$ 0.24	\$ <b>0.25</b>	\$ 0.24	\$ <b>0.25</b>	\$ 0.24	

Because the majority of our clients file their tax returns during the period from February through April of each year, a substantial majority of our revenues from income tax return preparation and related services and products are earned during this period. As a result, we generally operate at a loss through the first three quarters of our fiscal year. Income tax expense (benefit) for the quarters ended January 31, 2018 and April 30, 2018 were significantly impacted by Tax Legislation. See Item 8, note 10 to the consolidated financial statements for further discussion.

The accumulation of four quarters in fiscal years 2019 and 2018 for earnings per share may not equal the related per share amounts for the years ended April 30, 2019 and 2018 due to the timing of the exercise of stock options and lapse of certain restrictions on nonvested shares and share units and deferred stock units and the antidilutive effect of stock options and nonvested shares and share units in the first three quarters for those years.

Although we have historically paid dividends and plan to continue to do so, there can be no assurances that circumstances will not change in the future that could affect our ability or decisions to pay dividends.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****FINANCIAL OVERVIEW**

A summary of our fiscal year 2019 results is as follows:

- Tax returns prepared worldwide increased 1.2%, and returns prepared in the U.S. increased 1.5%. Our paid U.S. DIY returns increased by 5.9%, while our U.S. assisted returns declined 1.7% compared to the prior year.
- Revenues decreased \$65.1 million, or 2.1%, compared to the prior year. Revenues were impacted by changes in our pricing structure whereby we offered lower prices for millions of our U.S. assisted tax preparation clients, which was partially offset by a 5.9% increase in paid U.S. DIY returns.
- Operating expenses increased \$71.2 million, or 3.0%, due to a combination of higher compensation, marketing, and information technology expenses, partially offset by reductions in depreciation and amortization.
- Pretax earnings decreased \$123.6 million, or 18.5%, due to the revenue and expense changes mentioned above.





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- Income tax expense increased \$58.1 million, or 138.9%, due to Tax Legislation enacted in the prior fiscal year. See Item 8, note 10 to the consolidated financial statements for further discussion.
- Net income from continuing operations decreased \$181.7 million, or 29.0%, compared with the prior year, due to lower pretax earnings and higher income taxes.
- Diluted earnings per share from continuing operations decreased 27.9% from the prior year to \$2.15 due to lower net income offset by share repurchases.
- Earnings from continuing operations before interest, taxes, depreciation and amortization (EBITDA) decreased \$142.5 million, or 15.1%, to \$798.9 million. See "Non-GAAP Financial Information" at the end of this item for a reconciliation of non-GAAP measures.

**RESULTS OF OPERATIONS**

Our subsidiaries provide assisted, DIY, and virtual tax preparation solutions through multiple channels (including in-person, online and mobile applications, virtual, and desktop software) and distribute H&R Block-branded products and services, including those of our financial partners, to the general public primarily in the U.S., Canada, Australia, and their respective territories. Tax returns are either prepared by H&R Block tax professionals (in company-owned or franchise offices, virtually or via an internet review) or prepared and filed by our clients through our DIY tax solutions. We operate as a single segment that includes all of our continuing operations, which are designed to enable clients to obtain tax preparation services seamlessly.

[Table of Contents](#)**Operating Statistics**

Year ended April 30,	2019	2018	% Change
<b>TAX RETURNS PREPARED : (in 000s) <sup>(1)</sup></b>			
United States:			
Company-owned operations	8,033	8,050	(0.2)%
Franchise operations	3,583	3,769	(4.9)%
Total assisted	11,616	11,819	(1.7)%
Desktop	1,969	2,031	(3.1)%
Online	6,012	5,502	9.3 %
Total DIY	7,981	7,533	5.9 %
IRS Free File	665	613	8.5 %
Total U.S. returns	20,262	19,965	1.5 %
International operations:			
Canada	2,465	2,423	1.7 %
Australia	747	757	(1.3)%
Other	142	187	(24.1)%
Total international operations returns	3,354	3,367	(0.4)%
Tax returns prepared worldwide	23,616	23,332	1.2 %
<b>NET AVERAGE CHARGE (U.S. ONLY): <sup>(2)</sup></b>			
Company-owned operations	\$ 231.60	\$ 241.35	(4.0)%
Franchise operations <sup>(3)</sup>	\$ 216.61	\$ 211.88	2.2 %
DIY	\$ 32.59	\$ 32.28	1.0 %
<b>TAX OFFICES (at the peak of the tax season):</b>			
U.S. offices:			
Total company-owned offices	6,356	6,690	(5.0)%
Total franchise offices	3,148	3,291	(4.3)%
Total U.S. offices	9,504	9,981	(4.8)%
International offices:			
Canada	1,116	1,166	(4.3)%
Australia	466	453	2.9 %
Total international offices	1,582	1,619	(2.3)%
Tax offices worldwide	11,086	11,600	(4.4)%

<sup>(1)</sup>An assisted tax return is defined as a current or prior year individual tax return that has been accepted and paid for by the client. Also included are Tax Pro Go<sup>SM</sup>, Tax Pro Review<sup>SM</sup>, and business returns. A DIY return is defined as a return that has been electronically filed and accepted by the IRS. Also included are online returns paid and printed.

<sup>(2)</sup> Net average charge is calculated as tax preparation fees divided by tax returns prepared. For DIY, net average charge excludes IRS Free File.

<sup>(3)</sup> Net average charge related to H&R Block Franchise Operations represents tax preparation fees collected by H&R Block franchisees divided by returns prepared in franchise offices. H&R Block will recognize a portion of franchise revenues as franchise royalties based on the terms of franchise agreements.

We provide Net Average Charge as a key operating metric because we consider it an important supplemental measure useful to analysts, investors, and other interested parties as it provides insights into pricing and tax return mix relative to our customer base, which are significant drivers of revenue. Our definition of Net Average Charge may not be comparable to similarly titled measures of other companies.

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<b>Consolidated – Financial Results</b>		(in 000s, except per share amounts)		
Year ended April 30,	2019	2018	\$ Change	% Change
<b>Revenues:</b>				
U.S. assisted tax preparation	\$ 1,858,998	\$ 1,947,160	\$ (88,162)	(4.5)%
U.S. royalties	243,541	245,444	(1,903)	(0.8)%
U.S. DIY tax preparation	260,082	243,159	16,923	7.0 %
International revenues	220,562	227,266	(6,704)	(2.9)%
Revenues from Refund Transfers	169,985	171,959	(1,974)	(1.1)%
Revenues from Emerald Card®	98,256	102,640	(4,384)	(4.3)%
Revenues from Peace of Mind® Extended Service Plan	108,114	101,572	6,542	6.4 %
Revenues from Tax Identity Shield®	35,661	28,823	6,838	23.7 %
Interest and fee income on Emerald Advance™	58,182	56,986	1,196	2.1 %
Other	41,500	34,922	6,578	18.8 %
Total revenues	<u>3,094,881</u>	<u>3,159,931</u>	<u>(65,050)</u>	<u>(2.1)%</u>
<b>Compensation and benefits:</b>				
Field wages	751,392	740,675	10,717	1.4 %
Other wages	217,061	191,981	25,080	13.1 %
Benefits and other compensation	180,276	173,221	7,055	4.1 %
	<u>1,148,729</u>	<u>1,105,877</u>	<u>42,852</u>	<u>3.9 %</u>
Occupancy	401,341	401,524	(183)	— %
Marketing and advertising	269,807	249,142	20,665	8.3 %
Depreciation and amortization	166,695	183,295	(16,600)	(9.1)%
Bad debt	70,695	74,489	(3,794)	(5.1)%
Other <sup>(1)</sup>	421,822	393,554	28,268	7.2 %
Total operating expenses	<u>2,479,089</u>	<u>2,407,881</u>	<u>71,208</u>	<u>3.0 %</u>
Other income (expense), net	16,419	6,054	10,365	171.2 %
Interest expense on borrowings	(87,051)	(89,372)	2,321	2.6 %
Income from continuing operations before income taxes	545,160	668,732	(123,572)	(18.5)%
Income taxes	99,904	41,823	58,081	138.9 %
Net income from continuing operations	445,256	626,909	(181,653)	(29.0)%
Net loss from discontinued operations	(22,747)	(13,760)	(8,987)	(65.3)%
Net income	<u>\$ 422,509</u>	<u>\$ 613,149</u>	<u>\$ (190,640)</u>	<u>(31.1)%</u>
<b>Basic earnings (loss) per share:</b>				
Continuing operations	\$ 2.16	\$ 2.99	\$ (0.83)	(27.8)%
Discontinued operations	(0.11)	(0.06)	(0.05)	(83.3)%
Consolidated	<u>\$ 2.05</u>	<u>\$ 2.93</u>	<u>\$ (0.88)</u>	<u>(30.0)%</u>
<b>Diluted earnings (loss) per share:</b>				
Continuing operations	\$ 2.15	\$ 2.98	\$ (0.83)	(27.9)%
Discontinued operations	(0.11)	(0.07)	(0.04)	(57.1)%
Consolidated	<u>\$ 2.04</u>	<u>\$ 2.91</u>	<u>\$ (0.87)</u>	<u>(29.9)%</u>
EBITDA from continuing operations <sup>(2)</sup>	\$ 798,906	\$ 941,399	\$ (142,493)	(15.1)%
EBITDA margin of continuing operations <sup>(2)</sup>	25.8%	29.8%	(4.0)%	(13.4)%

(1) We reclassified \$31.0 million of supplies expense from its own financial statement line to other expenses for fiscal year 2018 to conform to the current year presentation.

(2) See "Non-GAAP Financial Information" at the end of this item for a reconciliation of non-GAAP measures.

**FISCAL 2019 COMPARED TO FISCAL 2018**

Revenues decreased \$65.1 million, or 2.1%, compared to the prior year.

U.S. assisted tax preparation fees decreased \$88.2 million, or 4.5%, primarily due to a decrease in net average charge of 4.0% due to lower prices.

U.S. DIY tax preparation fees increased \$16.9 million, or 7.0%, primarily due to higher online volumes.

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Total operating expenses increased \$71.2 million or 3.0% from the prior year. Field wages increased \$10.7 million, or 1.4%, due to higher office labor cost, including short-term incentives. Other wages increased \$25.1 million, or 13.1%, primarily due to higher information technology wages and short-term incentive increases. Occupancy expenses were consistent with the prior year, largely due to prior year write-offs of leasehold improvements for approximately 400 offices that we decided to permanently close, offset by lease buyout payments related to those offices in the current year. Marketing expenses increased \$20.7 million, or 8.3%, primarily due to higher online advertising. Depreciation and amortization decreased \$16.6 million, or 9.1%, primarily due to lower depreciation on equipment and amortization of internally developed software.

Other expenses increased \$28.3 million, or 7.2%, primarily associated with increased investments in information technology. The components of other expenses are as follows:

Year ended April 30,	2019	2018	\$ Change	% Change
Consulting and outsourced services	\$ 107,907	\$ 97,457	\$ 10,450	10.7 %
Bank partner fees	47,746	47,773	(27)	(0.1)%
Client claims and refunds	40,538	46,130	(5,592)	(12.1)%
Employee travel and related expenses	40,369	40,025	344	0.9 %
Software and IT maintenance expenses	64,483	40,566	23,917	59.0 %
Credit card/bank charges	30,681	32,736	(2,055)	(6.3)%
Insurance	14,219	8,448	5,771	68.3 %
Legal fees and settlements	10,469	12,874	(2,405)	(18.7)%
Supplies	32,790	31,026	1,764	5.7 %
Other	32,620	36,519	(3,899)	(10.7)%
	<u>\$ 421,822</u>	<u>\$ 393,554</u>	<u>\$ 28,268</u>	7.2 %

Pretax income for fiscal year 2019 decreased \$123.6 million, or 18.5%. Net income from continuing operations decreased \$181.7 million, or 29.0%, from the prior year. Income taxes increased \$58.1 million from the prior year. The increase is due to our effective tax rate increasing to 18.3% compared to 6.3% in the prior year. The reduced effective tax rate in the prior year resulted primarily from the decrease in the U.S. federal corporate income tax rate from 35% to 21%, effective January 1, 2018. The impact of the rate decrease is exaggerated in fiscal year 2018 due to the seasonality of our business and our differing year ends for corporate income tax filing and financial reporting purposes. See Item 8, note 10 to the consolidated financial statements for additional discussion.

Diluted earnings per share from continuing operations decreased 27.9% from the prior year to \$2.15 due to lower net income offset by share repurchases during fiscal year 2019.

Losses of our discontinued mortgage operations resulted primarily from litigation expenses. See the discussion of the risk of contingent losses related to our discontinued operations in Item 1A, "Risk Factors" and in Item 8, notes 12 and 13 to the consolidated financial statements.

#### FISCAL 2018 COMPARED TO FISCAL 2017

The comparison of fiscal year 2018 to 2017 has been omitted from this Form 10-K, but can be found in our Form 10-K for the fiscal year ended April 30, 2018, filed on June 15, 2018.

#### CRITICAL ACCOUNTING ESTIMATES

We consider the estimates discussed below to be critical to understanding our financial statements, as they require the use of significant judgment and estimation in order to measure, at a specific point in time, matters that are inherently uncertain. Specific methods and assumptions for these critical accounting estimates are described in the following paragraphs. We have reviewed and discussed each of these estimates with the Audit Committee of our Board of Directors. For all of these estimates, we caution that future events rarely develop precisely as forecasted and estimates routinely require adjustment and may require material adjustment.

See Item 8, note 1 to the consolidated financial statements, which discusses accounting policies and new or proposed accounting standards that may affect our financial reporting in the future.

## LITIGATION AND OTHER RELATED CONTINGENCIES –

**Nature of Estimates Required.** We accrue liabilities related to certain legal matters for which we believe it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated. Assessing the likely outcome of pending or threatened litigation, indemnification and contribution claims, and other related loss contingencies, including the amount of potential loss, if any, is highly subjective.

**Assumptions and Approach Used.** We are subject to pending or threatened litigation claims and claims for indemnification and contribution, and other related loss contingencies, which are described in Item 8, note 13 to the consolidated financial statements. It is our policy to routinely assess the likelihood of any adverse judgments or outcomes related to legal matters, as well as ranges of probable losses. A determination of the amount of the liability required to be accrued, if any, for these contingencies is made after analysis of each known issue and an analysis of historical experience. In cases where we have concluded that a loss is only reasonably possible or remote, or is not reasonably estimable, no liability is accrued.

**Sensitivity of Estimate to Change.** It is reasonably possible that future litigation and other related loss contingencies may vary from the amounts accrued. Our estimate of the aggregate range of reasonably possible losses includes (1) matters where a liability has been accrued and there is a reasonably possible loss in excess of the amount accrued for that liability, and (2) matters where a liability has not been accrued but we believe a loss is reasonably possible. This aggregate range represents only those losses as to which we are currently able to estimate a reasonably possible loss or range of loss. It does not represent our maximum loss exposure. As of April 30, 2019, we believe the estimate of the aggregate range of reasonably possible losses in excess of amounts accrued, where the range of loss can be estimated, was not material.

However, our judgments on whether a loss is probable, reasonably possible, or remote, and our estimates of probable loss amounts may differ from actual results due to difficulties in predicting changes in, or interpretations of, laws, predicting the outcome of jury trials, arbitration hearings, settlement discussions and related activity, predicting the outcome of class certification actions, and numerous other uncertainties. Due to the number of claims which are periodically asserted against us, and the magnitude of damages sought in those claims, actual losses in the future may significantly differ from our current estimates.

## INCOME TAXES – UNCERTAIN TAX POSITIONS –

**Nature of Estimates Required.** The income tax laws of jurisdictions in which we operate are complex and subject to different interpretations by the taxpayer and applicable government taxing authorities. Income tax returns filed by us are based on our interpretation of these rules. The amount of income taxes we pay is subject to ongoing audits by federal, state and foreign tax authorities, which may result in proposed assessments, including interest or penalties. We accrue a liability for unrecognized tax benefits arising from uncertain tax positions reflecting our judgment as to the ultimate resolution of the applicable issues.

**Assumptions and Approach Used.** Differences between a tax position taken or expected to be taken in our tax returns and the amount of benefit recorded in our financial statements result in unrecognized tax benefits. Unrecognized tax benefits are recorded in the balance sheet as either a liability or reductions to recorded tax assets, as applicable. Our uncertain tax positions arise from items such as apportionment of income for state purposes, transfer pricing, and the deductibility of related party transactions. We evaluate each uncertain tax position based on its technical merits. For each position, we consider all applicable information including relevant tax laws, the taxing authorities potential position, our tax return position, and the possible settlement outcomes to determine the amount of liability to record. In making this determination, we assume the tax authority has all relevant information at its disposal.

**Sensitivity of Estimate to Change.** Our assessment of the technical merits and measurement of tax benefits associated with uncertain tax positions is subject to a high degree of judgment and estimation. Actual results may differ from our current judgments due to a variety of factors, including changes in law, interpretations of law by taxing authorities that differ from our assessments, changes in the jurisdictions in which we operate and results of routine tax examinations. We believe we have adequately provided for any reasonably foreseeable outcome related to these matters. However, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved, or when statutes of limitation on potential assessments expire. As a result, our effective tax rate may fluctuate on a quarterly basis.

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See the additional discussion in Item 8, note 10 to the consolidated financial statements.

## NEW ACCOUNTING PRONOUNCEMENTS

See Item 8, note 1 to the consolidated financial statements for a discussion of recently issued accounting pronouncements.

## FINANCIAL CONDITION

These comments should be read in conjunction with the consolidated balance sheets and consolidated statements of cash flows included in Item 8.

## CAPITAL RESOURCES AND LIQUIDITY –

**OVERVIEW** – Our primary sources of capital and liquidity include cash from operations (including changes in working capital), draws on our 2018 CLOC, and issuances of debt. We use our sources of liquidity primarily to fund working capital, service and repay debt, pay dividends, repurchase shares of our common stock, and acquire businesses.

Our operations are highly seasonal and substantially all of our revenues and cash flow are generated during the period from February through April. Therefore, we require the use of cash to fund losses and working capital needs from May through January, and typically rely on available cash balances from the prior tax season and borrowings to meet our off-season liquidity needs.

Given the likely availability of a number of liquidity options discussed herein, we believe that, in the absence of any unexpected developments, our existing sources of capital as of April 30, 2019 are sufficient to meet our future operating and financing needs.

**DISCUSSION OF CONSOLIDATED STATEMENTS OF CASH FLOWS** – The following table summarizes our statements of cash flows for fiscal years 2019 and 2018. See Item 8 for the complete consolidated statements of cash flows for these periods.

	(in 000s)	
Year ended April 30,	2019	2018
Net cash provided by (used in):		
Operating activities	\$ 606,538	\$ 850,003
Investing activities	(155,131)	(112,057)
Financing activities	(403,695)	(190,664)
Effects of exchange rate changes on cash	(3,663)	(1,143)
Net change in cash and cash equivalents	\$ 44,049	\$ 546,139

**Operating Activities.** Cash provided by operating activities decreased \$243.5 million from fiscal year 2018. The decrease from the prior year was primarily due to lower net income and higher taxes paid compared to the prior year.

**Investing Activities.** Cash used in investing activities totaled \$155.1 million compared to \$112.1 million in the prior year. This change is principally due to a \$40.0 million investment in an available-for-sale debt security in the current fiscal year.

**Financing Activities.** Cash used in financing activities increased \$213.0 million. This increase resulted primarily from higher share repurchase activity in the current year and lower stock option exercises compared to the prior year.

## CASH REQUIREMENTS –

**Dividends and Share Repurchase.** Returning capital to shareholders in the form of dividends and the repurchase of outstanding shares has historically been a significant component of our capital allocation plan.

We have consistently paid quarterly dividends. Dividends paid totaled \$205.5 million and \$200.5 million in fiscal years 2019 and 2018, respectively. Although we have historically paid dividends and plan to continue to do so, there can be no assurances that circumstances will not change in the future that could affect our ability or decisions to pay dividends.

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In September 2015, our Board of Directors approved a \$3.5 billion share repurchase program, effective through June 2019. As a part of the repurchase program, in the current year, we purchased \$184.8 million of our common stock at an average price of \$23.51 per share. See Item 8, note 8 to the consolidated financial statements for additional information.

In June 2019, our Board of Directors extended its previous share repurchase authorization for three years. Approximately \$1.0 billion remains under this authorization, which now expires in June 2022. These repurchases may be effectuated through open market transactions, some of which may be effectuated under SEC Rule 10b5-1. The Company may cancel, suspend, or extend the time period for the purchase of shares at any time. Any repurchases will be funded primarily through available cash and cash from operations. Although we may continue to repurchase shares, there is no assurance that we will purchase up to the full Board authorization.

**Capital Investment.** Capital expenditures totaled \$95.5 million and \$98.6 million in fiscal years 2019 and 2018, respectively. In addition, we expended net cash totaling \$43.6 million and \$42.5 million in fiscal years 2019 and 2018, respectively, to acquire franchisee and competitor businesses. Our capital expenditures relate primarily to improvements to retail offices, as well as investments in computers, software and related assets.

As discussed in Item 1, Recent Developments, on June 10, 2019 we entered into a definitive agreement to acquire Wave, a rapidly growing financial solutions platform focused on changing the way small business owners manage their finances. Under the terms of the agreement, H&R Block will acquire all outstanding shares of Wave for \$405 million, subject to customary adjustments for working capital, debt and transaction expenses. The acquisition will be funded with available cash.

**FINANCING RESOURCES** – We had no balance outstanding on our 2018 CLOC as of April 30, 2019. As of April 30, 2019, amounts available to borrow under the 2018 CLOC were limited by the debt-to-EBITDA covenant to approximately \$1.2 billion; however, our cash needs at April 30 generally do not require us to borrow on our CLOC at that time. See Item 8, note 7 to the consolidated financial statements for discussion of the Senior Notes and our 2018 CLOC.

