

Form 10-Q for the Period Ended October 31, 2019

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PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

**CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS**

(unaudited, in 000s, except
per share amounts)

	Three months ended October 31,		Six months ended October 31,	
	2019	2018	2019	2018
REVENUES:				
Service revenues	\$ 139,648	\$ 127,267	\$ 271,807	\$ 254,127
Royalty, product and other revenues	21,153	21,604	39,356	39,927
	<u>160,801</u>	<u>148,871</u>	<u>311,163</u>	<u>294,054</u>
OPERATING EXPENSES:				
Costs of revenues	253,206	250,815	482,598	472,375
Selling, general and administrative	150,334	113,319	266,470	219,059
Total operating expenses	<u>403,540</u>	<u>364,134</u>	<u>749,068</u>	<u>691,434</u>
Other income (expense), net	2,739	4,464	11,862	9,006
Interest expense on borrowings	(21,306)	(21,191)	(42,377)	(42,381)
Loss from continuing operations before income tax benefit	(261,306)	(231,990)	(468,420)	(430,755)
Income tax benefit	(77,752)	(61,053)	(139,142)	(111,021)
Net loss from continuing operations	(183,554)	(170,937)	(329,278)	(319,734)
Net loss from discontinued operations, net of tax benefits of \$1,327 and \$1,607, \$2,685 and \$2,769	(4,445)	(5,339)	(8,968)	(9,212)
NET LOSS	<u>\$ (187,999)</u>	<u>\$ (176,276)</u>	<u>\$ (338,246)</u>	<u>\$ (328,946)</u>
BASIC AND DILUTED LOSS PER SHARE:				
Continuing operations	\$ (0.93)	\$ (0.83)	\$ (1.65)	\$ (1.55)
Discontinued operations	(0.02)	(0.03)	(0.04)	(0.04)
Consolidated	<u>\$ (0.95)</u>	<u>\$ (0.86)</u>	<u>\$ (1.69)</u>	<u>\$ (1.59)</u>
DIVIDENDS DECLARED PER SHARE	<u>\$ 0.26</u>	<u>\$ 0.25</u>	<u>\$ 0.52</u>	<u>\$ 0.50</u>
COMPREHENSIVE LOSS:				
Net loss	\$ (187,999)	\$ (176,276)	\$ (338,246)	\$ (328,946)
Unrealized losses on securities, net of taxes	—	(3)	—	—
Change in foreign currency translation adjustments	919	(2,843)	(1,401)	(4,577)
Other comprehensive income (loss)	919	(2,846)	(1,401)	(4,577)
Comprehensive loss	<u>\$ (187,080)</u>	<u>\$ (179,122)</u>	<u>\$ (339,647)</u>	<u>\$ (333,523)</u>

See accompanying notes to consolidated financial statements

CONSOLIDATED BALANCE SHEETS		(unaudited, in 000s, except share and per share amounts)		
As of	October 31, 2019	October 31, 2018	April 30, 2019	
ASSETS				
Cash and cash equivalents	\$ 245,312	\$ 600,799	\$ 1,572,150	
Cash and cash equivalents - restricted	176,332	122,507	135,577	
Receivables, less allowance for doubtful accounts of \$65,815, \$65,409 and \$67,228	74,710	61,286	138,965	
Prepaid expenses and other current assets	105,058	106,410	146,667	
Total current assets	601,412	891,002	1,993,359	
Property and equipment, at cost, less accumulated depreciation and amortization of \$784,535, \$787,978 and \$745,761	206,216	241,772	212,092	
Operating lease right of use asset	475,969	—	—	
Intangible assets, net	425,377	364,524	342,493	
Goodwill	815,331	507,191	519,937	
Deferred tax assets and income taxes receivable	145,807	130,987	141,979	
Other noncurrent assets	86,629	97,820	90,085	
Total assets	\$ 2,756,741	\$ 2,233,296	\$ 3,299,945	
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES:				
Accounts payable and accrued expenses	\$ 111,439	\$ 114,393	\$ 249,525	
Accrued salaries, wages and payroll taxes	57,602	43,396	196,527	
Accrued income taxes and reserves for uncertain tax positions	106,125	94,257	271,973	
Current portion of long-term debt	648,651	—	—	
Operating lease liabilities	162,897	—	—	
Deferred revenue and other current liabilities	177,243	183,675	204,976	
Total current liabilities	1,263,957	435,721	923,001	
Long-term debt and line of credit borrowings	980,299	1,491,328	1,492,629	
Deferred tax liabilities and reserves for uncertain tax positions	180,362	235,799	197,906	
Operating lease liabilities	326,691	—	—	
Deferred revenue and other noncurrent liabilities	81,179	101,773	144,882	
Total liabilities	2,832,488	2,264,621	2,758,418	
COMMITMENTS AND CONTINGENCIES				
STOCKHOLDERS' EQUITY:				
Common stock, no par, stated value \$.01 per share, 800,000,000 shares authorized, shares issued of 231,024,069, 242,026,278 and 238,336,760	2,310	2,420	2,383	
Additional paid-in capital	765,220	759,235	767,636	
Accumulated other comprehensive loss	(21,817)	(18,880)	(20,416)	
Retained earnings (deficit)	(122,535)	(64,291)	499,386	
Less treasury shares, at cost, of 35,778,404, 36,499,002 and 36,377,441	(698,925)	(709,809)	(707,462)	
Total stockholders' equity (deficiency)	(75,747)	(31,325)	541,527	
Total liabilities and stockholders' equity	\