The following table provides ratings for debt issued by Block Financial as of April 30, 2019 and 2018:

As of	April 30, 2019			April 30, 2018		
	Short-term	Long-term	Outlook	Short-term	Long-term	Outlook
Moody's	P-3	Baa3	Negative	P-3	Baa3	Stable
S&P	A-2	BBB	Stable	A-2	BBB	Stable

**CASH AND OTHER ASSETS** – As of April 30, 2019, we held cash and cash equivalents, excluding restricted amounts, of \$1.6 billion, including \$107.6 million held by our foreign subsidiaries.

**Foreign Operations.** Seasonal borrowing needs of our Canadian operations are typically funded by our U.S. operations. To mitigate foreign currency risk, we sometimes enter into foreign exchange forward contracts. There were no forward contracts outstanding as of April 30, 2019.

We do not currently intend to repatriate non-borrowed funds held by our foreign subsidiaries.

The impact of changes in foreign exchange rates during the period on our international cash balances resulted in a decrease of \$3.7 million during fiscal year 2019 compared to a decrease of \$1.1 million in fiscal year 2018.



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**CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS** – A summary of our borrowings and known or estimated contractual obligations as of April 30, 2019, and the timing and effect that such commitments are expected to have on our liquidity and capital requirements in future periods is as follows:

(in 000s)

	Total	Less Than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Long-term debt (including future interest payments)	\$ 1,769,199	\$ 72,688	\$ 755,156	\$ 563,792	\$ 377,563
Contingent acquisition payments	11,111	6,768	4,343	—	—
Operating leases	573,311	232,175	262,793	69,100	9,243
Guaranty on Refund Advance loans	1,591	1,591	—	—	—
Total contractual cash obligations	\$ 2,355,212	\$ 313,222	\$ 1,022,292	\$ 632,892	\$ 386,806

The table above does not reflect unrecognized tax benefits of \$185.1 million due to the high degree of uncertainty regarding the future cash flows associated with these amounts.

EAs are originated by Axos and are offered from mid-November to mid-January. We purchase a 90% participation interest, at par, in all EAs originated by Axos in accordance with our participation agreement.

See discussion of contractual obligations and commitments in Item 8, within the notes to the consolidated financial statements.

**REGULATORY ENVIRONMENT** – The federal government, various state, local, provincial and foreign governments, and some self-regulatory organizations have enacted statutes and ordinances, or adopted rules and regulations, regulating aspects of our business. These aspects include, but are not limited to, commercial income tax return preparers, income tax courses, the electronic filing of income tax returns, the offering of RTs, privacy and data security, consumer protection, advertising, franchising, antitrust and competition, sales methods and banking. We work to comply with those laws that are applicable to us or our services or products, and we continue to monitor developments in the regulatory environment in which we operate.

On November 17, 2017, the CFPB published its final rule changing the regulation of certain consumer credit products, including payday loans, vehicle title loans, and high-cost installment loans (Payday Rule). Certain limited provisions of the Payday Rule became effective on January 16, 2018, but most provisions do not become effective until August 19, 2019. On November 6, 2018, a judge from the U.S. District Court for the Western District of Texas issued a stay of the August 19, 2019 compliance date until further notice from the Court. On February 6, 2019, the CFPB issued a notice of proposed rulemaking to delay the August 19, 2019 compliance date for the mandatory underwriting provisions of the Payday Rule for 15 months, until November 19, 2020. Also on February 6, 2019, the CFPB issued a separate notice of proposed rulemaking to rescind the Payday Rule's mandatory underwriting requirements, including the ability to repay determination, for certain loans. On June 6, 2019, the CFPB issued a final rule delaying the August 19, 2019 compliance date for the mandatory underwriting provisions until November 19, 2020.

Given these judicial and regulatory developments, we are unsure whether, when, or in what form the Payday Rule may go into effect. The outcomes of the rulemaking process and litigation are unclear. Depending on how the Payday Rule is revised during the pending rulemaking process, the Payday Rule may have a material adverse impact on the Emerald Advance™ product, our business, and our consolidated financial position, results of operations, and cash flows. We will continue to analyze the potential impact on the Company as the court case and the CFPB's pending rulemaking process progress.

From time to time, we receive inquiries from governmental authorities regarding the applicability of laws to our services and products and other matters relating to our business. We cannot predict what effect future laws, changes in interpretations of existing laws or the results of future governmental inquiries with respect to services and products or other matters relating to our business may have on our consolidated financial position, results of operations and cash flows. We have received certain governmental inquiries relating to our IRS Free File Program. We may also be subject to future inquiries or other proceedings regarding this program or other aspects of our business. Regulatory inquiries may result in the incurrence of additional expense, diversion of management's attention, adverse judgments,

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settlements, fines, penalties, injunctions or other relief. See additional discussion of legal matters in Item 8, note 13 to the consolidated financial statements.

### NON-GAAP FINANCIAL INFORMATION

Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. Because these measures are not measures of financial performance under GAAP and are susceptible to varying calculations, they may not be comparable to similarly titled measures for other companies.

We consider our non-GAAP financial measures to be performance measures and a useful metric for management and investors to evaluate and compare the ongoing operating performance of our business.

We may consider whether significant items that arise in the future should be excluded from our non-GAAP financial measures.

We measure the performance of our business using a variety of metrics, including earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations, EBITDA margin from continuing operations and free cash flow. We also use EBITDA from continuing operations and pretax income of continuing operations, each subject to permitted adjustments, as performance metrics in incentive compensation calculations for our employees.

The following is a reconciliation of EBITDA from continuing operations to net income:

Year ended April 30,	(in 000s)	
	2019	2018
Net income - as reported	\$ 422,509	\$ 613,149
Discontinued operations, net	22,747	13,760
Net income from continuing operations - as reported	445,256	626,909
Add back:		
Income taxes of continuing operations	99,904	41,823
Interest expense of continuing operations	87,051	89,372
Depreciation and amortization of continuing operations	166,695	183,295
	353,650	314,490
EBITDA from continuing operations	\$ 798,906	\$ 941,399
EBITDA margin from continuing operations <sup>(1)</sup>	25.8%	29.8%

(1) EBITDA margin from continuing operations is computed as EBITDA from continuing operations divided by revenues from continuing operations.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### INTEREST RATE RISK

**GENERAL** – We have a formal investment policy that strives to minimize the market risk exposure of our cash equivalents, which are primarily affected by credit quality and movements in interest rates. The guidelines in our investment policy focus on managing liquidity and preserving principal and earnings.

Our cash equivalents are primarily held for liquidity purposes and are comprised of high quality, short-term investments, including money market funds. Because our cash and cash equivalents have a short maturity, our portfolio's market value is relatively insensitive to interest rate changes.

As our CLOC borrowings are generally seasonal, interest rate risk typically increases through our third fiscal quarter and is largely eliminated by fiscal year end. While the market value of our CLOC borrowings is relatively insensitive to interest rate changes, interest expense on CLOC borrowings will increase and decrease with changes in the underlying short-term interest rates. We had no balance outstanding under the 2018 CLOC as of April 30, 2019.

Our long-term debt as of April 30, 2019, consists primarily of fixed-rate Senior Notes; therefore, a change in interest rates would have no impact on consolidated pretax earnings until these notes mature or are refinanced. The fixed-rate interest payable on our Senior Notes is subject to adjustment based upon our credit ratings. See Item 8, note 7 to the consolidated financial statements.

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## FOREIGN EXCHANGE RATE RISK

Our operations in international markets are exposed to movements in currency exchange rates. The currencies primarily involved are the Canadian dollar and the Australian dollar. We translate revenues and expenses related to these operations at the average of exchange rates in effect during the period. Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates prevailing at the end of the year. Translation adjustments are recorded as a separate component of other comprehensive income in stockholders' equity. Translation of financial results into U.S. dollars does not presently materially affect, and has not historically materially affected, our consolidated financial results, although such changes do affect the year-to-year comparability of the operating results in U.S. dollars of our international businesses. The impact of changes in foreign exchange rates during the period on our international cash balances resulted in a decrease of \$3.7 million during fiscal year 2019 compared to a decrease of \$1.1 million in fiscal year 2018. We estimate a 10% change in foreign exchange rates by itself would impact consolidated pretax income in fiscal years 2019 and 2018 by \$2.5 million and \$2.0 million, respectively, and cash balances, excluding restricted balances, as of April 30, 2019 and 2018 by \$9.4 million and \$9.0 million, respectively.

We generally use foreign exchange forward contracts to mitigate foreign currency exchange rate risk for loans we advance to our Canadian operations. We had no forward contracts outstanding at April 30, 2019 or 2018 .

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### DISCUSSION OF FINANCIAL RESPONSIBILITY

H&R Block's management is responsible for the integrity and objectivity of the information contained in this document. Management is responsible for the consistency of reporting this information and for ensuring that accounting principles generally accepted in the U.S. are properly applied. In discharging this responsibility, management maintains an extensive program of internal audits and requires members of management to certify financial information within their scope of management. Our system of internal control over financial reporting also includes formal policies and procedures, including a Code of Business Ethics and Conduct that reinforces our commitment to ethical business conduct and is designed to encourage our employees and directors to act with high standards of integrity in all that they do.

The Audit Committee of the Board of Directors, composed solely of independent outside directors, meets periodically with management, the independent auditor and the Vice President, Audit Services (our chief internal auditor) to review matters relating to our financial statements, internal audit activities, internal accounting controls and non-audit services provided by the independent auditors. The independent auditor and the Vice President, Audit Services have full access to the Audit Committee and meet with the committee, both with and without management present, to discuss the scope and results of their audits, including internal controls and financial matters.

Deloitte & Touche LLP audited our consolidated financial statements for fiscal years 2019, 2018 and 2017. The audits were conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

### MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 12a-15(f). Under the supervision and with the participation of 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 criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), using the 2013 framework, as of April 30, 2019.

Based on our assessment, our Chief Executive Officer and Chief Financial Officer concluded that as of April 30, 2019, the Company's internal control over financial reporting was effective based on the criteria set forth by COSO, using the 2013 framework. The Company's external auditor, Deloitte & Touche LLP, an independent registered public accounting firm, has issued an audit report on the effectiveness of the Company's internal control over financial reporting.

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/s/ Jeffrey J. Jones II

Jeffrey J. Jones II

President and Chief Executive Officer

/s/ Tony G. Bowen

Tony G. Bowen

Chief Financial Officer

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
H&R Block, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of H&R Block, Inc. and subsidiaries (the "Company") as of April 30, 2019 and 2018, the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended April 30, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended April 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also 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 April 30, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 14, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

### 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.

/s/ Deloitte & Touche LLP

Kansas City, Missouri

June 14, 2019

We have served as the Company's auditor since 2007.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
H&R Block, Inc.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of H&R Block, Inc. and subsidiaries (the "Company") as of April 30, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended April 30, 2019, of the Company and our report dated June 14, 2019, expressed an unqualified opinion on those financial statements.

### 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/ Deloitte & Touche LLP  
Kansas City, Missouri  
June 14, 2019



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## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in 000s, except per share amounts)

Year ended April 30,	2019	2018	2017
<b>REVENUES:</b>			
Service revenues	\$ 2,691,727	\$ 2,766,426	\$ 2,648,349
Royalty, product and other revenues	403,154	393,505	387,965
	<u>3,094,881</u>	<u>3,159,931</u>	<u>3,036,314</u>
<b>OPERATING EXPENSES:</b>			
Costs of revenues	1,756,922	1,739,729	1,644,377
Selling, general and administrative	722,167	668,152	675,953
Total operating expenses	<u>2,479,089</u>	<u>2,407,881</u>	<u>2,320,330</u>
Other income (expense), net	16,419	6,054	6,254
Interest expense on borrowings	(87,051)	(89,372)	(92,951)
Income from continuing operations before income taxes	545,160	668,732	629,287
Income taxes	99,904	41,823	208,370
Net income from continuing operations	445,256	626,909	420,917
Net loss from discontinued operations, net of tax benefits of \$6,788, \$7,016 and \$6,986	(22,747)	(13,760)	(11,972)
<b>NET INCOME</b>	<u>\$ 422,509</u>	<u>\$ 613,149</u>	<u>\$ 408,945</u>
<b>BASIC EARNINGS (LOSS) PER SHARE:</b>			
Continuing operations	\$ 2.16	\$ 2.99	\$ 1.97
Discontinued operations	(0.11)	(0.06)	(0.05)
Consolidated	<u>\$ 2.05</u>	<u>\$ 2.93</u>	<u>\$ 1.92</u>
<b>DILUTED EARNINGS (LOSS) PER SHARE:</b>			
Continuing operations	\$ 2.15	\$ 2.98	\$ 1.96
Discontinued operations	(0.11)	(0.07)	(0.05)
Consolidated	<u>\$ 2.04</u>	<u>\$ 2.91</u>	<u>\$ 1.91</u>
<b>COMPREHENSIVE INCOME:</b>			
Net income	\$ 422,509	\$ 613,149	\$ 408,945
Unrealized gains (losses) on securities, net of taxes	—	1	(16)
Change in foreign currency translation adjustments	(6,113)	995	(4,050)
Other comprehensive income (loss)	(6,113)	996	(4,066)
Comprehensive income	<u>\$ 416,396</u>	<u>\$ 614,145</u>	<u>\$ 404,879</u>

See accompanying notes to consolidated financial statements.



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<b>CONSOLIDATED BALANCE SHEETS</b>		(in 000s, except share and per share amounts)	
As of April 30,		2019	2018
<b>ASSETS</b>			
Cash and cash equivalents	\$	1,572,150	\$ 1,544,944
Cash and cash equivalents - restricted		135,577	118,734
Receivables, less allowance for doubtful accounts of \$67,228 and \$81,813		138,965	146,774
Prepaid expenses and other current assets		146,667	81,261
Total current assets		<u>1,993,359</u>	<u>1,891,713</u>
Property and equipment, at cost, less accumulated depreciation and amortization of \$745,761 and \$745,397		212,092	231,888
Intangible assets, net		342,493	373,981
Goodwill		519,937	507,871
Deferred tax assets and income taxes receivable		141,979	34,095
Other noncurrent assets		90,085	101,401
Total assets	\$	<u>3,299,945</u>	\$ <u>3,140,949</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>LIABILITIES:</b>			
Accounts payable and accrued expenses	\$	249,525	\$ 251,975
Accrued salaries, wages and payroll taxes		196,527	141,499
Accrued income taxes and reserves for uncertain tax positions		271,973	263,050
Current portion of long-term debt		—	1,026
Deferred revenue and other current liabilities		204,976	186,101
Total current liabilities		<u>923,001</u>	<u>843,651</u>
Long-term debt		1,492,629	1,494,609
Deferred tax liabilities and reserves for uncertain tax positions		197,906	229,430
Deferred revenue and other noncurrent liabilities		144,882	179,548
Total liabilities		<u>2,758,418</u>	<u>2,747,238</u>
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>STOCKHOLDERS' EQUITY:</b>			
Common stock, no par, stated value \$.01 per share, 800,000,000 shares authorized, shares issued of 238,336,760 and 246,198,878		2,383	2,462
Additional paid-in capital		767,636	760,250
Accumulated other comprehensive loss		(20,416)	(14,303)
Retained earnings		499,386	362,980
Less treasury shares, at cost, of 36,377,441 and 36,944,789		(707,462)	(717,678)
Total stockholders' equity		<u>541,527</u>	<u>393,711</u>
Total liabilities and stockholders' equity	\$	<u>3,299,945</u>	\$ <u>3,140,949</u>

See accompanying notes to consolidated financial statements.

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(in 000s)

Year ended April 30,	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 422,509	\$ 613,149	\$ 408,945
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	166,695	183,295	182,168
Provision for bad debt	70,569	74,489	52,776
Deferred taxes	1,129	112,140	46,455
Stock-based compensation	23,767	21,954	19,285
Changes in assets and liabilities, net of acquisitions:			
Receivables	(73,648)	(63,935)	(80,210)
Prepaid expenses, other current and noncurrent assets	(4,503)	(6,453)	(8,569)
Accounts payable, accrued expenses, salaries, wages and payroll taxes	54,827	(10,532)	(7,683)
Deferred revenue, other current and noncurrent liabilities	(13,758)	9,127	(55,684)
Income tax receivables, accrued income taxes and income tax reserves	(36,824)	(75,491)	129
Other, net	(4,225)	(7,740)	(5,415)
Net cash provided by operating activities	606,538	850,003	552,197
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Principal payments and sales of mortgage loans and real estate owned, net	—	—	207,174
Capital expenditures	(95,490)	(98,583)	(89,255)
Payments made for business acquisitions, net of cash acquired	(43,637)	(42,539)	(54,816)
Franchise loans funded	(19,922)	(22,320)	(34,473)
Payments from franchisees	32,671	39,968	61,437
Other, net	(28,753)	11,417	9,252
Net cash provided by (used in) investing activities	(155,131)	(112,057)	99,319
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayments of line of credit borrowings	(720,000)	(830,000)	(1,700,000)
Proceeds from line of credit borrowings	720,000	830,000	1,700,000
Dividends paid	(205,461)	(200,469)	(187,115)
Repurchase of common stock, including shares surrendered	(189,912)	(9,147)	(322,850)
Proceeds from exercise of stock options	2,532	28,340	2,371
Other, net	(10,854)	(9,388)	(22,830)
Net cash used in financing activities	(403,695)	(190,664)	(530,424)
Effects of exchange rate changes on cash	(3,663)	(1,143)	(4,464)
Net increase in cash and cash equivalents, including restricted balances	44,049	546,139	116,628
Cash, cash equivalents and restricted cash, beginning of the year	1,663,678	1,117,539	1,000,911
Cash, cash equivalents and restricted cash, end of the year	\$ 1,707,727	\$ 1,663,678	\$ 1,117,539
<b>SUPPLEMENTARY CASH FLOW DATA:</b>			
Income taxes paid, net of refunds received	\$ 132,982	\$ 8,276	\$ 163,539
Interest paid on borrowings	82,442	84,320	87,185
Accrued additions to property and equipment	6,159	3,010	2,433

See accompanying notes to consolidated financial statements.



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(amounts in 000s, except per share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Treasury Stock		Total Stockholders' Equity (Deficiency)
	Shares	Amount				Shares	Amount	
Balances as of May 1, 2016	260,219	\$ 2,602	\$ 758,230	\$ (11,233)	\$ 40,347	(39,701)	\$ (766,843)	\$ 23,103
Net income	—	—	—	—	408,945	—	—	408,945
Other comprehensive loss	—	—	—	(4,066)	—	—	—	(4,066)
Stock-based compensation	—	—	19,285	—	—	—	—	19,285
Stock-based awards exercised or vested	—	—	(14,191)	—	(1,915)	928	17,921	1,815
Acquisition of treasury shares	—	—	—	—	—	(255)	(5,830)	(5,830)
Repurchase and retirement of common shares	(14,020)	(140)	(8,412)	—	(308,468)	—	—	(317,020)
Cash dividends declared - \$0.88 per share	—	—	—	—	(187,115)	—	—	(187,115)
Balances as of April 30, 2017	246,199	2,462	754,912	(15,299)	(48,206)	(39,028)	(754,752)	(60,883)
Net income	—	—	—	—	613,149	—	—	613,149
Other comprehensive income	—	—	—	996	—	—	—	996
Stock-based compensation	—	—	21,713	—	—	—	—	21,713
Stock-based awards exercised or vested	—	—	(16,375)	—	(1,494)	2,389	46,221	28,352
Acquisition of treasury shares	—	—	—	—	—	(306)	(9,147)	(9,147)
Cash dividends declared - \$0.96 per share	—	—	—	—	(200,469)	—	—	(200,469)
Balances as of April 30, 2018	246,199	2,462	760,250	(14,303)	362,980	(36,945)	(717,678)	393,711
Cumulative effect of ASU 2016-16 <sup>(1)</sup>	—	—	—	—	100,950	—	—	100,950
Net income	—	—	—	—	422,509	—	—	422,509
Other comprehensive loss	—	—	—	(6,113)	—	—	—	(6,113)
Stock-based compensation	—	—	23,510	—	—	—	—	23,510
Stock-based awards exercised or vested	—	—	(11,407)	—	(1,550)	787	15,290	2,333
Acquisition of treasury shares	—	—	—	—	—	(219)	(5,074)	(5,074)
Repurchase and retirement of common shares	(7,862)	(79)	(4,717)	—	(180,042)	—	—	(184,838)
Cash dividends declared - \$1.00 per share	—	—	—	—	(205,461)	—	—	(205,461)
Balances as of April 30, 2019	238,337	\$ 2,383	\$ 767,636	\$ (20,416)	\$ 499,386	(36,377)	\$ (707,462)	\$ 541,527

(1) See note 1, New Accounting Pronouncements, Income Taxes for additional information. See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**NATURE OF OPERATIONS** – Our subsidiaries provide assisted, DIY, and virtual tax return preparation solutions through multiple channels (including in-person, online and mobile applications, virtual, and desktop software) and distribute H&R Block-branded products and services, including those of our financial partners, to the general public primarily in the United States (U.S.), Canada, Australia, and their respective territories. Tax returns are either prepared by H&R Block tax professionals (in company-owned or franchise offices, virtually or via an internet review) or prepared and filed by our clients through our DIY tax solutions.

"H&R Block," "the Company," "we," "our," and "us" are used interchangeably to refer to H&R Block, Inc. or to H&R Block, Inc. and its subsidiaries, as appropriate to the context.

**PRINCIPLES OF CONSOLIDATION** – The consolidated financial statements include the accounts of the Company and our subsidiaries. Intercompany transactions and balances have been eliminated.

**DISCONTINUED OPERATIONS** – Our discontinued operations include the results of operations of Sand Canyon Corporation, previously known as Option One Mortgage Corporation (including its subsidiaries, collectively, SCC), which exited its mortgage business in fiscal year 2008. See notes 12 and 13 for additional information on litigation, claims, and other loss contingencies related to our discontinued operations.

**SEGMENT INFORMATION** – We operate as a single segment that includes all of our continuing operations, which are designed to enable clients to obtain tax preparation services seamlessly.

**MANAGEMENT ESTIMATES** – The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates, assumptions and judgments are applied in the evaluation of contingent losses arising from our discontinued mortgage business, contingent losses associated with pending claims and litigation and reserves for uncertain tax positions. Estimates have been prepared based on the best information available as of each balance sheet date. As such, actual results could differ materially from those estimates.

**CASH AND CASH EQUIVALENTS** – All non-restricted highly liquid instruments purchased with an original maturity of three months or less are considered to be cash equivalents.

Outstanding checks in excess of funds on deposit (book overdrafts) included in accounts payable totaled \$20.9 million and \$27.2 million as of April 30, 2019 and 2018, respectively.

**CASH AND CASH EQUIVALENTS – RESTRICTED** – Cash and cash equivalents – restricted consists primarily of cash held by our captive insurance subsidiary that is expected to be used to pay claims.

**RECEIVABLES AND RELATED ALLOWANCES** – Our trade receivables consist primarily of accounts receivable from tax clients for tax return preparation and related fees. The allowance for doubtful accounts for these receivables requires management's judgment regarding collectibility and current economic conditions to establish an amount considered by management to be adequate to cover estimated losses as of the balance sheet date. Credit losses from tax clients for tax return preparation and related fees are not specifically identified and charged off; instead they are evaluated on a pooled basis. At the end of the fiscal year the outstanding balances on these receivables are evaluated based on collections received and expected collections over subsequent tax seasons. We establish an allowance for doubtful accounts at an amount that we believe represents the net realizable value. In December of each year we charge-off the receivables to an amount we believe represents the net realizable value.

Our financing receivables consist primarily of participations in H&R Block Emerald Advance® lines of Credit (EAs), loans made to franchisees, and amounts due under H&R Block Instant Refund™ (Instant Refund).

Our accounting policies related to receivables and related allowances are discussed further in note 4.

**INVESTMENTS** – In April 2019, we made a \$40.0 million investment in a debt security classified as available-for-sale which has a maturity of less than one year. The fair value of our investment was approximately \$40.0 million at April 30, 2019 and is included in prepaid and other current assets in the consolidated balance sheet.

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**PROPERTY AND EQUIPMENT** – Buildings and equipment are initially recorded at cost and are depreciated over the estimated useful life of the assets using the straight-line method. Leasehold improvements are initially recorded at cost and are amortized over the lesser of the remaining term of the respective lease or the estimated useful life, using the straight-line method. Estimated useful lives are generally 15 to 40 years for buildings, two to five years for computers and other equipment, three to five years for purchased software and up to eight years for leasehold improvements.

Substantially all of our operations are conducted in leased premises. For all lease agreements, including those with escalating rent payments or rent holidays, we recognize rent expense on a straight-line basis.

**GOODWILL AND INTANGIBLE ASSETS** – Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not amortized, but rather is tested for impairment annually, or more frequently if indications of potential impairment exist.

Intangible assets, including internally-developed software, with finite lives are amortized over their estimated useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Intangible assets are typically amortized over the estimated useful life of the assets using the straight-line method.

**TREASURY SHARES** – We record shares of common stock repurchased by us as treasury shares, at cost, resulting in a reduction of stockholders' equity. Periodically, we may retire shares held in treasury as determined by our Board of Directors. We typically reissue treasury shares as part of our stock-based compensation programs. When shares are reissued, we determine the cost using the average cost method.

**FAIR VALUE MEASUREMENT** – We use the following classification of financial instruments pursuant to the fair value hierarchy methodologies for assets measured at fair value:

- Level 1 – inputs to the valuation are quoted prices in an active market for identical assets.
- Level 2 – inputs to the valuation include quoted prices for similar assets in active markets utilizing a third-party pricing service to determine fair value.
- Level 3 – valuation is based on significant inputs that are unobservable in the market and our own estimates of assumptions that we believe market participants would use in pricing the asset.

Assets measured on a recurring basis are initially measured at fair value and are required to be remeasured at fair value in the financial statements at each reporting date.

Fair value estimates, methods and assumptions are set forth below. The fair value was not estimated for assets and liabilities that are not considered financial instruments.

- Cash and cash equivalents, including restricted - Fair value approximates the carrying amount (Level 1).
- Receivables, net - short-term - For short-term balances the carrying values reported in the balance sheet approximate fair market value due to the relative short-term nature of the respective instruments (Level 1).
- Receivables, net - long-term - The carrying values for the long-term portion of loans to franchisees approximate fair market value due to variable interest rates, low historical delinquency rates and franchise territories serving as collateral (Level 1). Long-term EA, Refund Transfer (RT) and Instant Refund receivables are carried at net realizable value which approximates fair value (Level 3). Net realizable value is determined based on historical and projected collection rates.
- Investments - The fair value of our investment in debt securities approximates the carrying amount and is primarily based on estimated future discounted cash flows (Level 3).
- Long-term debt - The fair value of our Senior Notes is based on quotes from multiple banks (Level 2). See note 7 for fair value.
- Contingent consideration - Fair value approximates the carrying amount (Level 3). See note 12 for the carrying amount.

**ADVERTISING EXPENSE** – Advertising costs for radio, television and online ads are expensed over the course of the tax season, with print and mailing advertising expensed as incurred. Marketing and advertising expenses totaled \$269.8 million, \$249.1 million and \$261.3 million in fiscal years 2019, 2018 and 2017, respectively.

**EMPLOYEE BENEFIT PLANS** – We have a 401(k) defined contribution plan covering eligible full-time and seasonal employees following the completion of an eligibility period. Employer contributions to this plan are discretionary and

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totaled \$19.3 million, \$16.4 million and \$13.8 million for continuing operations in fiscal years 2019, 2018 and 2017, respectively.

We have severance plans covering executives and eligible regular full-time or part-time active employees who incur a qualifying termination. Expenses related to severance benefits of continuing operations totaled \$5.0 million, \$4.0 million and \$5.6 million in fiscal years 2019, 2018 and 2017, respectively.

#### **NEW ACCOUNTING PRONOUNCEMENTS –**

**Revenue Recognition.** In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers," (ASU 2014-09), which is a comprehensive new revenue recognition model that requires an entity to recognize the amount of revenue which reflects the consideration it expects to receive in exchange for the transfer of the promised goods or services to customers. This ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract, and clarifies guidance for multiple-element arrangements. This guidance replaced most existing revenue recognition guidance in GAAP when it became effective. The new standard was effective for us on May 1, 2018, and we adopted using the full retrospective transition method. The adoption of this guidance did not have a significant impact on our consolidated financial statements. See note 2 for additional information.

**Income Taxes.** In October 2016, the FASB issued Accounting Standards Update No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Asset Transfers of Assets Other than Inventory" (ASU 2016-16). The new guidance eliminates the exception for intra-entity transfers other than inventory and requires the recognition of current and deferred income taxes resulting from such a transfer when the transfer occurs. This guidance was effective for us on May 1, 2018 and we adopted using the modified retrospective transition method. We recognized a \$101.0 million cumulative effect adjustment to increase the opening balance of retained earnings and increase deferred tax assets resulting from intra-entity transfers of intellectual property in fiscal year 2018.

**Leases.** In February 2016, the FASB issued Accounting Standards Update No. 2016-02, "Leases" (ASU 2016-02), which will require the recognition of lease assets and lease liabilities by lessees for leases previously classified as operating leases. ASU 2016-02 also requires additional qualitative and quantitative disclosures related to the nature, timing and uncertainty of cash flows arising from leases. This guidance will be effective for us on May 1, 2019. In July 2018, the FASB approved an amendment to the new guidance that provides an alternative transition method which allows companies the option of using the effective date of the new standard as the initial application date (at the beginning of the period in which is it adopted, rather than at the beginning of the earliest comparative period). We will adopt ASU 2016-02 using the alternative transition method, and we expect that adoption of the new standard will require changes to our internal controls over financial reporting.

We are in the process of evaluating the impact of ASU 2016-02 on our financial statements. The majority of our lease portfolio consists of retail office space in the U.S., Canada and Australia. The contract terms for these retail offices average four years and generally are from May 1 to April 30. We do not anticipate including renewal options in our lease terms under the new standard. As individual leases expire, those leases are generally renegotiated. At April 30 of any year, a significant number of our leases will be at the end of their terms, and therefore, we will have no right of use (ROU) asset or lease liability recorded in our financial statements related to those expired leases. This will cause variability in what is recorded in our financial statements as the ROU asset and lease liability are recorded at the beginning of the lease term (May 1). We estimate that the adoption of ASU 2016-02 will result in the addition of assets and liabilities of over \$500 million to our consolidated balance sheet.

#### **NOTE 2: REVENUE RECOGNITION**

On May 1, 2018, we adopted ASU 2014-09 using the full retrospective approach for all contracts as of the adoption date. As the adoption of this guidance did not have a significant impact on our consolidated financial statements, no adjustments were made to the prior year periods to be in compliance with ASU 2014-09.

Revenue is recognized upon satisfaction of performance obligations by the transfer of a product or service to the customer. Revenue is the amount of consideration we expect to receive for our services and products and excludes sales taxes. The majority of our products and services have multiple performance obligations. For our tax preparation services, the various performance obligations are generally provided simultaneously at a point in time, and revenue

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is recognized at that time. We have certain services and products where we have multiple performance obligations that are provided at various points in time. For these services and products, we allocate the transaction price to the various performance obligations based on relative standalone selling prices and recognize the revenue when the respective performance obligations have been satisfied. We have determined that our contracts do not contain a significant financing component.

The majority of our revenues are from our U.S. business. The following table disaggregates our U.S. revenues by major service line, with all international businesses included in a single line, which consists primarily of tax preparation revenues:

Year ended April 30,	(in 000s)		
	2019	2018	2017
Revenues:			
U.S. assisted tax preparation	\$ 1,858,998	\$ 1,947,160	\$ 1,902,212
U.S. royalties	243,541	245,444	250,270
U.S. DIY tax preparation	260,082	243,159	219,123
International revenues	220,562	227,266	210,320
Revenues from Refund Transfers	169,985	171,959	148,212
Revenues from Emerald Card®	98,256	102,640	95,221
Revenues from Peace of Mind® Extended Service Plan	108,114	101,572	92,820
Revenues from Tax Identity Shield®	35,661	28,823	21,054
Interest and fee income on Emerald Advance™	58,182	56,986	57,022
Other	41,500	34,922	40,060
Total revenues	\$ 3,094,881	\$ 3,159,931	\$ 3,036,314

**Assisted tax preparation** revenues are recorded when a completed return is electronically filed or accepted by the customer. The value of point-of-sale discounts and coupons are recorded as a reduction of revenue.

**Royalties** are based on contractual percentages of franchise gross receipts and are generally recorded in the period in which the services are provided by the franchisee to the customer.

**DIY tax preparation** revenues consist of online tax preparation fees, desktop software and fees for electronic filing.

- Online tax preparation revenues are recorded when a completed return is electronically filed or accepted by the customer.
- Revenue from the sale of DIY desktop software is recognized when the product is sold to the end user. Rebates and other incentives paid in connection with these sales are recorded as a reduction of revenue.
- Fees for electronic filing of tax returns are recorded when the return is electronically filed.

**Revenues from Refund Transfers** are recognized when the Internal Revenue Service (IRS) acknowledgment is received and the bank account is established at Axos Bank, formerly known as BofI Federal Bank, a federal savings bank (Axos).

**Revenues from Emerald Card®** consists of interchange income from the use of debit cards and fees from the use of ATM networks, net of volume-based amounts retained by Axos in connection with our agreement. Interchange income is a fee paid by a merchant bank to Axos through the interchange network. Net revenue associated with our Emerald Card® is recognized based on cardholder transactions.

**Revenues from Peace of Mind® Extended Service Plan (POM)** are initially deferred and recognized over the term of the plan, based on the historical pattern of actual claims paid, as claims paid represent the transfer of POM services to the customer. The plan is effective for the life of the tax return, which can be up to six years; however, the majority of claims are incurred in years two and three after the sale of POM. POM has multiple performance obligations where we represent our clients if they are audited by a taxing authority, and assume the cost, subject to certain limits, of additional taxes owed by a client resulting from errors attributable to H&R Block. Incremental wages are also deferred and recognized over the term of the plan.



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Changes in the balances of deferred revenue and wages for POM are as follows:

POM	Deferred Revenue		Deferred Wages	
	2019	2018	2019	2018
Year ended April 30,				
Balance, beginning of the year	\$ 218,274	\$ 211,223	\$ 32,683	\$ 31,344
Amounts deferred	120,163	122,650	13,336	18,148
Amounts recognized on previous deferrals	(125,926)	(115,599)	(18,713)	(16,809)
Balance, end of the year	\$ 212,511	\$ 218,274	\$ 27,306	\$ 32,683

(in 000s)

As of April 30, 2019, deferred revenue related to POM was \$212.5 million. We expect that \$119.2 million will be recognized over the next twelve months, while the remaining balance will be recognized over the following sixty months. The related liabilities are included in deferred revenue and other liabilities in the consolidated balance sheets. The related assets are included in prepaid expenses and other current assets or other noncurrent assets.

**Revenues from Tax Identity Shield (TIS)** are initially deferred and are recognized as the various services are provided to the client, either by us or a third party, throughout the term of the contract, which ends on April 30th of the following year. TIS has multiple performance obligations where we provide clients assistance in helping protect their tax identity and access to services to help restore their tax identity, if necessary. Protection services include a daily scan of the dark web for personal information, a monthly scan for social security number in credit header data (new in fiscal year 2019), a pre-tax season identity theft risk assessment (only available to clients having returns prepared in retail offices), notifying clients if their information is detected on a tax return filed through H&R Block, and obtaining additional IRS identity protections when eligible.

As of April 30, 2019, and 2018, TIS deferred revenue was \$29.7 million and \$36.4 million, respectively. The related liabilities are included in deferred revenue and other current liabilities in the consolidated balance sheets. All deferred revenue related to TIS as of April 30, 2019 will be recognized within the next twelve months. All amounts deferred as of April 30, 2018 were recognized as revenues in the fiscal year ended April 30, 2019.

**Interest and fee income on Emerald Advance™** lines of credit (EAs) is recorded over the life of the underlying loan.

Service revenues consist of assisted and online tax preparation revenues, fees for electronic filing, revenues from RTs, Emerald Card, POM and TIS.

A significant portion of our accounts receivable balances arise from services and products that we provide to our customers, with the exception of those related to EAs, which arise from purchased participation interests with Axos. The majority of our services and products must be paid for at the time of service, and therefore no receivable is recorded unless an RT is purchased. Generally the prices of our services and products are fixed and determinable at the time of sale. For our RT product, we record a receivable for our fees which is then collected at the time the IRS issues the client's refund. Our receivables from customers are generally collected on a periodic basis during and subsequent to the tax season. See note 4 for our accounts receivable balances.

### NOTE 3: EARNINGS PER SHARE

Basic and diluted earnings per share is computed using the two-class method. The two-class method is an earnings allocation formula that determines net income per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. Per share amounts are computed by dividing net income from continuing operations attributable to common shareholders by the weighted average shares outstanding during each period.

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The computations of basic and diluted earnings per share from continuing operations are as follows:

(in 000s, except per share amounts)			
Year ended April 30,	2019	2018	2017
Net income from continuing operations attributable to shareholders	\$ 445,256	\$ 626,909	\$ 420,917
Amounts allocated to participating securities	(1,040)	(1,492)	(1,005)
Net income from continuing operations attributable to common shareholders	\$ 444,216	\$ 625,417	\$ 419,912
Basic weighted average common shares	205,372	208,824	212,809
Potential dilutive shares	1,352	1,389	1,286
Dilutive weighted average common shares	206,724	210,213	214,095
Earnings per share from continuing operations attributable to common shareholders:			
Basic	\$ 2.16	\$ 2.99	\$ 1.97
Diluted	2.15	2.98	1.96

Diluted earnings per share excludes the impact of shares of common stock issuable upon the lapse of certain restrictions or the exercise of options to purchase 0.4 million, 0.6 million and 0.3 million shares of stock for fiscal years 2019, 2018 and 2017, respectively, as the effect would be antidilutive.

**NOTE 4: RECEIVABLES**

Receivables, net of their related allowance, consist of the following:

(in 000s)				
As of April 30,	2019		2018	
	Short-term	Long-term	Short-term	Long-term
Loans to franchisees	\$ 22,427	\$ 35,325	\$ 30,596	\$ 35,212
Receivables for U.S. assisted and DIY tax preparation and related fees	34,284	3,716	41,572	5,503
H&R Block Instant Refund™ receivables	37,319	1,701	27,192	2,057
H&R Block Emerald Advance® lines of credit	8,546	12,418	15,642	5,754
Software receivables from retailers	9,354	—	6,769	—
Royalties and other receivables from franchisees	11,888	97	9,239	761
Other	15,147	2,382	15,764	3,147
	\$ 138,965	\$ 55,639	\$ 146,774	\$ 52,434

Balances presented above as short-term are included in receivables, while the long-term portions are included in other noncurrent assets in the consolidated balance sheets.

**Loans to Franchisees.** Franchisee loan balances consist of term loans made primarily to finance the purchase of franchises and revolving lines of credit primarily for the purpose of funding off-season working capital needs. As of April 30, 2019 and 2018, loans with a principal balance of \$0.8 million and \$0.1 million, respectively, were more than 90 days past due. We had no loans to franchisees on non-accrual status as of April 30, 2019 or 2018.

The credit quality of these receivables is assessed at origination at an individual franchisee level. Payment history is monitored on a regular basis. Based upon our internal analysis and underwriting activities, we believe all loans to franchisees are of similar credit quality. Loans are evaluated for collectibility when they become delinquent or more than 90 days past due. Amounts deemed to be uncollectible are written off to bad debt expense and bad debt related to these loans has typically been immaterial. Additionally, the franchise territory serves as additional protection in the event a franchisee defaults on the loan, as we may revoke franchise rights, write off the remaining balance of the loan and rebrand the territory or begin operating it as company-owned.

**H&R Block Instant Refund™.** Our Canadian operations advance refunds due to certain clients from the Canada Revenue Agency (CRA), in exchange for a fee. The total fee we charge for this service is mandated by legislation which is administered by the CRA. The client assigns to us the full amount of the tax refund to be issued by the CRA and the



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refund is then sent by the CRA directly to us. The amount we advance to clients under this program is the amount of their estimated refund, less our fees, any amounts expected to be withheld by the CRA for amounts the client may owe to government authorities and any amounts owed to us from prior years. The CRA's system for tracking amounts due to various government agencies also indicates if the client has already filed a return, does not exist in the CRA's records, or is bankrupt. This serves to greatly reduce the amounts of uncollectible receivables and the risk of fraudulent returns. H&R Block Instant Refund™ amounts are generally received from the CRA within 60 days of filing the client's return, with the remaining balance collectible from the client.

Credit losses from these receivables are not specifically identified and charged off; instead we review the credit quality of these receivables on a pooled basis, segregated by the year of origination with older years being deemed more unlikely to be repaid. At the end of the fiscal year, the outstanding balances on these receivables are evaluated based on collections received and expected collections over subsequent tax seasons. We establish an allowance for doubtful accounts at an amount that we believe represents the net realizable value. In December of each year we charge-off the receivables to an amount we believe represents the net realizable value.

Current balances and amounts on non-accrual status and classified as impaired, or more than 60 days past due, by year of origination, as of April 30, 2019 are as follows:

			(in 000s)
Year of Origination	Current Balance	Non-Accrual	
2019	\$ 40,591	\$	1,486
2018 and prior	553		553
	41,144	\$	2,039
Allowance	(2,124)		
Net balance	\$ 39,020		

**H&R Block Emerald Advance® lines of credit.** EAs are typically offered to clients in our offices from mid-November through mid-January, currently in an amount not to exceed \$1,000. If the borrower meets certain criteria as agreed in the loan terms, the line of credit can be utilized year-round. EA balances require an annual paydown on February 15<sup>th</sup>, and any amounts unpaid are placed on non-accrual status as of March 1<sup>st</sup>. Payments on past due amounts are applied to principal. These lines of credit are offered by Axos. We purchase participation interests in their loans, as discussed further in note 12.

Credit losses from EAs are not specifically identified and charged off; instead we review the credit quality of these receivables on a pooled basis, segregated by the year of origination with older years being deemed more unlikely to be repaid. At the end of the fiscal year, the outstanding balances on these receivables are evaluated based on collections received and expected collections over subsequent tax seasons. We establish an allowance for doubtful accounts at an amount that we believe represents the net realizable value. In December of each year we charge-off the receivables to an amount we believe represents the net realizable value.

Current balances and amounts on non-accrual status and classified as impaired, or more than 60 days past due, by year of origination as of April 30, 2019, are as follows:

			(in 000s)
Year of Origination	Current Balance	Non-Accrual	
2019	\$ 27,841	\$	27,841
2018 and prior	7,425		7,425
Revolving loans	13,233		11,217
	48,499	\$	46,483
Allowance	(27,535)		
Net balance	\$ 20,964		

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**Allowance for Doubtful Accounts.** Activity in the allowance for doubtful accounts for EAs and all other short-term and long-term receivables for the years ended April 30, 2019, 2018, and 2017 is as follows:

	(in 000s)		
	EAs	All Other	Total
Balances as of May 1, 2016	\$ 9,007	\$ 49,383	\$ 58,390
Provision	12,713	40,063	52,776
Charge-offs, recoveries and other	(11,597)	(42,894)	(54,491)
Balances as of April 30, 2017	10,123	46,552	56,675
Provision	16,499	57,990	74,489
Charge-offs, recoveries and other <sup>(1)</sup>	—	(49,351)	(49,351)
Balances as of April 30, 2018	26,622	55,191	81,813
Provision	<b>17,272</b>	<b>53,297</b>	<b>70,569</b>
Charge-offs, recoveries and other	<b>(16,359)</b>	<b>(54,550)</b>	<b>(70,909)</b>
Balances as of April 30, 2019	<b>\$ 27,535</b>	<b>\$ 53,938</b>	<b>\$ 81,473</b>

(1) There were no charge-offs related to EAs in fiscal year 2018 based on the timing of when charge-offs were performed.

**NOTE 5: PROPERTY AND EQUIPMENT**

The components of property and equipment, net of accumulated depreciation and amortization, are as follows:

	(in 000s)	
As of April 30,	2019	2018
Buildings	\$ 59,943	\$ 62,451
Computers and other equipment	87,102	91,388
Leasehold improvements	59,941	69,029
Purchased software	3,728	7,642
Land and other non-depreciable assets	1,378	1,378
	<b>\$ 212,092</b>	<b>\$ 231,888</b>

Depreciation and amortization expense of property and equipment for continuing operations for fiscal years 2019, 2018 and 2017 was \$93.5 million, \$103.4 million and \$103.2 million, respectively.

The carrying value of long-lived assets held outside the U.S., which is comprised primarily of property and equipment, totaled \$23.6 million, \$24.5 million and \$21.0 million as of April 30, 2019, 2018 and 2017, respectively.

**NOTE 6: GOODWILL AND INTANGIBLE ASSETS**

Changes in the carrying amount of goodwill for the years ended April 30, 2019 and 2018 are as follows:

	(in 000s)		
	Goodwill	Accumulated Impairment Losses	Net
Balances as of May 1, 2017	\$ 523,504	\$ (32,297)	\$ 491,207
Acquisitions	15,983	—	15,983
Disposals and foreign currency changes, net	681	—	681
Impairments	—	—	—
Balances as of April 30, 2018	540,168	(32,297)	507,871
Acquisitions	<b>13,656</b>	—	<b>13,656</b>
Disposals and foreign currency changes, net	<b>(1,590)</b>	—	<b>(1,590)</b>
Impairments	—	—	—
Balances as of April 30, 2019	<b>\$ 552,234</b>	<b>\$ (32,297)</b>	<b>\$ 519,937</b>

We tested goodwill for impairment in the fourth quarter of fiscal year 2019, and did not identify any impairment.



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Components of intangible assets are as follows:

(in 000s)

As of April 30,	2019			2018		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Reacquired franchise rights	\$ 350,410	\$ (136,345)	\$ 214,065	\$ 339,779	\$ (113,856)	\$ 225,923
Customer relationships	274,838	(195,174)	79,664	256,137	(164,005)	92,132
Internally-developed software	139,239	(109,885)	29,354	140,255	(111,734)	28,521
Noncompete agreements	33,376	(31,446)	1,930	32,899	(29,673)	3,226
Franchise agreements	19,201	(13,334)	5,867	19,201	(12,054)	7,147
Purchased technology	54,700	(43,518)	11,182	54,700	(37,770)	16,930
Acquired assets pending final allocation <sup>(1)</sup>	431	—	431	102	—	102
	<b>\$ 872,195</b>	<b>\$ (529,702)</b>	<b>\$ 342,493</b>	<b>\$ 843,073</b>	<b>\$ (469,092)</b>	<b>\$ 373,981</b>

(1) Represents recent business acquisitions for which final purchase price allocations have not yet been determined.

The increase in the gross carrying amount of intangible assets resulted primarily from the acquisition of approximately 175 offices to our company-owned and franchise network. The amounts and weighted-average lives of assets acquired during fiscal year 2019, including amounts capitalized and placed in service related to internally-developed software, are as follows:

(dollars in 000s)

	Amount	Weighted-Average Life (in years)
Reacquired franchise rights	\$ 10,734	5
Customer relationships	18,851	5
Internally-developed software	8,854	3
Noncompete agreements	512	5
Total	<b>\$ 38,951</b>	<b>4</b>

Amortization of intangible assets of continuing operations for the years ended April 30, 2019, 2018 and 2017 was \$73.2 million, \$79.9 million and \$78.9 million, respectively. Estimated amortization of intangible assets for fiscal years 2020, 2021, 2022, 2023 and 2024 is \$61.8 million, \$45.2 million, \$31.9 million, \$18.3 million and \$11.7 million, respectively.

#### NOTE 7: LONG-TERM DEBT

The components of long-term debt are as follows:

(in 000s)

As of April 30,	2019	2018
Senior Notes, 4.125%, due October 2020 <sup>(1)</sup>	\$ 650,000	\$ 650,000
Senior Notes, 5.500%, due November 2022 <sup>(1)</sup>	500,000	500,000
Senior Notes, 5.250%, due October 2025 <sup>(1)</sup>	350,000	350,000
Capital lease obligation	—	5,628
Debt issuance costs and discounts	(7,371)	(9,993)
	<b>1,492,629</b>	<b>1,495,635</b>
Less: Current portion	—	(1,026)
	<b>\$ 1,492,629</b>	<b>\$ 1,494,609</b>

(1) The Senior Notes are not redeemable by the bondholders prior to maturity, although we have the right to redeem some or all of these notes at any time, at specified redemption prices. The interest rates on our Senior Notes are subject to adjustment based upon our credit ratings.

**UNSECURED COMMITTED LINE OF CREDIT** – On September 21, 2018, we entered into a Third Amended and Restated Credit and Guarantee Agreement (2018 CLOC), which amended and restated our Second Amended and





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Restated Credit and Guarantee Agreement (2017 CLOC), extending the scheduled maturity date from September 22, 2022 to September 21, 2023. Other material terms remain unchanged from our 2017 CLOC. The 2018 CLOC provides for an unsecured senior revolving credit facility in the aggregate principal amount of \$2.0 billion, which includes a \$200.0 million sublimit for swingline loans and a \$50.0 million sublimit for standby letters of credit. We may request increases in the aggregate principal amount of the revolving credit facility of up to \$500.0 million, subject to obtaining commitments from lenders and meeting certain other conditions. The 2018 CLOC will mature on September 21, 2023, unless extended pursuant to the terms of the 2018 CLOC, at which time all outstanding amounts thereunder will be due and payable. The 2018 CLOC includes an annual facility fee, which will vary depending on our then current credit ratings.

The 2018 CLOC is subject to various conditions, triggers, events or occurrences that could result in earlier termination and contains customary representations, warranties, covenants and events of default, including, without limitation: (1) a covenant requiring the Company to maintain a debt-to-EBITDA ratio calculated on a consolidated basis of no greater than (a) 3.50 to 1.00 as of the last day of each fiscal quarter ending on April 30, July 31, and October 31 of each year and (b) 4.50 to 1.00 as of the last day of each fiscal quarter ending on January 31 of each year; (2) a covenant requiring us to maintain an interest coverage ratio (EBITDA-to-interest expense) calculated on a consolidated basis of not less than 2.50 to 1.00 as of the last date of any fiscal quarter; and (3) covenants restricting our ability to incur certain additional debt, incur liens, merge or consolidate with other companies, sell or dispose of assets (including equity interests), liquidate or dissolve, engage in certain transactions with affiliates or enter into certain restrictive agreements. The 2018 CLOC includes provisions for an equity cure which could potentially allow us to independently cure certain defaults. Proceeds under the 2018 CLOC may be used for working capital needs or for other general corporate purposes. We were in compliance with these requirements as of April 30, 2019.

As of April 30, 2019, amounts available to borrow under the 2018 CLOC were limited by the debt-to-EBITDA covenant to approximately \$1.2 billion; however, our cash needs at April 30 generally do not require us to borrow on our CLOC at that time, and we had no balance outstanding under the 2018 CLOC as of April 30, 2019.

**OTHER INFORMATION** – The aggregate payments required to retire long-term debt are \$650.0 million in fiscal year 2021, \$500.0 million in fiscal year 2023, and \$350.0 million in fiscal year 2026.

The estimated fair value of our long-term debt as of April 30, 2019 and 2018 totaled \$1.6 billion and \$1.5 billion, respectively.

In October 2018, we exercised a purchase option to acquire an office building previously recorded as a capital lease.

**NOTE 8: STOCKHOLDERS' EQUITY**

During fiscal year 2019, we repurchased and immediately retired 7.9 million shares of stock at an aggregate cost of \$184.8 million, or an average price of \$23.51 per share. We had no repurchases or retirements of common stock in fiscal year 2018. During fiscal year 2017, we repurchased and immediately retired 14.0 million shares of common stock at an aggregate cost of \$317.0 million, or an average price of \$22.61 per share.

As of April 30, 2019 and 2018, substantially all of the balance of our accumulated comprehensive loss consisted of foreign currency translation adjustments.

**NOTE 9: STOCK-BASED COMPENSATION**

We have a stock-based Long Term Incentive Plan (Plan), under which we can grant stock options, restricted shares, performance-based share units, restricted share units, deferred stock units and other forms of equity to employees, non-employee directors and consultants. Stock-based compensation expense of our continuing operations totaled \$23.8 million, \$22.0 million and \$19.3 million in fiscal years 2019, 2018 and 2017, respectively, net of related tax benefits of \$6.1 million, \$6.9 million and \$6.0 million, respectively. We realized tax benefits of \$3.4 million, \$15.3 million and \$5.9 million in fiscal years 2019, 2018 and 2017, respectively.

As of April 30, 2019, we had 13.9 million shares reserved for future awards under our Plan. We issue shares from our treasury stock to satisfy the exercise or vesting of stock-based awards and believe we have adequate treasury stock balances available for future issuances.

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We measure the fair value of options on the grant date or modification date using the Black-Scholes-Merton (Black-Scholes) option valuation model based upon the expected term of the options. We measure the fair value of nonvested shares and share units (other than performance-based nonvested share units) based on the closing price of our common stock on the grant date. We measure the fair value of performance-based nonvested share units based on the Monte Carlo valuation model, taking into account as necessary those provisions of the performance-based nonvested share units that are characterized as market conditions. We generally expense the grant-date fair value, net of estimated forfeitures, over the vesting period on a straight-line basis.

Options, nonvested shares and nonvested share units (other than performance-based nonvested share units) granted to employees typically vest pro-rata based upon service over a three-year period with a portion vesting each year. Performance-based nonvested share units granted to employees typically cliff vest at the end of a three-year period based upon satisfaction of both service-based and performance-based requirements. The number of performance-based share units that ultimately vest can range from zero up to 200 percent of the number granted, based on the form of the award, which can vary by year of grant. The performance metrics for these awards typically consist of earnings before interest, taxes, depreciation and amortization (EBITDA), EBITDA growth, return on equity, return on invested capital, total shareholder return or our stock price. Deferred stock units granted to non-employee directors vest when they are granted and are settled six months after the director separates from service as a director of the Company, except in the case of death.

All share units granted to employees and non-employee directors receive cumulative dividend equivalents to the extent of the units ultimately vesting at the time of distribution. Options granted under our Plan have a maximum contractual term of ten years.

**NONVESTED SHARES AND SHARE UNITS** – A summary of nonvested shares, nonvested share units and deferred stock units, including those that are performance-based, for the year ended April 30, 2019, is as follows:

	(shares in 000s)			
	Nonvested Shares, Nonvested Share Units, and Deferred Stock Units		Performance-Based Nonvested Share Units	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Outstanding, beginning of the year	1,539	\$ 25.54	1,127	\$ 29.01
Granted	615	23.07	351	24.48
Released	(483)	26.40	(175)	29.32
Forfeited	(88)	26.10	(65)	29.88
Outstanding, end of the year	1,583	\$ 24.34	1,238	\$ 26.89

The total fair value of shares and units vesting during fiscal years 2019, 2018 and 2017 was \$17.9 million, \$22.6 million and \$20.3 million, respectively. As of April 30, 2019, we had \$25.6 million of total unrecognized compensation cost related to these shares. This cost is expected to be recognized over a weighted-average period of two years.

When valuing our performance-based nonvested share units on the grant date, we typically estimate the expected volatility using historical volatility for H&R Block, Inc. and selected comparable companies. The dividend yield is calculated based on the current dividend and the market price of our common stock on the grant date. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve in effect on the grant date. Both expected volatility and the risk-free interest rate are based on a period that approximates the expected term. The following assumptions were used to value performance-based nonvested share units using the Monte Carlo valuation model during the periods:

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Year ended April 30,	2019	2018	2017
Expected volatility	13.16% - 66.47%	13.33% - 81.19%	13.92% - 74.53%
Expected term	3 years	3 years	3 years
Dividend yield (1)	0% - 4.39%	0% - 3.23%	0% - 3.68%
Risk-free interest rate	2.61%	1.42% - 1.55%	0.84%
Weighted-average fair value	\$ 24.48	\$ 32.66	\$ 25.38

(1) The valuation model assumes that dividends are reinvested by the Company on a continuous basis.

**STOCK OPTIONS** – A summary of options for the fiscal year ended April 30, 2019, is as follows:

(in 000s, except per share amounts)

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of the year	481	\$ 24.84		
Granted	—	—		
Exercised	(42)	18.39		
Forfeited or expired	—	—		
Outstanding, end of the year	439	\$ 25.47	6 years	\$ 1,504
Exercisable, end of the year	249	\$ 22.49	5 years	\$ 1,452
Exercisable and expected to vest	419	\$ 25.27	6 years	\$ 1,504

The total intrinsic value of options exercised during fiscal years 2019, 2018 and 2017 was \$0.4 million, \$18.9 million and \$1.0 million, respectively. As of April 30, 2019, we had \$0.6 million of total unrecognized compensation cost related to outstanding options. The cost is expected to be recognized over a weighted-average period of one year.

When valuing our options on the grant date, we typically estimate the expected volatility using our historical stock price data. We also use historical exercise and forfeiture behaviors to estimate the options expected term and our forfeiture rate. The dividend yield is calculated based on the current dividend and the market price of our common stock on the grant date. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve in effect on the grant date. Both expected volatility and the risk-free interest rate are based on a period that approximates the expected term.

No stock options were granted in fiscal year 2019. The weighted-average fair values for stock options granted during fiscal years 2018 and 2017 were \$5.02 and \$3.31, respectively.

#### NOTE 10: INCOME TAXES

We file a consolidated federal income tax return in the U.S. with the IRS and file tax returns in various state, local, and foreign jurisdictions. Tax returns are typically examined and either settled upon completion of the examination or through the appeals process. Our U.S. federal income tax returns for 2015 and 2017 remain open for examination. During the current quarter, the IRS completed its examination of our 2016 federal income tax return. As a result, we consider 2016 to be closed for federal income tax purposes. Our U.S. federal income tax returns for 2014 and all prior periods are closed. With respect to state and local jurisdictions and countries outside of the U.S., we are typically subject to examination for three to six years after the income tax returns have been filed. Although the outcome of tax audits is always uncertain, we believe that adequate amounts of tax, interest, and penalties have been provided for in the accompanying consolidated financial statements for any adjustments that might be incurred due to federal, state, local or foreign audits.

On December 22, 2017, the U.S. government enacted legislation commonly referred to as the Tax Cuts and Jobs Act (Tax Legislation), which made broad and complex changes to the U.S. tax code that impacted our financial statements, the most significant being a reduction in the U.S. federal corporate income tax rate from 35% to 21% and the imposition of a one-time transition tax on certain earnings of foreign subsidiaries. In addition, the Securities and Exchange Commission (SEC) staff issued Staff Accounting Bulletin 118 (SAB 118), which provided guidance on accounting for the tax effects of Tax Legislation. SAB 118 provided a measurement period that should not extend

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beyond one year from the Tax Legislation's enactment date for companies to complete their analysis and apply the provisions of Tax Legislation to their financial statements. During fiscal year 2019, we completed our accounting for all aspects of the Tax Legislation and our financial statements reflect the final effects of the Tax Legislation in computing our deferred taxes, the one-time transition tax, the tax on global intangible low taxed income (GILTI), unrecognized tax benefits, and the indirect impacts of the Tax Legislation on state and local taxes. The adjustments during the year were immaterial to the provisional amounts previously recorded. We have elected to account for GILTI as a period cost at the time it is incurred.

The components of income from continuing operations upon which domestic and foreign income taxes have been provided are as follows:

(in 000s)			
Year ended April 30,	2019	2018	2017
Domestic	\$ 389,319	\$ 547,101	\$ 535,378
Foreign	155,841	121,631	93,909
	\$ 545,160	\$ 668,732	\$ 629,287

We operate in multiple income tax jurisdictions both within the United States and internationally. Accordingly, management must determine the appropriate allocation of income to each of these jurisdictions based on transfer pricing analyses of comparable companies and predictions of future economic conditions. Although these intercompany transactions reflect arm's length terms and the proper transfer pricing documentation is in place, transfer pricing terms and conditions may be scrutinized by local tax authorities during an audit and any resulting changes may impact our mix of earnings in countries with differing statutory tax rates.

The reconciliation between the income tax provision and the amount computed by applying the statutory U.S. federal tax rate to income taxes of continuing operations is as follows:

Year ended April 30,	2019	2018	2017
U.S. statutory tax rate	21.0 %	21.0 %	35.0 %
Change in tax rate resulting from:			
State income taxes, net of federal income tax benefit	2.3 %	2.2 %	1.6 %
Earnings taxed in foreign jurisdictions	(2.7)%	(4.9)%	(4.6)%
Permanent differences	0.3 %	0.4 %	(0.4)%
Uncertain tax positions	(2.3)%	3.6 %	4.3 %
Remeasurement of deferred tax assets and liabilities	0.2 %	(2.6)%	— %
Tax benefit due to effective date of statutory rate change	— %	(15.9)%	— %
One-time transition tax	— %	2.9 %	— %
Tax deductible write-down of foreign investment	— %	(2.4)%	— %
Change in valuation allowance - domestic	0.4 %	1.1 %	(0.1)%
Change in valuation allowance - foreign	(0.8)%	2.9 %	0.3 %
Other	(0.1)%	(2.0)%	(3.0)%
Effective tax rate	18.3 %	6.3 %	33.1 %

The increase in the effective tax rate compared to the prior year is due to the impact of the reduction in the U.S. corporate income tax rate from 35% to 21%, effective January 1, 2018, had in fiscal year 2018. The impact of the rate decrease was exaggerated in fiscal year 2018 due to the seasonality of our business and our differing year ends for corporate income tax filing and financial reporting purposes, which is included as "tax benefit due to effective date of statutory rate change" in the table above. Our tax returns for the U.S. are filed on a calendar year-end basis. Therefore, pretax losses for the eight months ended December 31, 2017 resulted in income tax benefits based on the statutory rate of 35% while the pretax income generated in the four months ended April 30, 2018 was taxed at the statutory rate of 21%. The 21% corporate rate was effective for the entire fiscal year-end 2019.

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The components of income tax expense (benefit) for continuing operations are as follows:

	(in 000s)		
Year ended April 30,	2019	2018	2017
Current:			
Federal	\$ 74,993	\$ (53,630)	\$ 147,961
State	12,345	25,240	15,118
Foreign	6,711	9,953	10,678
	<u>94,049</u>	<u>(18,437)</u>	<u>173,757</u>
Deferred:			
Federal	6,625	50,505	39,299
State	(1,070)	24,666	(5,064)
Foreign	300	(14,911)	378
	<u>5,855</u>	<u>60,260</u>	<u>34,613</u>
Total income taxes for continuing operations	<u>\$ 99,904</u>	<u>\$ 41,823</u>	<u>\$ 208,370</u>

The negative current federal income tax in fiscal year 2018 was primarily driven by the decrease in the federal income tax rate combined with the seasonality of our business and the differing year ends for corporate income tax filing and financial reporting purposes.

The net loss from discontinued operations for fiscal years 2019, 2018 and 2017 totaled \$22.7 million, \$13.8 million and \$12.0 million, respectively, and was net of tax benefits of \$6.8 million, \$7.0 million and \$7.0 million, respectively.

The significant components of deferred tax assets and liabilities are reflected in the following table:

	(in 000s)	
As of April 30,	2019	2018
Deferred tax assets:		
Accrued expenses	\$ 4,479	\$ 3,847
Deferred revenue	9,603	9,482
Allowance for credit losses and related reserves	25,849	25,058
Internally-developed software	4,588	15,741
Deferred and stock-based compensation	5,970	4,526
Net operating loss carry-forward	72,618	69,567
Federal tax benefits related to state unrecognized tax benefits	20,141	15,738
Intangibles - intellectual property	93,300	—
Valuation allowance	(47,070)	(49,215)
Total deferred tax assets	<u>189,478</u>	<u>94,744</u>
Deferred tax liabilities:		
Prepaid expenses and other	(8,592)	(8,986)
Property and equipment	(9,726)	(7,944)
Intangibles	(59,477)	(61,226)
Total deferred tax liabilities	<u>(77,795)</u>	<u>(78,156)</u>
Net deferred tax assets	<u>\$ 111,683</u>	<u>\$ 16,588</u>

Net deferred tax assets increased by \$95.1 million during the current period primarily due to the adoption of ASU 2016-16, which is reflected by the increase in "intangibles - intellectual property" in the table above. See note 1 for additional information.

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A reconciliation of the deferred tax assets and liabilities and the corresponding amounts reported in the consolidated balance sheets is as follows:

				(in 000s)	
As of April 30,	2019		2018		2017
Deferred income tax assets	\$	130,609	\$	29,455	
Deferred tax liabilities		(18,926)		(12,867)	
Net deferred tax asset	\$	111,683	\$	16,588	

Changes in our valuation allowance for fiscal years 2019, 2018 and 2017 are as follows:

				(in 000s)		
Year ended April 30,	2019		2018		2017	
Balance, beginning of the year	\$	49,215	\$	22,844	\$	21,515
Additions:						
Charged to costs and expenses		2,302		26,371		3,281
Charged to other accounts		—		—		—
Deductions		(4,447)		—		(1,952)
Balance, end of the year	\$	47,070	\$	49,215	\$	22,844

Our valuation allowance on deferred tax assets (DTAs) decreased \$2.1 million during the current period. The gross decrease in valuation allowance of \$4.4 million was entirely offset by a write-off of certain net operating loss (NOL) DTAs primarily related to foreign losses no longer available to be utilized in future years. The \$2.3 million increase in valuation allowance is a result of the expiration of certain state NOLs prior to usage.

Certain of our subsidiaries file stand-alone returns in various state, local and foreign jurisdictions, and others join in filing consolidated or combined returns in such jurisdictions. As of April 30, 2019, we had NOLs in various states and foreign jurisdictions. The amount of state and foreign NOLs vary by taxing jurisdiction. We maintain a valuation allowance of \$24.2 million on state NOLs and \$22.9 million on foreign NOLs for the portion of such losses that, more likely than not, will not be realized. Of the \$25.5 million of net NOL DTAs, \$3.2 million will expire in varying amounts during fiscal years 2020 through 2039 and the remaining \$22.3 million has no expiration.

We do not currently intend to repatriate non-borrowed funds held by our foreign subsidiaries; therefore, no provision has been made for income taxes that might be payable upon remittance of such earnings. The amount of unrecognized tax liability on these foreign earnings, net of expected foreign tax credits, is immaterial as of April 30, 2019.

Changes in unrecognized tax benefits for fiscal years 2019, 2018 and 2017 are as follows:

				(in 000s)		
Year ended April 30,	2019		2018		2017	
Balance, beginning of the year	\$	186,061	\$	149,943	\$	111,514
Additions based on tax positions related to prior years		9,937		6,657		14,743
Reductions based on tax positions related to prior years		(42,647)		(25,259)		(8,469)
Additions based on tax positions related to the current year		38,611		68,292		33,264
Reductions related to settlements with tax authorities		(2,025)		(637)		(293)
Expiration of statute of limitations		(4,793)		(12,936)		(989)
Other		—		1		173
Balance, end of the year	\$	185,144	\$	186,061	\$	149,943

The total gross unrecognized tax benefit ending balance as of April 30, 2019, 2018 and 2017, includes \$122.5 million, \$132.4 million and \$118.2 million, respectively, which if recognized, would impact our effective tax rate. The difference results from adjusting the gross balances for such items as federal, state and foreign deferred items, interest and

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deductible taxes. Reductions from prior year are primarily related to settlements with taxing authorities and expirations of statute of limitations.

We believe it is reasonably possible that the balance of unrecognized tax benefits could decrease by approximately \$27.0 million within the next twelve months. The anticipated decrease is due to the expiration of statutes of limitations, anticipated closure of various tax matters currently under examination, and settlements with tax authorities. For such matters where a change in the balance of unrecognized tax benefits is not yet deemed reasonably possible, no estimate has been included.

Interest and penalties, if any, accrued on the unrecognized tax benefits are reflected in income tax expense. The total gross interest and penalties accrued as of April 30, 2019, 2018 and 2017 totaled \$22.4 million, \$18.7 million and \$21.0 million, respectively.

**NOTE 11: OTHER INCOME AND OTHER EXPENSES**

The following table shows the components of other income (expense), net:

Year ended April 30,	(in 000s)		
	2019	2018	2017
Interest income	16,512	6,861	3,830
Foreign currency gains (losses), net	(233)	(165)	(1)
Other, net	140	(642)	2,425
	<u>\$ 16,419</u>	<u>\$ 6,054</u>	<u>\$ 6,254</u>

**NOTE 12: COMMITMENTS AND CONTINGENCIES**

Assisted tax returns, as well as services provided under Tax Pro Go<sup>SM</sup> and Tax Pro Review<sup>SM</sup>, are covered by our 100% accuracy guarantee, whereby we will reimburse a client for penalties and interest attributable to an H&R Block error on a return. DIY tax returns are covered by our 100% accuracy guarantee, whereby we will reimburse a client up to a maximum of \$10,000, if our software makes an arithmetic error that results in payment of penalties and/or interest to the IRS that a client would otherwise not have been required to pay. Our liability related to estimated losses under the 100% accuracy guarantee was \$9.9 million and \$9.4 million as of April 30, 2019 and 2018, respectively. The short-term and long-term portions of this liability are included in deferred revenue and other liabilities in the consolidated balance sheets.

Our liability related to acquisitions for estimated contingent consideration was \$11.1 million and \$12.1 million as of April 30, 2019 and 2018, respectively, with the short-term and long-term portions of this liability recorded in deferred revenue and other liabilities. Estimates of contingent payments are typically based on expected financial performance of the acquired business and economic conditions at the time of acquisition. Should actual results differ from our assumptions, future payments made will differ from the above estimate and any differences will be recorded in results from continuing operations.

We have contractual commitments to fund certain franchises with approved revolving lines of credit. Our total obligation under these lines of credit was \$30.4 million as of April 30, 2019, and net of amounts drawn and outstanding, our remaining commitment to fund totaled \$13.1 million.

We are self-insured for certain risks, including, employer provided medical benefits, workers' compensation, property and casualty, tax errors and omissions, and claims related to POM. These programs maintain various self-insured retentions. In all but POM in company-owned offices, commercial insurance is purchased in excess of the self-insured retentions. We accrue estimated losses for self-insured retentions using actuarial models and assumptions based on historical loss experience.

We have a deferred compensation plan that permits certain employees to defer portions of their compensation and accrue income on the deferred amounts. Included in deferred revenue and other liabilities is \$19.9 million and \$23.3 million as of April 30, 2019 and 2018, respectively, reflecting our obligation under these plans.

Emerald Advance<sup>TM</sup> lines of credit are originated by Axos and are offered from mid-November to mid-January. We purchase a 90% participation interest, at par, in all EAs originated by Axos in accordance with our participation agreement. See note 4 for additional information about these balances.

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On July 26, 2018, we entered into a Refund Advance Program Agreement and certain ancillary agreements with Axos, pursuant to which they originate and fund Refund Advance loans, and provide technology, software, and underwriting support services related to such loans during the 2019 tax season. Refund Advance loans are offered to certain assisted U.S. tax preparation clients, based on client eligibility as determined by the loan originator. We pay loan origination fees based on volume and customer type. The loan origination fees are intended to cover expected loan losses and payments to capital providers, among other items. We have provided two limited guarantees related to this agreement. We have provided a limited guarantee up to \$7.5 million related to loans to clients prior to the IRS accepting electronic filing. We accrued an estimated liability of \$1.6 million related to this guaranty at April 30, 2019 and 2018. We paid \$1.5 million related to this guarantee for the fiscal year 2018 tax season. Additionally, we provided a limited guaranty for the remaining loans, up to \$57 million in the aggregate, which would cover certain incremental loan losses. We were not required to make a payment in connection with this guarantee for the fiscal year 2018 tax season. Based on the performance of the remaining loans to date, we do not expect to pay any amounts related to this guaranty for the fiscal year 2019 tax season.

We offer POM to U.S. and Canadian clients, whereby we (1) represent our clients if they are audited by a taxing authority, and (2) assume the cost, subject to certain limits, of additional taxes owed by a client resulting from errors attributable to H&R Block. The additional taxes paid under POM have a cumulative limit of \$6,000 for U.S. clients and \$3,000CAD for Canadian clients with respect to the federal, state/provincial and local tax returns we prepared for applicable clients during the taxable year protected by POM. A loss on POM would be recognized if the sum of expected costs for services exceeded unearned revenue.

The majority of our lease portfolio consists of retail office space in the U.S., Canada and Australia. The contract terms for these retail offices average four years and generally are from May 1 to April 30. As individual leases expire, those leases are generally renegotiated. Future minimum operating lease commitments as of April 30, 2019, are as follows:

	(in 000s)
2020	\$ 232,175
2021	160,414
2022	102,379
2023	49,095
2024	20,005
2025 and beyond	9,243
	<u>\$ 573,311</u>

Rent expense of continuing operations for fiscal years 2019, 2018 and 2017 totaled \$255.0 million, \$245.9 million and \$236.2 million, respectively.

**LOSS CONTINGENCIES PERTAINING TO DISCONTINUED MORTGAGE OPERATIONS** – SCC ceased originating mortgage loans in December 2007 and, in April 2008, sold its servicing assets and discontinued its remaining operations. Mortgage loans originated by SCC were sold either as whole loans to single third-party buyers, who generally securitized such loans, or in the form of residential mortgage-backed securities (RMBSs). In connection with the sale of loans and/or RMBSs, SCC made certain representations and warranties. Claims under these representations and warranties together with any settlement arrangements related to these losses are collectively referred to as "representation and warranty claims."

SCC accrues a liability for losses related to representation and warranty claims when those losses are believed to be both probable and reasonably estimable. SCC's loss estimate is based on the best information currently available, management judgment, developments in relevant case law, and the terms of bulk settlements. In periods when a liability is accrued for such loss contingencies, the liability is included in deferred revenue and other current liabilities on the consolidated balance sheets. SCC had no liability accrued for these losses as of April 30, 2019 or April 30, 2018.

See note 13, which addresses contingent losses that may be incurred with respect to various indemnification or contribution claims by underwriters, depositors, and securitization trustees in securitization transactions in which SCC participated.



**NOTE 13: LITIGATION AND OTHER RELATED CONTINGENCIES**

We are a defendant in numerous litigation matters, arising both in the ordinary course of business and otherwise, including as described below. The matters described below are not all of the lawsuits to which we are subject. In some of the matters, very large or indeterminate amounts, including punitive damages, are sought. U.S. jurisdictions permit considerable variation in the assertion of monetary damages or other relief. Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claimants to state only that the amount sought is sufficient to invoke the jurisdiction of the court. In addition, jurisdictions may permit plaintiffs to allege monetary damages in amounts well exceeding reasonably possible verdicts in the jurisdiction for similar matters. We believe that the monetary relief which may be specified in a lawsuit or a claim bears little relevance to its merits or disposition value due to this variability in pleadings and our experience in litigating or resolving through settlement of numerous claims over an extended period of time.

The outcome of a litigation matter and the amount or range of potential loss at particular points in time may be difficult to ascertain. Among other things, uncertainties can include how fact finders will evaluate documentary evidence and the credibility and effectiveness of witness testimony, and how trial and appellate courts will apply the law. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel will themselves view the relevant evidence and applicable law.

In addition to litigation matters, we are also subject to claims and other loss contingencies arising out of our business activities, including as described below.

We accrue liabilities for litigation, claims, including indemnification and contribution claims, and other related loss contingencies and any related settlements (each referred to, individually, as a "matter" and, collectively, as "matters") when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. If a range of loss is estimated, and some amount within that range appears to be a better estimate than any other amount within that range, then that amount is accrued. If no amount within the range can be identified as a better estimate than any other amount, we accrue the minimum amount in the range.

For such matters where a loss is believed to be reasonably possible, but not probable, or the loss cannot be reasonably estimated, no accrual has been made. It is possible that such matters could require us to pay damages or make other expenditures or accrue liabilities in amounts that could not be reasonably estimated as of April 30, 2019. While the potential future liabilities could be material in the particular quarterly or annual periods in which they are recorded, based on information currently known, we do not believe any such liabilities are likely to have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows. As of April 30, 2019 and 2018, our total accrued liabilities were \$1.9 million and \$2.7 million, respectively.

Our estimate of the aggregate range of reasonably possible losses includes (1) matters where a liability has been accrued and there is a reasonably possible loss in excess of the amount accrued for that liability, and (2) matters where a liability has not been accrued but we believe a loss reasonably possible. This aggregate range only represents those losses as to which we are currently able to estimate a reasonably possible loss or range of loss. It does not represent our maximum loss exposure.

Matters for which we are not currently able to estimate the reasonably possible loss or range of loss are not included in this range. We are often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the reasonably possible loss or range of loss, such as precise information about the amount of damages or other remedies being asserted, the defenses to the claims being asserted, discovery from other parties and investigation of factual allegations, rulings by courts on motions or appeals, analysis by experts, or the status or terms of any settlement negotiations.

The estimated range of reasonably possible loss is based upon currently available information and is subject to significant judgment and a variety of assumptions, as well as known and unknown uncertainties. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate. As of April 30, 2019, we believe the estimate of the aggregate range of reasonably possible losses in excess of amounts accrued, where the range of loss can be estimated, is not material.

On a quarterly and annual basis, we review relevant information with respect to litigation and other loss contingencies and update our accruals, disclosures, and estimates of reasonably possible loss or range of loss based

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on such reviews. Costs incurred with defending matters are expensed as incurred. Any receivable for insurance recoveries is recorded separately from the corresponding liability, and only if recovery is determined to be probable and reasonably estimable.

We believe we have meritorious defenses to the claims asserted in the various matters described in this note, and we intend to defend them vigorously, but there can be no assurances as to their outcomes. In the event of unfavorable outcomes, it could require modifications to our operations; in addition, the amounts that may be required to be paid to discharge or settle the matters could be substantial and could have a material adverse impact on our business and our consolidated financial position, results of operations, and cash flows.

#### LITIGATION, CLAIMS OR OTHER LOSS CONTINGENCIES PERTAINING TO CONTINUING OPERATIONS –

**Free File Litigation.** On May 6, 2019, the Los Angeles City Attorney filed a lawsuit on behalf of the People of the State of California in the Superior Court of California, County of Los Angeles (Case No. 19STCV15742) styled *The People of the State of California v. H&R Block, Inc., et al.* The complaint alleges that H&R Block engaged in unfair, fraudulent and deceptive business practices and acts in connection with the IRS Free File Program in violation of the California Unfair Competition Law, Business and Professions Code §§17200 *et seq.* The complaint seeks injunctive relief, restitution of monies paid to H&R Block by persons in the State of California who were eligible to file under the IRS Free File Program for the time period starting four years prior to the date of the filing of the complaint, pre-judgment interest, civil penalties and costs. We have not concluded that a loss related to this matter is probable, nor have we accrued a liability related to this matter.

On May 17, 2019, a putative class action complaint was filed against us in the Superior Court of the State of California, County of San Francisco (Case No. CGC-19576093) styled *Pelanatita Olosoni and Derek Snarr v. H&R Block, Inc., et al.* The plaintiffs seek to represent both nationwide classes and California subclasses of all persons who paid to file one or more federal tax returns through H&R Block's internet-based filing system even though they were eligible to file those tax returns for free under IRS Free File or H&R Block Free File between May 17, 2015 and the present. The plaintiffs generally allege unlawful, unfair, fraudulent or deceptive business practices or acts in violation of the California Consumers Legal Remedies Act, California Civil Code §§1750, *et seq.*, False Advertising, Business and Professions Code §§17500, *et seq.*, and Unfair Competition Law, Business and Professions Code §§17200 *et seq.*, in addition to breach of contract and unjust enrichment. The plaintiffs seek declaratory and injunctive relief, disgorgement, restitution, compensatory damages, attorneys' fees and costs. We have not concluded that a loss related to this matter is probable, nor have we accrued a liability related to this matter.

We have also received and are responding to certain governmental inquiries relating to the IRS Free File Program.

**LITIGATION, CLAIMS, INCLUDING INDEMNIFICATION AND CONTRIBUTION CLAIMS, OR OTHER LOSS CONTINGENCIES PERTAINING TO DISCONTINUED MORTGAGE OPERATIONS –** Although SCC ceased its mortgage loan origination activities in December 2007 and sold its loan servicing business in April 2008, SCC or the Company has been, remains, and may in the future be, subject to litigation, claims, including indemnification and contribution claims, and other loss contingencies pertaining to SCC's mortgage business activities that occurred prior to such termination and sale. These lawsuits, claims, and other loss contingencies include actions by regulators, third parties seeking indemnification or contribution, including depositors, underwriters, and securitization trustees, individual plaintiffs, and cases in which plaintiffs seek to represent a class of others alleged to be similarly situated. Among other things, these lawsuits, claims, and contingencies allege or may allege discriminatory or unfair and deceptive loan origination and servicing (including debt collection, foreclosure, and eviction) practices, other common law torts, rights to indemnification or contribution, breach of contract, violations of securities laws, and violations of a variety of federal statutes, including the Truth in Lending Act (TILA), Equal Credit Opportunity Act, Fair Housing Act, Real Estate Settlement Procedures Act (RESPA), Home Ownership & Equity Protection Act (HOEPA), as well as similar state statutes. It is difficult to predict either the likelihood of new matters being initiated or the outcome of existing matters. In many of these matters it is not possible to estimate a reasonably possible loss or range of loss due to, among other things, the inherent uncertainties involved in these matters, some of which are beyond the Company's control, and the indeterminate damages sought in some of these matters.

Mortgage loans originated by SCC were sold either as whole loans to single third-party buyers, who generally securitized such loans, or in the form of RMBSs. In connection with the sale of loans and/or RMBSs, SCC made certain representations and warranties. The statute of limitations for a contractual claim to enforce a representation and

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warranty obligation is generally six years or such shorter limitations period that may apply under the law of a state where the economic injury occurred. On June 11, 2015, the New York Court of Appeals, New York's highest court, held in *ACE Securities Corp. v. DB Structured Products, Inc.*, that the six-year statute of limitations under New York law starts to run at the time the representations and warranties are made, not the date when the repurchase demand was denied. This decision applies to claims and lawsuits brought against SCC where New York law governs. New York law governs many, though not all, of the RMBS transactions into which SCC entered. However, this decision would not affect representation and warranty claims and lawsuits SCC has received or may receive, for example, where the statute of limitations has been tolled by agreement or a suit was timely filed.

In response to the statute of limitations rulings in the *ACE* case and similar rulings in other state and federal courts, parties seeking to pursue representation and warranty claims or lawsuits have sought, and may in the future seek, to distinguish certain aspects of the *ACE* decision, pursue alternate legal theories of recovery, or assert claims against other contractual parties such as securitization trustees. For example, a 2016 ruling by a New York intermediate appellate court, followed by the federal district court in the second Homeward case described below, allowed a counterparty to pursue litigation on additional loans in the same trust even though only some of the loans complied with the condition precedent of timely pre-suit notice and opportunity to cure or repurchase. Additionally, plaintiffs in litigation to which SCC is not party have alleged breaches of an independent contractual duty to provide notice of material breaches of representations and warranties and pursued separate claims to which, they argue, the statute of limitations ruling in the *ACE* case does not apply. The impact on SCC from alternative legal theories seeking to avoid or distinguish the *ACE* decision, or judicial limitations on the *ACE* decision, is unclear. SCC has not accrued liabilities for claims not subject to a tolling arrangement or not relating back to timely filed litigation.

On May 31, 2012, a lawsuit was filed by Homeward Residential, Inc. (Homeward) in the Supreme Court of the State of New York, County of New York, against SCC styled *Homeward Residential, Inc. v. Sand Canyon Corporation* (Index No. 651885/2012). SCC removed the case to the United States District Court for the Southern District of New York on June 28, 2012 (Case No. 12-cv-5067). The plaintiff, in its capacity as the master servicer for Option One Mortgage Loan Trust 2006-2 and for the benefit of the trustee and the certificate holders of such trust, asserts claims for breach of contract, anticipatory breach, indemnity, and declaratory judgment in connection with alleged losses incurred as a result of the breach of representations and warranties relating to SCC and to loans sold to the trust. The trust was originally collateralized with approximately 7,500 loans. The plaintiff seeks specific performance of alleged repurchase obligations or damages to compensate the trust and its certificate holders for alleged actual and anticipated losses, as well as a repurchase of all loans due to alleged misrepresentations by SCC as to itself and as to the loans' compliance with its underwriting standards and the value of underlying real estate. In response to a motion filed by SCC, the court dismissed the plaintiff's claims for breach of the duty to cure or repurchase, anticipatory breach, indemnity, and declaratory judgment. The case is proceeding on the remaining claims. Representatives of a holder of certificates in the trust filed a motion to intervene to add H&R Block, Inc. to the lawsuit and assert claims against H&R Block, Inc. based on alter ego, corporate veil-piercing, and agency law. On February 12, 2018, the court denied the motion to intervene. Discovery in the case is currently scheduled to close on September 30, 2019. A trial date has not yet been set. We have not concluded that a loss related to this matter is probable, nor have we accrued a liability related to this matter.

On September 28, 2012, a second lawsuit was filed by Homeward in the United States District Court for the Southern District of New York against SCC styled *Homeward Residential, Inc. v. Sand Canyon Corporation* (Case No. 12-cv-7319). The plaintiff, in its capacity as the master servicer for Option One Mortgage Loan Trust 2006-3 and for the benefit of the trustee and the certificate holders of such trust, asserts claims for breach of contract and indemnity in connection with losses allegedly incurred as a result of the breach of representations and warranties relating to 96 loans sold to the trust. The trust was originally collateralized with approximately 7,500 loans. The plaintiff seeks specific performance of alleged repurchase obligations or damages to compensate the trust and its certificate holders for alleged actual and anticipated losses. In response to a motion filed by SCC, the court dismissed the plaintiff's claims for breach of the duty to cure or repurchase and for indemnification of its costs associated with the litigation. On September 30, 2016, the court granted a motion allowing the plaintiff to file a second amended complaint to include breach of contract claims with respect to 649 additional loans in the trust and to allow such claims with respect to other loans in the trust proven to be in material breach of SCC's representations and warranties. SCC filed a motion for reconsideration, followed by a motion for leave to appeal the ruling, both of which were denied. On October 6, 2016, the plaintiff filed its second amended complaint. In response to a motion filed by SCC, the court dismissed the plaintiff's

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claim for breach of one of the representations. The case is proceeding on the remaining claims. Representatives of a holder of certificates in the trust filed a motion to intervene to add H&R Block, Inc. to the lawsuit and assert claims against H&R Block, Inc. based on alter ego, corporate veil-piercing, and agency law. On February 12, 2018, the court denied the motion to intervene. The settlement payments that were made in fiscal year 2018 for representation and warranty claims are related to some of the loans in this case. Discovery in the case is currently scheduled to close on September 30, 2019. A trial date has not yet been set. We have not concluded that a loss related to this lawsuit is probable, nor have we accrued a liability related to this lawsuit.

Underwriters and depositors are, or have been, involved in multiple lawsuits related to securitization transactions in which SCC participated. These lawsuits allege or alleged a variety of claims, including violations of federal and state securities laws and common law fraud, based on alleged materially inaccurate or misleading disclosures. SCC has received notices of claims for indemnification relating to lawsuits to which underwriters or depositors are party. Based on information currently available to SCC, it believes that the 21 lawsuits in which notice of a claim has been made involve 39 securitization transactions with original investments of approximately \$14 billion (of which the outstanding principal amount is approximately \$3.1 billion). Additional lawsuits against the underwriters or depositors may be filed in the future, and SCC may receive additional notices of claims for indemnification or contribution from underwriters or depositors with respect to existing or new lawsuits or settlements of such lawsuits. Certain of the notices received included, and future notices may include, a reservation of rights to assert claims for contribution, which are referred to herein as "contribution claims." Contribution claims may become operative if indemnification is unavailable or insufficient to cover all of the losses and expenses involved. We have not concluded that a loss related to any of these indemnification or contribution claims is probable, nor have we accrued a liability related to any of these claims.

Securitization trustees also are, or have been, involved in lawsuits related to securitization transactions in which SCC participated. Plaintiffs in these lawsuits allege, among other things, that originators, depositors, servicers, or other parties breached their representations and warranties or otherwise failed to fulfill their obligations, including that securitization trustees breached their contractual obligations, breached their fiduciary duties, or violated statutory requirements by failing to properly protect the certificate holders' interests. SCC has received notices from securitization trustees of potential indemnification obligations, and may receive additional notices with respect to existing or new lawsuits or settlements of such lawsuits, in its capacity as originator, depositor, or servicer. We have not concluded that a loss related to any of these indemnification claims is probable, nor have we accrued a liability related to any of these claims.

If the amount that SCC is ultimately required to pay with respect to claims and litigation related to its past sales and securitizations of mortgage loans, together with payment of SCC's related administration and legal expense, exceeds SCC's net assets, the creditors of SCC, other potential claimants, or a bankruptcy trustee if SCC were to file or be forced into bankruptcy, may attempt to assert claims against us for payment of SCC's obligations. Claimants may also attempt to assert claims against or seek payment directly from the Company even if SCC's assets exceed its liabilities. SCC's principal assets, as of April 30, 2019, total approximately \$289 million and consist of an intercompany note receivable. We believe our legal position is strong on any potential corporate veil-piercing arguments; however, if this position is challenged and not upheld, it could have a material adverse effect on our business and our consolidated financial position, results of operations and cash flows.

**OTHER** – We are from time to time a party to litigation, claims and other loss contingencies not discussed herein arising out of our business operations. These matters may include actions by state attorneys general, other state regulators, federal regulators, individual plaintiffs, and cases in which plaintiffs seek to represent others who may be similarly situated.

While we cannot provide assurance that we will ultimately prevail in each instance, we believe the amount, if any, we are required to pay to discharge or settle these other matters will not have a material adverse impact on our business and our consolidated financial position, results of operations, and cash flows.

We believe we have meritorious defenses to the claims asserted in the various matters described in this note, and we intend to defend them vigorously. The amounts claimed in the matters are substantial, however, and there can be no assurances as to their outcomes. In the event of unfavorable outcomes, it could require modifications to our operations; in addition, the amounts that may be required to be paid to discharge or settle the matters could be

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substantial and could have a material adverse impact on our business and our consolidated financial position, results of operations, and cash flows.

**NOTE 14: SUBSEQUENT EVENTS**

On June 10, 2019 we entered into a definitive agreement to acquire Wave Financial Inc. (Wave), a rapidly growing financial solutions platform focused on changing the way small business owners manage their finances. Under the terms of the agreement, H&R Block will acquire all outstanding shares of Wave for \$405 million, subject to customary adjustments for working capital, debt and transaction expenses. The acquisition will be funded with available cash. The transaction is expected to close within the next few months, subject to regulatory approval and customary closing conditions.

**NOTE 15: CONDENSED CONSOLIDATING FINANCIAL STATEMENTS**

Block Financial is a 100% owned subsidiary of the Company. Block Financial is the Issuer and the Company is the full and unconditional Guarantor of the Senior Notes, our 2018 CLOC and other indebtedness issued from time to time. These condensed consolidating financial statements have been prepared using the equity method of accounting. Earnings of subsidiaries are, therefore, reflected in the Company's investment in subsidiaries account. The elimination entries eliminate investments in subsidiaries, related stockholders' equity and other intercompany balances and transactions.

**CONDENSED CONSOLIDATING INCOME STATEMENTS**

(in 000s)

Year ended April 30, 2019	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Total revenues	\$ —	\$ 188,488	\$ 2,966,969	\$ (60,576)	\$ 3,094,881
Cost of revenues	—	78,230	1,718,014	(39,322)	1,756,922
Selling, general and administrative	1,476	25,031	716,914	(21,254)	722,167
Total operating expenses	1,476	103,261	2,434,928	(60,576)	2,479,089
Other income (expense), net	408,496	38,689	57,018	(487,784)	16,419
Interest expense on external borrowings	—	(86,904)	(147)	—	(87,051)
Income from continuing operations before income taxes (benefit)	407,020	37,012	588,912	(487,784)	545,160
Income taxes (benefit)	(15,489)	7,847	107,546	—	99,904
Net income from continuing operations	422,509	29,165	481,366	(487,784)	445,256
Net loss from discontinued operations	—	(22,747)	—	—	(22,747)
Net income	422,509	6,418	481,366	(487,784)	422,509
Other comprehensive loss	(6,113)	—	(6,113)	6,113	(6,113)
Comprehensive income	\$ 416,396	\$ 6,418	\$ 475,253	\$ (481,671)	\$ 416,396

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Year ended April 30, 2018	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Total revenues	\$ —	\$ 192,353	\$ 3,028,576	\$ (60,998)	\$ 3,159,931
Cost of revenues	—	81,746	1,696,719	(38,736)	1,739,729
Selling, general and administrative	—	25,691	664,723	(22,262)	668,152
Total operating expenses	—	107,437	2,361,442	(60,998)	2,407,881
Other income (expense), net	599,202	30,305	36,667	(660,120)	6,054
Interest expense on external borrowings	—	(89,068)	(304)	—	(89,372)
Income from continuing operations before income taxes (benefit)	599,202	26,153	703,497	(660,120)	668,732
Income taxes (benefit)	(13,947)	(5,203)	60,973	—	41,823
Net income from continuing operations	613,149	31,356	642,524	(660,120)	626,909
Net loss from discontinued operations	—	(13,755)	(5)	—	(13,760)
Net income	613,149	17,601	642,519	(660,120)	613,149
Other comprehensive income	996	—	996	(996)	996
Comprehensive income	\$ 614,145	\$ 17,601	\$ 643,515	\$ (661,116)	\$ 614,145

Year ended April 30, 2017	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Total revenues	\$ —	\$ 186,659	\$ 2,877,265	\$ (27,610)	\$ 3,036,314
Cost of revenues	—	71,661	1,580,425	(7,709)	1,644,377
Selling, general and administrative	—	24,201	671,653	(19,901)	675,953
Total operating expenses	—	95,862	2,252,078	(27,610)	2,320,330
Other income (expense), net	399,996	25,361	9,330	(428,433)	6,254
Interest expense on external borrowings	—	(92,263)	(688)	—	(92,951)
Income from continuing operations before income taxes (benefit)	399,996	23,895	633,829	(428,433)	629,287
Income taxes (benefit)	(8,949)	6,472	210,847	—	208,370
Net income from continuing operations	408,945	17,423	422,982	(428,433)	420,917
Net income(loss) from discontinued operations	—	(12,705)	733	—	(11,972)
Net income	408,945	4,718	423,715	(428,433)	408,945
Other comprehensive loss	(4,066)	—	(4,066)	4,066	(4,066)
Comprehensive income	\$ 404,879	\$ 4,718	\$ 419,649	\$ (424,367)	\$ 404,879

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(in 000s)

As of April 30, 2019	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Cash & cash equivalents	\$ —	\$ 4,109	\$ 1,568,041	\$ —	\$ 1,572,150
Cash & cash equivalents - restricted	—	—	135,577	—	135,577
Receivables, net	—	35,901	103,064	—	138,965
Prepaid expenses and other current assets	2,812	1,695	142,160	—	146,667
Total current assets	2,812	41,705	1,948,842	—	1,993,359
Property and equipment, net	—	552	211,540	—	212,092
Intangible assets, net	—	—	342,493	—	342,493
Goodwill	—	—	519,937	—	519,937
Deferred tax assets and income taxes receivable	3,218	15,953	122,808	—	141,979
Investments in subsidiaries	3,378,009	—	137,733	(3,515,742)	—
Amounts due from affiliates	—	1,562,958	2,815,617	(4,378,575)	—
Other noncurrent assets	—	54,976	35,109	—	90,085
Total assets	\$ 3,384,039	\$ 1,676,144	\$ 6,134,079	\$ (7,894,317)	\$ 3,299,945
Accounts payable and accrued expenses	\$ 2,272	\$ 19,735	\$ 227,518	\$ —	\$ 249,525
Accrued salaries, wages and payroll taxes	—	1,564	194,963	—	196,527
Accrued income taxes and reserves for uncertain tax positions	—	1,060	270,913	—	271,973
Deferred revenue and other current liabilities	—	21,144	183,832	—	204,976
Total current liabilities	2,272	43,503	877,226	—	923,001
Long-term debt	—	1,492,629	—	—	1,492,629
Deferred tax liabilities and reserves for uncertain tax positions	24,623	1,486	171,797	—	197,906
Deferred revenue and other noncurrent liabilities	—	793	144,089	—	144,882
Amounts due to affiliates	2,815,617	—	1,562,958	(4,378,575)	—
Total liabilities	2,842,512	1,538,411	2,756,070	(4,378,575)	2,758,418
Stockholders' equity	541,527	137,733	3,378,009	(3,515,742)	541,527
Total liabilities and stockholders' equity	\$ 3,384,039	\$ 1,676,144	\$ 6,134,079	\$ (7,894,317)	\$ 3,299,945

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As of April 30, 2018	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Cash & cash equivalents	\$ —	\$ 4,346	\$ 1,540,598	\$ —	\$ 1,544,944
Cash & cash equivalents - restricted	—	—	118,734	—	118,734
Receivables, net	—	51,562	95,212	—	146,774
Prepaid expenses and other current assets	2,801	1,954	79,307	(2,801)	81,261
Total current assets	2,801	57,862	1,833,851	(2,801)	1,891,713
Property and equipment, net	—	467	231,421	—	231,888
Intangible assets, net	—	—	373,981	—	373,981
Goodwill	—	—	507,871	—	507,871
Deferred tax assets and income taxes receivable	1,400	17,798	14,897	—	34,095
Investments in subsidiaries	2,801,808	—	131,315	(2,933,123)	—
Amounts due from affiliates	—	1,541,954	2,400,938	(3,942,892)	—
Other noncurrent assets	—	50,073	51,328	—	101,401
Total assets	\$ 2,806,009	\$ 1,668,154	\$ 5,545,602	\$ (6,878,816)	\$ 3,140,949
Accounts payable and accrued expenses	\$ 2,074	\$ 16,628	\$ 233,273	\$ —	\$ 251,975
Accrued salaries, wages and payroll taxes	—	1,161	140,338	—	141,499
Accrued income taxes and reserves for uncertain tax positions	—	1,060	264,791	(2,801)	263,050
Current portion of long-term debt	—	—	1,026	—	1,026
Deferred revenue and other current liabilities	—	22,172	163,929	—	186,101
Total current liabilities	2,074	41,021	803,357	(2,801)	843,651
Long-term debt	—	1,490,007	4,602	—	1,494,609
Deferred tax liabilities and reserves for uncertain tax positions	9,286	4,963	215,181	—	229,430
Deferred revenue and other noncurrent liabilities	—	848	178,700	—	179,548
Amounts due to affiliates	2,400,938	—	1,541,954	(3,942,892)	—
Total liabilities	2,412,298	1,536,839	2,743,794	(3,945,693)	2,747,238
Stockholders' equity	393,711	131,315	2,801,808	(2,933,123)	393,711
Total liabilities and stockholders' equity	\$ 2,806,009	\$ 1,668,154	\$ 5,545,602	\$ (6,878,816)	\$ 3,140,949



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(in 000s)

Year ended April 30, 2019	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Net cash provided by operating activities:	\$ —	\$ 9,515	\$ 597,023	\$ —	\$ 606,538
Cash flows from investing:					
Capital expenditures	—	(334)	(95,156)	—	(95,490)
Payments for business acquisitions, net of cash acquired	—	—	(43,637)	—	(43,637)
Franchise loans funded	—	(19,128)	(794)	—	(19,922)
Payments received on franchise loans	—	32,213	458	—	32,671
Intercompany borrowings (payments)	—	(23,197)	(392,841)	416,038	—
Other, net	—	1,362	(30,115)	—	(28,753)
Net cash used in investing activities	—	(9,084)	(562,085)	416,038	(155,131)
Cash flows from financing:					
Repayments of line of credit borrowings	—	(720,000)	—	—	(720,000)
Proceeds from line of credit borrowings	—	720,000	—	—	720,000
Dividends paid	(205,461)	—	—	—	(205,461)
Repurchase of common stock, including shares surrendered	(189,912)	—	—	—	(189,912)
Proceeds from exercise of stock options	2,532	—	—	—	2,532
Intercompany borrowings (payments)	392,841	—	23,197	(416,038)	—
Other, net	—	(668)	(10,186)	—	(10,854)
Net cash provided by (used in) financing activities	—	(668)	13,011	(416,038)	(403,695)
Effects of exchange rate changes on cash	—	—	(3,663)	—	(3,663)
Net increase (decrease) in cash, cash equivalents and restricted cash	—	(237)	44,286	—	44,049
Cash, cash equivalents and restricted cash, beginning of the year	—	4,346	1,659,332	—	1,663,678
Cash, cash equivalents and restricted cash, end of the year	\$ —	\$ 4,109	\$ 1,703,618	\$ —	\$ 1,707,727

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Year ended April 30, 2018	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Net cash provided by operating activities:	\$ —	\$ 13,333	\$ 836,670	\$ —	\$ 850,003
Cash flows from investing:					
Capital expenditures	—	(506)	(98,077)	—	(98,583)
Payments for business acquisitions, net of cash acquired	—	—	(42,539)	—	(42,539)
Franchise loans funded	—	(21,890)	(430)	—	(22,320)
Payments received on franchise loans	—	39,263	705	—	39,968
Intercompany borrowings (payments)	—	(38,899)	(181,276)	220,175	—
Other, net	—	1,161	10,256	—	11,417
Net cash used in investing activities	—	(20,871)	(311,361)	220,175	(112,057)
Cash flows from financing:					
Repayments of line of credit borrowings	—	(830,000)	—	—	(830,000)
Proceeds from line of credit borrowings	—	830,000	—	—	830,000
Dividends paid	(200,469)	—	—	—	(200,469)
Repurchase of common stock, including shares surrendered	(9,147)	—	—	—	(9,147)
Proceeds from exercise of stock options	28,340	—	—	—	28,340
Intercompany borrowings (payments)	181,276	—	38,899	(220,175)	—
Other, net	—	(662)	(8,726)	—	(9,388)
Net cash provided by (used in) financing activities	—	(662)	30,173	(220,175)	(190,664)
Effects of exchange rate changes on cash	—	—	(1,143)	—	(1,143)
Net increase (decrease) in cash, cash equivalents and restricted cash	—	(8,200)	554,339	—	546,139
Cash, cash equivalents and restricted cash - beginning of the year	—	12,546	1,104,993	—	1,117,539
Cash, cash equivalents and restricted cash - end of the year	\$ —	\$ 4,346	\$ 1,659,332	\$ —	\$ 1,663,678

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Year ended April 30, 2017	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block
Net cash provided by (used in) operating activities:	\$ —	\$ (66,499)	\$ 618,696	\$ —	\$ 552,197
Cash flows from investing:					
Principal payments and sales of mortgage loans and real estate owned, net	—	207,174	—	—	207,174
Capital expenditures	—	(32)	(89,223)	—	(89,255)
Payments for business acquisitions, net of cash acquired	—	—	(54,816)	—	(54,816)
Franchise loans funded	—	(34,136)	(337)	—	(34,473)
Payments received on franchise loans	—	61,102	335	—	61,437
Intercompany borrowings (payments)	—	(194,782)	(507,594)	702,376	—
Other, net	—	1,690	7,562	—	9,252
Net cash provided by (used in) investing activities	—	41,016	(644,073)	702,376	99,319
Cash flows from financing:					
Repayments of line of credit borrowings	—	(1,700,000)	—	—	(1,700,000)
Proceeds from line of credit borrowings	—	1,700,000	—	—	1,700,000
Dividends paid	(187,115)	—	—	—	(187,115)
Repurchase of common stock, including shares surrendered	(322,850)	—	—	—	(322,850)
Proceeds from exercise of stock options	2,371	—	—	—	2,371
Intercompany borrowings (payments)	507,594	—	194,782	(702,376)	—
Other, net	—	—	(22,830)	—	(22,830)
Net cash provided by (used in) financing activities	—	—	171,952	(702,376)	(530,424)
Effects of exchange rate changes on cash	—	—	(4,464)	—	(4,464)
Net increase (decrease) in cash, cash equivalents and restricted cash	—	(25,483)	142,111	—	116,628
Cash, cash equivalents and restricted cash - beginning of the year	—	38,029	962,882	—	1,000,911
Cash, cash equivalents and restricted cash - end of the year	\$ —	\$ 12,546	\$ 1,104,993	\$ —	\$ 1,117,539

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There were no disagreements or reportable events requiring disclosure pursuant to Item 304(b) of Regulation S-K.

**ITEM 9A. CONTROLS AND PROCEDURES**

**(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES** – We have established disclosure controls and procedures (Disclosure Controls) to ensure that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms. Disclosure Controls are also designed to ensure that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our Disclosure Controls were designed to provide reasonable assurance that the controls and procedures would meet their objectives. Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our Disclosure Controls will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable assurance of achieving the designed control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusions of

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two or more people or by management override of the control. Because of the inherent limitations in a cost-effective, maturing control system, misstatements due to error or fraud may occur and not be detected.

As of the end of the period covered by this Form 10-K, management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operations of our Disclosure Controls. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded our Disclosure Controls were effective as of the end of the period covered by this Annual Report on Form 10-K.

**(b) MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING** – Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of April 30, 2019 based on the criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), using the 2013 framework.

Based on our assessment, our Chief Executive Officer and Chief Financial Officer concluded that, as of April 30, 2019, the Company's internal control over financial reporting was effective based on the criteria set forth by COSO.

The Company's external auditors that audited the consolidated financial statements included in Item 8, Deloitte & Touche LLP, an independent registered public accounting firm, have issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears near the beginning of Item 8.

**(c) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING** – During the quarter ended April 30, 2019, there were no changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### ITEM 9B. OTHER INFORMATION

None.

#### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information about our executive officers is included under the caption "Employees and Executive Officers" in Item 1 of this report on Form 10-K.

The following information appearing in our definitive proxy statement, to be filed no later than 120 days after April 30, 2019, is incorporated herein by reference:

- Information appearing under the heading "Proposal 1 – Election of Directors";
- Information appearing under the heading "Delinquent Section 16(a) Reports" (if applicable); and
- Information appearing under the heading "Board of Directors' Meetings and Committees" regarding identification of the Audit Committee and Audit Committee financial experts.

We have adopted a Code of Business Ethics and Conduct that applies to our directors, officers and employees, including our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and persons performing similar functions. A copy of the Code of Business Ethics and Conduct is available on our website at [www.hrblock.com](http://www.hrblock.com). We intend to provide information on our website regarding amendments to, or waivers under, the Code of Business Ethics and Conduct.

#### ITEM 11. EXECUTIVE COMPENSATION

The information called for by this item is contained in our definitive proxy statement filed pursuant to Regulation 14A not later than 120 days after April 30, 2019, in the sections entitled "Director Compensation," "Director Compensation Table," "Compensation Discussion and Analysis," "Compensation Committee Report," "Compensation Committee Interlocks and Insider Participation," "Risk Assessment in Compensation Programs," and "Executive Compensation," and is incorporated herein by reference.

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**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information called for by this item is contained in our definitive proxy statement filed pursuant to Regulation 14A not later than 120 days after April 30, 2019, in the sections entitled "Equity Compensation Plans" and "Information Regarding Security Holders," and is incorporated herein by reference.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information called for by this item is contained in our definitive proxy statement filed pursuant to Regulation 14A not later than 120 days after April 30, 2019, in the sections entitled "Employment Agreements, Change in Control and Other Arrangements," "Review of Related Person Transactions," and "Corporate Governance," and is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information called for by this item is contained in our definitive proxy statement filed pursuant to Regulation 14A not later than 120 days after April 30, 2019, in the section entitled "Audit Fees," and is incorporated herein by reference.

**PART IV****ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) Documents filed as part of this report:

1. The following financial statements appearing in Item 8: "Consolidated Statements of Income and Comprehensive Income," "Consolidated Balance Sheets," "Consolidated Statements of Cash Flows" and "Consolidated Statements of Stockholders' Equity."
2. Exhibits – The list of exhibits in the Exhibit Index to this report is incorporated herein by reference.

[Table of Contents](#)**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

H&amp;R BLOCK, INC.

/s/ Jeffrey J. Jones II

Jeffrey J. Jones II

President and Chief Executive Officer

June 14, 2019

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 and on the date indicated on June 14, 2019.

/s/ Jeffrey J. Jones II

Jeffrey J. Jones II

President, Chief Executive Officer  
and Director  
(principal executive officer)

/s/ Tony G. Bowen

Tony G. Bowen

Chief Financial Officer  
(principal financial officer)

/s/ Kellie J. Logerwell

Kellie J. Logerwell

Chief Accounting Officer  
(principal accounting officer)

/s/ Robert A. Gerard

Robert A. Gerard

Director, Chairman of the Board

/s/ Angela N. Archon

Angela N. Archon

Director

/s/ Paul J. Brown

Paul J. Brown

Director

/s/ Richard A. Johnson

Richard A. Johnson

Director

/s/ David B. Lewis

David B. Lewis

Director

/s/ Victoria J. Reich

Victoria J. Reich

Director

/s/ Bruce C. Rohde

Bruce C. Rohde

Director

/s/ Matthew E. Winter

Matthew E. Winter

Director

/s/ Christianna Wood

Christianna Wood

Director

**EXHIBIT INDEX**

The following exhibits are numbered in accordance with the Exhibit Table of Item 601 of Regulation S-K:

- 2.1 [Share Purchase Agreement, dated June 10, 2019, by and among Blue Fountains International, ULC, HRB Tax Group, Inc., Wave Financial Inc., the Shareholders of Wave Financial Inc., and Shareholder Representative Services LLC, a Colorado limited liability company \(as the Shareholders' Representative\), filed as Exhibit 2.1 to the Company's current report on Form 8-K filed June 11, 2019, file number 1-06089, is incorporated herein by reference.](#)
- 3.1 [Amended and Restated Articles of Incorporation of H&R Block, Inc., as amended through September 12, 2013, filed as Exhibit 3.1 to the Company's current report on Form 8-K filed September 16, 2013, file number 1-06089, is incorporated herein by reference.](#)
- 3.2 [Amended and Restated Bylaws of H&R Block, Inc., as amended through July 14, 2015, filed as Exhibit 3.1 to the Company's current report on Form 8-K filed July 16, 2015, file number 1-06089, is incorporated herein by reference.](#)
- 4.1 [Indenture dated as of October 20, 1997, among H&R Block, Inc., Block Financial Corporation and Bankers Trust Company, as Trustee, filed as Exhibit 4\(a\) to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1997, file number 1-06089, is incorporated herein by reference.](#)
- 4.2 [First Supplemental Indenture, dated as of April 18, 2000, among H&R Block, Inc., Block Financial Corporation, Bankers Trust Company and the Bank of New York, filed as Exhibit 4\(a\) to the Company's current report on Form 8-K filed April 17, 2000, file number 1-06089, is incorporated herein by reference.](#)
- 4.3 [Second Supplemental Indenture, dated September 30, 2015, among H&R Block, Inc., Block Financial LLC \(formerly known as Block Financial Corporation\), Deutsche Bank Trust Company Americas \(formerly known as Bankers Trust Company\) and U.S. Bank National Association, as separate trustee, filed as Exhibit 4.1 to the Company's current report on Form 8-K filed September 30, 2015, file number 1-06089, is incorporated herein by reference.](#)
- 4.4 [Officer's Certificate, dated October 25, 2012, in respect of 5.50% Notes due 2022 of Block Financial LLC, filed as Exhibit 4.1 to the Company's current report on Form 8-K filed October 25, 2012, file number 1-06089, is incorporated herein by reference.](#)
- 4.5 [Officers' Certificate, dated September 30, 2015, of Block Financial LLC \(including the Form of the 4.125% Note due 2020 and the Form of the 5.250% Note due 2025\), filed as Exhibit 4.2 to the Company's current report on Form 8-K filed September 30, 2015, file number 1-06089, is incorporated herein by reference.](#)
- 4.6 [Form of 5.50% Note due 2022 of Block Financial LLC, filed as Exhibit 4.2 to the Company's current report on Form 8-K filed October 25, 2012, file number 1-06089, is incorporated herein by reference.](#)
- 4.7 [Form of Certificate of Designation, Preferences and Rights of Participating Preferred Stock of H&R Block, Inc., filed as Exhibit 4\(e\) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, file number 1-06089, is incorporated herein by reference.](#)
- 4.8 [Form of Certificate of Amendment of Certificate of Designation, Preferences and Rights of Participating Preferred Stock of H&R Block, Inc., filed as Exhibit 4\(j\) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1998, file number 1-06089, is incorporated herein by reference.](#)
- 4.9 [Form of Certificate of Designation, Preferences and Rights of Delayed Convertible Preferred Stock of H&R Block, Inc., filed as Exhibit 4\(f\) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, file number 1-06089, is incorporated herein by reference.](#)
- 4.10 [Description of Securities.](#)
- 10.1 \* [2013 Long-Term Incentive Plan, as amended and restated on March 6, 2013, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2013, file number 1-06089, is incorporated herein by reference.](#)
- 10.2 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on June 19, 2013, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed June 21, 2013, file number 1-06089, is incorporated herein by reference.](#)
- 10.2 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Non-Qualified Stock Options, as approved on June 19, 2013, filed as Exhibit 10.4 to the Company's current report on Form 8-K filed June 21, 2013, file number 1-06089, is incorporated herein by reference.](#)
- 10.3 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Deferred Stock Units, as approved on September 12, 2013, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2013, file number 1-06089, is incorporated herein by reference.](#)
- 10.5 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Market Stock Units, filed as Exhibit 10.2 to the Company's current report on Form 8-K filed June 19, 2015, file number 1-06089, is incorporated herein by reference.](#)
- 10.6 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Performance Share Units, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed June 19, 2015, file number 1-06089, is incorporated herein by reference.](#)

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- 10.7 \* [Alternate Form of 2013 Long Term Incentive Plan Award Agreement for Market Stock Units, filed as Exhibit 10.4 to the Company's current report on Form 8-K filed June 19, 2015, file number 1-06089, is incorporated herein by reference.](#)
- 10.8 \* [Alternate Form of 2013 Long Term Incentive Plan Award Agreement for Performance Share Units, filed as Exhibit 10.5 to the Company's current report on Form 8-K filed June 19, 2015, file number 1-06089, is incorporated herein by reference.](#)
- 10.9 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on July 18, 2016, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed July 22, 2016, file number 1-06089, is incorporated herein by reference.](#)
- 10.10 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Market Stock Units, as approved on July 18, 2016, filed as Exhibit 10.2 to the Company's current report on Form 8-K filed July 22, 2016, file number 1-06089, is incorporated herein by reference.](#)
- 10.11 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Performance Share Units, as approved on July 18, 2016, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed July 22, 2016, file number 1-06089, is incorporated herein by reference.](#)
- 10.12 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Non-Qualified Stock Options, as approved on July 18, 2016, filed as Exhibit 10.4 to the Company's current report on Form 8-K filed July 22, 2016, file number 1-06089, is incorporated herein by reference.](#)
- 10.13 \* [Alternate Form of 2013 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on July 18, 2016, filed as Exhibit 10.5 to the Company's current report on Form 8-K filed July 22, 2016, file number 1-06089, is incorporated herein by reference.](#)
- 10.14 \* [Alternate Form of 2013 Long Term Incentive Plan Award Agreement for Market Stock Units, as approved on July 18, 2016, filed as Exhibit 10.6 to the Company's current report on Form 8-K filed July 22, 2016, file number 1-06089, is incorporated herein by reference.](#)
- 10.15 \* [Alternate Form of 2013 Long Term Incentive Plan Award Agreement for Performance Share Units, as approved on July 18, 2016, filed as Exhibit 10.7 to the Company's current report on Form 8-K filed July 22, 2016, file number 1-06089, is incorporated herein by reference.](#)
- 10.16 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Restricted Share Units - Annual Vesting, as approved on July 18, 2016, filed as Exhibit 10.8 to the Company's current report on Form 8-K filed July 22, 2016, file number 1-06089, is incorporated herein by reference.](#)
- 10.17 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on June 19, 2017, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed June 23, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.18 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Market Stock Units, as approved on June 19, 2017, filed as Exhibit 10.2 to the Company's current report on Form 8-K filed June 23, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.19 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Performance Share Units, as approved on June 19, 2017, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed June 23, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.20 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Non-Qualified Stock Options, as approved on June 19, 2017, filed as Exhibit 10.4 to the Company's current report on Form 8-K filed June 23, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.21 \* [Alternate Form of 2013 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on June 19, 2017, filed as Exhibit 10.5 to the Company's current report on Form 8-K filed June 23, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.22 \* [Alternate Form of 2013 Long Term Incentive Plan Award Agreement for Market Stock Units, as approved on June 19, 2017, filed as Exhibit 10.6 to the Company's current report on Form 8-K filed June 23, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.23 \* [Alternate Form of 2013 Long Term Incentive Plan Award Agreement for Performance Share Units, as approved on June 19, 2017, filed as Exhibit 10.7 to the Company's current report on Form 8-K filed June 23, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.24 \* [The Company's 2003 Long-Term Executive Compensation Plan, as amended September 30, 2010, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2010, file number 1-06089, is incorporated herein by reference.](#)
- 10.25 \* [First Amendment to the Company's 2003 Long-Term Executive Compensation Plan, effective May 10, 2012, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed May 11, 2012, file number 1-06089, is incorporated herein by reference.](#)



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- 10.26 \* [Form of 2003 Long-Term Executive Compensation Plan Grant Agreement for Stock Options, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 2011, file number 1-06089, is incorporated herein by reference.](#)
- 10.27 \* [Form of 2003 Long-Term Executive Compensation Plan Grant Agreement for Stock Options as approved on June 20, 2012, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed June 26, 2012, file number 1-06089, is incorporated herein by reference.](#)
- 10.28 \* [Employment Agreement dated April 27, 2011, between H&R Block Management, LLC and William C. Cobb, filed as Exhibit 10.2 to the Company's current report on Form 8-K filed April 29, 2011, file number 1-06089, is incorporated herein by reference.](#)
- 10.29 \* [Letter Agreement between the Company, H&R Block Management, LLC and William C. Cobb, effective January 3, 2013, filed as Exhibit 10.5 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2013, file number 1-06089, is incorporated herein by reference.](#)
- 10.30 \* [Letter Agreement, dated as of July 15, 2014, by and among the Company, H&R Block Management, LLC, and William C. Cobb, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed July 17, 2014, file number 1-06089, is incorporated herein by reference.](#)
- 10.31 \* [Letter Agreement, dated as of June 18, 2015, by and among the Company, H&R Block Management, LLC, and William C. Cobb, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed June 19, 2015, file number 1-06089, is incorporated herein by reference.](#)
- 10.32 \* [Agreement between H&R Block Management, LLC, H&R Block, Inc. and William C. Cobb as of January 3, 2013 in connection with certain corrective actions relating to the June 30, 2011 Option Award, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed January 4, 2013, file number 1-06089, is incorporated herein by reference.](#)
- 10.33 \* [H&R Block, Inc. 2013 Long Term Incentive Plan Non-Qualified Stock Option Award Agreement between H&R Block, Inc. and William C. Cobb dated January 4, 2013, filed as Exhibit 10.2 to the Company's current report on Form 8-K filed January 4, 2013, file number 1-06089, is incorporated herein by reference.](#)
- 10.34 \* [H&R Block, Inc. 2013 Long Term Incentive Plan Restricted Share Units Award Agreement between H&R Block, Inc. and William C. Cobb dated January 4, 2013, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed January 4, 2013, file number 1-06089, is incorporated herein by reference.](#)
- 10.35 \* [Grant Agreement between H&R Block, Inc. and William C. Cobb in connection with award of Restricted Shares as of May 2, 2011, filed as Exhibit 10.4 to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 2011, file number 1-06089, is incorporated herein by reference.](#)
- 10.36 \* [Grant Agreement between H&R Block, Inc. and William C. Cobb in connection with award of Stock Options as of May 2, 2011, filed as Exhibit 10.5 to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 2011, file number 1-06089, is incorporated herein by reference.](#)
- 10.37 \* [H&R Block Deferred Compensation Plan for Executives, as amended and restated on November 9, 2012, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2012, file number 1-06089, is incorporated herein by reference.](#)
- 10.38 \* [The Amended and Restated H&R Block Executive Performance Plan, filed as Exhibit 10.1 to the Company's current report on Form 8-K, filed September 12, 2014, file number 1-06089, is incorporated herein by reference.](#)
- 10.39 \* [The H&R Block, Inc. 2000 Employee Stock Purchase Plan, as amended and restated effective November 7, 2013, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2013, file number 1-06089, is incorporated herein by reference.](#)
- 10.40 \* [The H&R Block, Inc. Executive Survivor Plan \(as Amended and Restated January 1, 2001\) filed as Exhibit 10.4 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2000, file number 1-06089, is incorporated herein by reference.](#)
- 10.41 \* [First Amendment to the H&R Block, Inc. Executive Survivor Plan \(as Amended and Restated\) effective as of July 1, 2002, filed as Exhibit 10.9 to the Company's annual report on Form 10-K for the fiscal year ended April 30, 2002, file number 1-06089, is incorporated herein by reference.](#)
- 10.42 \* [Second Amendment to the H&R Block, Inc. Executive Survivor Plan \(as Amended and Restated\), effective as of March 12, 2003, filed as Exhibit 10.12 to the Company's annual report on Form 10-K for the fiscal year ended April 30, 2003, file number 1-06089, is incorporated herein by reference.](#)
- 10.43 \* [H&R Block Severance Plan, as amended and restated on March 29, 2013, filed as Exhibit 10.29 to the Company's annual report on Form 10-K for the fiscal year ended April 30, 2013, file number 1-06089, is incorporated herein by reference.](#)
- 10.44 \* [H&R Block Inc. Executive Severance Plan, as amended and restated effective November 8, 2013, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed November 8, 2013, file number 1-06089, is incorporated herein by reference.](#)
- 10.45 \* [Form of Indemnification Agreement with Directors and Officers, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2012, file number 1-06089, is incorporated herein by reference.](#)

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- 10.46 \* [2008 Deferred Stock Unit Plan for Outside Directors, as amended on September 14, 2011, filed as Exhibit 10.27 to the Company's annual report on Form 10-K for the year ended April 30, 2012, file number 1-06089, is incorporated herein by reference.](#)
- 10.47 \* [Letter Agreement Regarding Retirement and Transition, dated May 15, 2017, by and among the Company, H&R Block Management, LLC, and William C. Cobb filed as Exhibit 10.1 to the Company's current report on Form 8-K filed on May 16, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.48 \* [Letter to Thomas A. Gerke, dated May 15, 2017 filed as Exhibit 10.2 to the Company's current report on Form 8-K filed on May 16, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.49 \* [Employment Agreement dated August 21, 2017, between H&R Block, Inc., HRB Professional Resources LLC, and Jeffrey J. Jones II, including the 2013 Long Term Incentive Plan Award Agreement for Non-Qualified Stock Options for the Initial Option attached as Exhibit A, and the 2013 Long Term Incentive Plan Award Agreement for Restricted Share Units for the Initial RSU Agreement attached as Exhibit B, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed August 22, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.50 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Market Stock Units between H&R Block, Inc. and Jeffrey J. Jones II, dated as of August 21, 2017, filed as Exhibit 10.2 to the Company's current report on Form 8-K filed August 22, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.51 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Performance Share Units, between H&R Block, Inc. and Jeffrey J. Jones II, dated as of August 21, 2017, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed August 22, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.52 \* [Form of 2013 Long Term Incentive Plan Award Agreement for Restricted Share Units, between H&R Block, Inc. and Jeffrey J. Jones II, dated as of August 21, 2017, filed as Exhibit 10.4 to the Company's current report on Form 8-K filed August 22, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.53 \* [Waiver and Acknowledgment dated June 25, 2018, between H&R Block, Inc., HRB Professional Resources, LLC, and Jeffrey J. Jones II, filed as Exhibit 10.8 to the Company's quarterly report on Form 10-Q filed September 7, 2018, file number 1-06089, is incorporated herein by reference.](#)
- 10.54 \* [H&R Block, Inc. 2018 Long Term Incentive Plan, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed September 14, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.55 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Deferred Stock Units, as approved on November 3, 2017, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.56 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Restricted Share Units, filed as Exhibit 10.2 to the Company's current report on Form 8-K filed September 14, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.57 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Non-Qualified Stock Options, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed September 14, 2017, file number 1-06089, is incorporated herein by reference.](#)
- 10.58 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on June 25, 2018, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed June 28, 2018, file number 1-06089, is incorporated herein by reference.](#)
- 10.59 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Market Stock Units, as approved on June 25, 2018, filed as Exhibit 10.2 to the Company's current report on Form 8-K filed June 28, 2018, file number 1-06089, is incorporated herein by reference.](#)
- 10.60 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Performance Share Units, as approved on June 25, 2018, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed June 28, 2018, file number 1-06089, is incorporated herein by reference.](#)
- 10.61 \* [Form of 2018 Long Term Incentive Plan Award Agreement for Non-Qualified Stock Options, as approved on June 25, 2018, filed as Exhibit 10.4 to the Company's current report on Form 8-K filed June 28, 2018, file number 1-06089, is incorporated herein by reference.](#)
- 10.62 \* [Alternate Form of 2018 Long Term Incentive Plan Award Agreement for Restricted Share Units, as approved on June 25, 2018, filed as Exhibit 10.5 to the Company's current report on Form 8-K filed June 28, 2018, file number 1-06089, is incorporated herein by reference.](#)
- 10.63 \* [Alternate Form of 2018 Long Term Incentive Plan Award Agreement for Market Stock Units, as approved on June 25, 2018, filed as Exhibit 10.6 to the Company's current report on Form 8-K filed June 28, 2018, file number 1-06089, is incorporated herein by reference.](#)
- 10.64 \* [Alternate Form of 2018 Long Term Incentive Plan Award Agreement for Performance Share Units, as approved on June 25, 2018, filed as Exhibit 10.7 to the Company's current report on Form 8-K filed June 28, 2018, file number 1-06089, is incorporated herein by reference.](#)
- 10.65 [Third Amended and Restated Credit and Guarantee Agreement dated September 21, 2018, by and among Block Financial LLC, H&R Block, Inc., the lenders party thereto from time to time, and JPMorgan Chase Bank, N.A., as a](#)

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	<a href="#"><u>Administrative agent, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed September 24, 2018, file number 1-06089, is incorporated herein by reference.</u></a>
10.66	<a href="#"><u>Second Amended and Restated Credit and Guarantee Agreement dated September 22, 2017, by and among Block Financial LLC, H&amp;R Block, Inc., the lenders party thereto from time to time, and JPMorgan Chase Bank, N.A., as administrative agent, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed September 25, 2017, file number 1-06089, is incorporated herein by reference.</u></a>
10.67	<a href="#"><u>Amended and Restated Purchase and Assumption Agreement, dated August 5, 2015, by and among H&amp;R Block Bank, Block Financial LLC, and Bofl Federal Bank, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed August 5, 2015, file number 1-06089, is incorporated herein by reference.</u></a>
10.68	<a href="#"><u>Program Management Agreement, dated August 31, 2015, by and between Emerald Financial Services, LLC and Bofl Federal Bank, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed September 1, 2015, file number 1-06089, is incorporated herein by reference.</u></a>
10.69	<a href="#"><u>First Amendment to Program Management Agreement dated as of July 27, 2017, by and between Emerald Financial Services, LLC and Bofl Federal Bank filed as Exhibit 10.8 to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 2017, file number 1-06089, is incorporated herein by reference.</u></a>
10.70	<a href="#"><u>Emerald Advance Receivables Participation Agreement, dated as of August 31, 2015, by and among Emerald Financial Services, LLC, Bofl Federal Bank, HRB Participant I, LLC and H&amp;R Block, Inc., filed as Exhibit 10.2 to the Company's current report on Form 8-K filed September 1, 2015, file number 1-06089, is incorporated herein by reference.</u></a>
10.71	<a href="#"><u>Guaranty Agreement, dated as of August 31, 2015, by and between H&amp;R Block, Inc. and Bofl Federal Bank, filed as Exhibit 10.3 to the Company's current report on Form 8-K filed September 1, 2015, file number 1-06089, is incorporated herein by reference.</u></a>
21	<a href="#"><u>Subsidiaries of the Company.</u></a>
23	<a href="#"><u>Consent of Deloitte &amp; Touche LLP, Independent Registered Public Accounting Firm.</u></a>
31.1	<a href="#"><u>Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2	<a href="#"><u>Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1	<a href="#"><u>Certification by Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2	<a href="#"><u>Certification by Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase

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\* Indicates management contracts, compensatory plans or arrangements.

# **EXHIBIT E**

## **Free Online Electronic Tax Filing Agreement**

This Agreement is entered into, as of October 30, 2002, between the Internal Revenue Service (the "IRS") and the Free File Alliance, LLC, a consortium of companies in the electronic tax preparation and filing industry (the "Consortium"), a non-profit corporation (under the provisions of 26 U.S.C. §501(c)(3)) formed under the auspices of, and affiliated with, the Council for Electronic Revenue Communication Advancement. The Consortium has been formed to facilitate participation in this Agreement by commercial entities, which are members of the Consortium engaged in the business of electronic tax preparation and filing ("Consortium Participants").

### **I. Purpose**

This Agreement provides for free on-line tax return preparation and filing to individual taxpayers, thereby meeting the following five objectives:

1. Assuring access to a free and secure electronic preparation and filing option for additional taxpayers, building upon free electronic tax preparation and filing provided in the commercial market today;
2. Making tax return preparation and filing easier and reducing the burden on individual taxpayers;
3. Supporting the IRS's statutory goals of increased e- filing, pursuant to the IRS Restructuring and Reform Act of 1998, which encouraged the IRS to set a goal of having 80% of Federal tax and information returns filed electronically by the year 2007;
4. Providing greater service and access to taxpayers; and
5. Implementing one of the proposals in the President's FY'03 budget, specifically to encourage further growth in electronic filing by providing taxpayers the option to file their tax return on-on- line without charge, using cooperation with, and encouraging competition within, the private sector to increase e-filing.

### **II. Summary**

To accomplish the above objectives, the IRS and the Consortium (together, "the Parties") will work together to offer free, on- line tax return preparation and filing services to taxpayers ("Free Services"). The Consortium will offer Free Services to taxpayers. The IRS will provide taxpayers with links to the Free Services offered by the Consortium Participants through a web page (described more fully in V. below; hereafter, the "Web Page"), which will be hosted at irs.gov accessible through firstgov.gov. During the term of this Agreement, the IRS will not compete with the Consortium in providing free, online tax return preparation and filing services to taxpayers.

This Agreement is the best method for meeting the above stated objectives because it will promote higher quality Free Services by utilizing the existing expertise of the private sector, maximize consumer choice, promote competition for such Free Services, and thereby meet the objectives in the least costly manner.

### III. Scope of Offerings

A. The Consortium will offer Free Services for eligible taxpayers (taxpayers meeting the qualifications for free offerings) from individual commercial sites. Such offerings, when taken in the aggregate, are intended to provide for Free Services to be available to 60% or more of taxpayers. If at any point the Consortium's aggregate offerings of Free Services are available to fewer than 60 % of taxpayers, the IRS may notify the Consortium of that fact. After receipt of such notice, the Consortium will have six months within which to raise the availability of such offerings to at least 60% of taxpayers. If the Consortium fails to achieve 60% within such six month period, the IRS may terminate this Agreement. In making this decision, the IRS agrees to take into account the extent to which actual usage of Free Services has increased. Consortium offerings, taken together, will provide eligible taxpayers with a reasonable assurance that: (1) Free Services will be available on demand, and (2) these services will provide the ability to file the same federal tax forms which are file able and available in the comparable paid on- line services offered by a selected Consortium Participant.

B. The Consortium shall accept offerings only from entities that:

1. Provide electronic, on- line tax preparation and filing of individual income tax returns:
2. Will offer and can provide Free Services to a number of individual taxpayers, which equals or exceeds 10 percent (10%) of the number of individual income tax returns filed in the base year (CY 2001).
3. Offer on-line software approved by the IRS that generates returns that can be sent to the IRS via an IRS-approved channel.
4. Are Authorized IRS E-File Providers in accord with IRS Rev. Proc. 2000-31.
5. Are in compliance with applicable law, including but not limited to, Department of Treasury/IRS rules, including but not limited to 31 C.F.R. Part 10, IRS Rev. Proc. 2000-31, current versions of IRS Publications 1345 and 1345-A, and 26 U.S.C. §7216.
6. Demonstrate the competence and capability to deliver their free offerings. This competence and capability may be demonstrated either by providing evidence of prior experience in providing online or electronic filing services or by self-certification. Such self certification shall be reasonably and objectively determined by the Consortium, taking into account the above referenced need for competence and capability and the intent of the Agreement to avoid unnecessary barriers to entry. Consortium Participants must have adequate capacity to meet the expected demand for their Free Services. In addition to initial Participants, the Consortium will accept later qualified applicants as Consortium Participants.
7. Have a security seal certification program, from a third party agreed to by the Consortium and IRS. Certification will be based upon an assessment of the system's ability to protect taxpayer data.

8. Comply with the privacy provisions of 26 U.S.C. §7216. Have a privacy seal certification program from a third party agreed to by the Consortium and IRS. Consortium participants are encouraged to use software that will enable their web sites to state their privacy practices in a standard machine-readable format that can be retrieved automatically and interpreted easily by users. Consortium Participants shall also agree that provisions of Free Services shall not be conditioned on obtaining an eligible taxpayer's consent to solicitations of additional business.
9. Will not contain or provide links to inappropriate content.
10. Clearly disclose to users their customer service support options and privacy policy.
11. Agree to have at least one link to the IRS web site (irs.gov).

C. The Consortium will take reasonable steps to publicize the criteria for Consortium participation. The Consortium will provide to the IRS, on request, the names of unsuccessful applicants for Consortium participation and the reason for their rejection.

#### **IV. Performance Standards**

- A. The IRS will have the Consortium web page ready by December 31, 2002. Consortium participants will have submitted their test returns produced by their software to the IRS sufficiently in advance of that date for testing. The IRS will not list on the Consortium web page a Consortium participant whose test returns have not been certified prior to the beginning of the filing season until that participant's test returns have been tested and certified.
- B. The Consortium will use its best efforts to assure that Free Services by individual Consortium Participants are performed in accordance with the terms of the Agreement and in accordance with the offer made by the Consortium Participant. If the IRS determines a particular offering of Free Services is deficient or that Free Services are not being properly performed, it will notify the Consortium in writing of that fact, and provide information regarding corrective actions it believes are needed.
- C. The undertaking by the Consortium under IV. A to offer Free Services at or above the 60% level shall apply only to January through April of each year (the primary tax filing season). Outside of the primary tax filing season, the Consortium shall encourage Consortium members to offer Free Services to the same extent that such services are offered by Consortium members for compensation.
- D. The Consortium will be responsible for establishing its governance standards. These standards shall be in accord with applicable law and regulations. The standards shall be consistent with the Consortium performing its obligations under this Agreement and be designed to maximize participation of industry members while meeting the requirements of the Agreement.
- E. IRS, in consultation with the Consortium, will develop an assessment process including usability performance measures to measure the extent to which the

Agreement is accomplishing the objectives described in I., above. They will include at least:

1. Uptime and reliability through the tax season.
2. Delivery of the taxpayer to the Free Services in the minimum number of clicks consistent with usability design principles and the need to fully inform taxpayers about the free online services. From the site the taxpayer arrives at by clicking on the Consortium page's link to the Consortium Participant, until the taxpayer arrives at the Free Services, there will be no more clicks than required of such Consortium Participant's paying customers, if applicable, consistent with usability design principles.

## **V. Consortium Web Page Operation**

- A. The IRS will host and maintain the Web Page. The Consortium will submit to the IRS proposed content for the Web Page, and the IRS shall determine the final content to appear on the Web Page. The IRS will ensure that there are links from appropriate Government sites to the Web Page.
- B. The design of the Web Page will conform to the following guidelines:
  - a. The Consortium will determine rank order placement of links to individual offerings in accordance with reasonable, objective criteria. Each listing of an offering will provide a description of the scope of, and eligibility for, Free Services it offers.
  - b. The Web Page will provide a link to each Consortium Participant's Free Services entry using a minimum number of clicks.
  - c. No advertising will appear on the Web Page.
  - d. The Consortium will create and supply to IRS proposed content for the Web Page using existing IRS content management procedures.
  - e. The Web Page will be developed using usability design principles and will be updated based upon usability testing and other user feedback.
- C. Taxpayers will be able to use Consortium Participants' software to prepare and electronically file their own personal income tax returns using proprietary processes and systems which such Participants host and maintain.
- D. The Consortium will promptly notify the IRS of any planned or unplanned unavailability (i.e., downtime) of an offering that is anticipated to exceed five hours in duration. The IRS will annotate that offering's listing on the Web Page with a notice advising the public of the unavailability. The IRS may delist an offeror if its service remains unavailable for more than 24 hours, but shall re-list after restoration of availability; provided, however, if a Consortium Participant repeatedly has periods of such unavailability, the IRS shall be entitled to delist that Consortium Participant.



## **VI. Marketing**

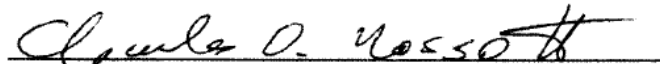
- A. The Parties will coordinate with each other their respective marketing of these Free Services to provide uniformity and maximize public awareness. Final decisions on the marketing campaign will remain with the IRS for IRS marketing expenditures and with the Consortium and the Consortium Participants for their marketing expenditures.
- B. The IRS will not endorse specific offerings or products, but will promote the availability of the Consortium's Free Services.
- C. The Parties will work with the States to explore how this Agreement can support the states. On-line tax preparation and e-filing of both federal and state returns can maximize benefits of this Agreement to taxpayers.
- D. The Consortium understands that the IRS may continue to provide Consortium Participants or non-Participants Partners links from Government sites to electronic preparers and filers.


## **VII. Term of Agreement; Termination**

- A. This Agreement has an initial term of three years from its effective date with automatic options to renew for successive two-year periods. Representatives from the Parties will meet semiannually to review operation of this Agreement. The Parties will review the terms of this Agreement on an annual basis, and, upon mutual consent, can agree in writing to modify any provision of this Agreement.
- B. Either Party may terminate this Agreement for cause if the other Party fails to comply with this Agreement, and such failure is not cured within thirty days of written notice of such failure from the other Party.
- C. The IRS may terminate this Agreement without cause, such termination to be effective 12 months after the date of notice of such termination.
- D. Should the IRS decide to offer Free Services to taxpayers the IRS shall notify the Consortium immediately. If the IRS gives such notice during the tax season (between January 1st and April 15th, or the last day of the filing deadline if that date is changed from April 15) of any year, the Consortium may, by written notice to the IRS, terminate this Agreement, effective on April 16th (or, if the filing deadline is changed from April 15, on the day following such new deadline) of that year. If the IRS gives such notice between April 16th (or, if the filing deadline is changed from April 15, on the day following such new deadline) and October 15th of any year, then the Consortium may, by written notice to the IRS other than during a tax season, terminate this Agreement, such termination to be effective no fewer than 30 days after the date of the Consortium's notice of such termination. If the IRS gives such notice between October 15 and December 31, the Consortium may by written notice immediately terminate this Agreement at any time on or before December 31.

## VIII. Miscellaneous

This Agreement represents the entire agreement between the Parties. This Agreement is governed by Federal law.

  
\_\_\_\_\_  
Charles O. Rossotti, Commissioner  
Internal Revenue Service

  
\_\_\_\_\_  
Michael F. Cavanagh, Manager  
Free File Alliance, LLC

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9 Attorneys for Defendants  
10 H&R BLOCK, INC.; HRB TAX GROUP, INC.; and  
HRB DIGITAL LLC

11  
12 UNITED STATES DISTRICT COURT  
13 NORTHERN DISTRICT OF CALIFORNIA  
14 SAN FRANCISCO DIVISION

15 PELANATITA OLOSONI, and DEREK  
16 SNARR, on behalf of themselves, the general  
public, and those similarly situated,

17 Plaintiffs,

18 v.

19 H&R BLOCK, INC., HRB TAX GROUP,  
20 INC., HRB DIGITAL LLC, and DOES 1  
THROUGH 50,

21 Defendants.

**Case No. 3:19-cv-03610**

**DECLARATION OF DARREN K.  
COTTRIEL IN SUPPORT OF  
DEFENDANTS' NOTICE OF  
REMOVAL OF CIVIL ACTION FROM  
STATE COURT**

**[CAFA JURISDICTION; FEDERAL  
QUESTION JURISDICTION]**

1 I, Darren K. Cottriel, declare as follow:

2 1. I am an attorney at law, duly admitted to practice in the State of California and  
3 before this Court. I am a Partner at the law firm of Jones Day, counsel for Defendants H&R  
4 Block, Inc., HRB Tax Group, Inc., and HRB Digital LLC (“Defendants”) in the above-captioned  
5 action. I make this Declaration in support of Defendants’ Notice of Removal of Civil Action  
6 from State Court (“Notice of Removal”). I have personal knowledge of all of the facts stated in  
7 this Declaration and, if called upon to do so by the Court, I could and would testify competently  
8 to them.

9 1. On May 17, 2019, an action was commenced in Superior Court of California for  
10 the County of San Francisco, Case No. CGC-19-576093, captioned *Pelanatita Olosoni and Derek*  
11 *Snarr, on behalf of themselves, the general public, and those similarly situated v. H&R Block,*  
12 *Inc., HRB Tax Group, Inc., HRB Digital LLC, and DOES 1 through 50.* On May 22, 2019,  
13 Plaintiffs served Defendants with the Summons and Complaint. In accordance with 28 U.S.C. §  
14 1446(a), Exhibit A to the Notice of Removal are true and correct copies of the Plaintiffs’  
15 Summons and Complaint. Exhibit B to the Notice of Removal is a true and correct copy of all  
16 state court orders.

17 2. Exhibit C to the Notice of Removal is a true and correct copy of Defendants’  
18 Notice to State Court and Adverse Party of Removal of Action from State Court to the United  
19 States District Court for the Northern District of California (without exhibits).

20 3. Exhibit D to the Notice of Removal is a true and correct copy of H&R Block,  
21 Inc.’s 2019 Form 10-K and Annual Report filed with Securities and Exchange Commission  
22 (“SEC”) on June 14, 2019 and obtained from SEC’s EDGAR system on June 21, 2019 at  
23 <https://www.sec.gov/Archives/edgar/data/12659/000157484219000022/hrb2019043010k.htm>.

24 4. Exhibit E to the Notice of Removal is a true and correct copy Free Online  
25 Electronic Tax Filing Agreement, which the Internal Revenue Service (“IRS”) and Free File  
26 Alliance, LLC, entered into on October 30, 2002. The agreement was obtained from the following  
27 website on June 21, 2019: [https://www.irs.gov/pub/irs-utl/2002-free-online-electronic-tax-filing-](https://www.irs.gov/pub/irs-utl/2002-free-online-electronic-tax-filing-agreement.pdf)  
28 [agreement.pdf](https://www.irs.gov/pub/irs-utl/2002-free-online-electronic-tax-filing-agreement.pdf).

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Dated: June 21, 2019

JONES DAY

By: /s/ Darren K. Cottriel

Darren K. Cottriel

Counsel for Defendants  
H&R BLOCK, INC.; HRB TAX GROUP,  
INC.; and HRB DIGITAL LLC

CIVIL COVER SHEET

The JS-CAND 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved in its original form by the Judicial Conference of the United States in September 1974, is required for the Clerk of Court to initiate the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

I. (a) PLAINTIFFS

PELANATITA OLOSONI, and DEREK SNARR, on behalf of themselves, the general public, and those similarly situated

(b) County of Residence of First Listed Plaintiff Alameda County, California (EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorneys (Firm Name, Address, and Telephone Number)

Adam J. Gutried, Seth A. Safier, Marie A. McCrary
GUTRIED SAFIER L.L.P
100 Pine Street, San Francisco, CA 94114 (415) 336-6545

DEFENDANTS

H&R BLOCK, INC., HRB TAX GROUP, INC., HRB DIGITAL LLC, and DOES 1 THROUGH 50

County of Residence of First Listed Defendant (IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

Attorneys (If Known)

Darren K. Cottriel, Nathaniel P. Garrett
JONES DAY
3161 Michelson Drive, Suite 800, Irvine, CA 92612

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- 1 U.S. Government Plaintiff
2 U.S. Government Defendant
3 Federal Question (U.S. Government Not a Party)
4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

Table with columns for Plaintiff (PTF) and Defendant (DEF) citizenship and incorporation status. Includes options like 'Citizen of This State', 'Citizen of Another State', 'Citizen or Subject of a Foreign Country', 'Incorporated or Principal Place of Business In This State', etc.

IV. NATURE OF SUIT (Place an "X" in One Box Only)

Large table with categories: CONTRACT, REAL PROPERTY, TORTS, CIVIL RIGHTS, PRISONER PETITIONS, HABEAS CORPUS, OTHER, FORFEITURE/PENALTY, LABOR, IMMIGRATION, BANKRUPTCY, SOCIAL SECURITY, FEDERAL TAX SUITS, OTHER STATUTES. Each category lists specific legal codes and descriptions.

V. ORIGIN (Place an "X" in One Box Only)

- 1 Original Proceeding
2 Removed from State Court
3 Remanded from Appellate Court
4 Reinstated or Reopened
5 Transferred from Another District (specify)
6 Multidistrict Litigation-Transfer
8 Multidistrict Litigation-Direct File

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):
28 U.S.C. §§ 1331, 1332(d), 1367(a), 1441, and 1446

Brief description of cause:

Plaintiffs allege causes of action for breach of contract, unjust enrichment, and violation of Cal. Civ. Code § 1750 et seq. and Cal. Bus. and Profs. Code §§ 17500 and 17200 et seq.

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, Fed. R. Civ. P. DEMAND \$

CHECK YES only if demanded in complaint: JURY DEMAND: Yes No

VIII. RELATED CASE(S), IF ANY (See instructions):

JUDGE

DOCKET NUMBER

IX. DIVISIONAL ASSIGNMENT (Civil Local Rule 3-2)

(Place an "X" in One Box Only) SAN FRANCISCO/OAKLAND SAN JOSE EUREKA-MCKINLEYVILLE

DATE 06/21/2019

SIGNATURE OF ATTORNEY OF RECORD

/s/ Darren K. Cottriel

## INSTRUCTIONS FOR ATTORNEYS COMPLETING CIVIL COVER SHEET FORM JS-CAND 44

**Authority For Civil Cover Sheet.** The JS-CAND 44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleading or other papers as required by law, except as provided by local rules of court. This form, approved in its original form by the Judicial Conference of the United States in September 1974, is required for the Clerk of Court to initiate the civil docket sheet. Consequently, a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. The attorney filing a case should complete the form as follows:

- I. a) Plaintiffs-Defendants.** Enter names (last, first, middle initial) of plaintiff and defendant. If the plaintiff or defendant is a government agency, use only the full name or standard abbreviations. If the plaintiff or defendant is an official within a government agency, identify first the agency and then the official, giving both name and title.
- b) County of Residence.** For each civil case filed, except U.S. plaintiff cases, enter the name of the county where the first listed plaintiff resides at the time of filing. In U.S. plaintiff cases, enter the name of the county in which the first listed defendant resides at the time of filing. (NOTE: In land condemnation cases, the county of residence of the “defendant” is the location of the tract of land involved.)
- c) Attorneys.** Enter the firm name, address, telephone number, and attorney of record. If there are several attorneys, list them on an attachment, noting in this section “(see attachment).”
- II. Jurisdiction.** The basis of jurisdiction is set forth under Federal Rule of Civil Procedure 8(a), which requires that jurisdictions be shown in pleadings. Place an “X” in one of the boxes. If there is more than one basis of jurisdiction, precedence is given in the order shown below.
- (1) United States plaintiff. Jurisdiction based on 28 USC §§ 1345 and 1348. Suits by agencies and officers of the United States are included here.
  - (2) United States defendant. When the plaintiff is suing the United States, its officers or agencies, place an “X” in this box.
  - (3) Federal question. This refers to suits under 28 USC § 1331, where jurisdiction arises under the Constitution of the United States, an amendment to the Constitution, an act of Congress or a treaty of the United States. In cases where the U.S. is a party, the U.S. plaintiff or defendant code takes precedence, and box 1 or 2 should be marked.
  - (4) Diversity of citizenship. This refers to suits under 28 USC § 1332, where parties are citizens of different states. When Box 4 is checked, the citizenship of the different parties must be checked. (See Section III below; **NOTE: federal question actions take precedence over diversity cases.**)
- III. Residence (citizenship) of Principal Parties.** This section of the JS-CAND 44 is to be completed if diversity of citizenship was indicated above. Mark this section for each principal party.
- IV. Nature of Suit.** Place an “X” in the appropriate box. If the nature of suit cannot be determined, be sure the cause of action, in Section VI below, is sufficient to enable the deputy clerk or the statistical clerk(s) in the Administrative Office to determine the nature of suit. If the cause fits more than one nature of suit, select the most definitive.
- V. Origin.** Place an “X” in one of the six boxes.
- (1) Original Proceedings. Cases originating in the United States district courts.
  - (2) Removed from State Court. Proceedings initiated in state courts may be removed to the district courts under Title 28 USC § 1441. When the petition for removal is granted, check this box.
  - (3) Remanded from Appellate Court. Check this box for cases remanded to the district court for further action. Use the date of remand as the filing date.
  - (4) Reinstated or Reopened. Check this box for cases reinstated or reopened in the district court. Use the reopening date as the filing date.
  - (5) Transferred from Another District. For cases transferred under Title 28 USC § 1404(a). Do not use this for within district transfers or multidistrict litigation transfers.
  - (6) Multidistrict Litigation Transfer. Check this box when a multidistrict case is transferred into the district under authority of Title 28 USC § 1407. When this box is checked, do not check (5) above.
  - (8) Multidistrict Litigation Direct File. Check this box when a multidistrict litigation case is filed in the same district as the Master MDL docket. Please note that there is no Origin Code 7. Origin Code 7 was used for historical records and is no longer relevant due to changes in statute.
- VI. Cause of Action.** Report the civil statute directly related to the cause of action and give a brief description of the cause. **Do not cite jurisdictional statutes unless diversity.** Example: U.S. Civil Statute: 47 USC § 553. Brief Description: Unauthorized reception of cable service.
- VII. Requested in Complaint.** Class Action. Place an “X” in this box if you are filing a class action under Federal Rule of Civil Procedure 23. Demand. In this space enter the actual dollar amount being demanded or indicate other demand, such as a preliminary injunction. Jury Demand. Check the appropriate box to indicate whether or not a jury is being demanded.
- VIII. Related Cases.** This section of the JS-CAND 44 is used to identify related pending cases, if any. If there are related pending cases, insert the docket numbers and the corresponding judge names for such cases.
- IX. Divisional Assignment.** If the Nature of Suit is under Property Rights or Prisoner Petitions or the matter is a Securities Class Action, leave this section blank. For all other cases, identify the divisional venue according to Civil Local Rule 3-2: “the county in which a substantial part of the events or omissions which give rise to the claim occurred or in which a substantial part of the property that is the subject of the action is situated.”
- Date and Attorney Signature.** Date and sign the civil cover sheet.

# ClassAction.org

This complaint is part of ClassAction.org's searchable class action lawsuit database and can be found in this post: [Class Action Suit Claims H&R Block Hides Free E-File Service in 'Bait-and-Switch Scheme'](#)

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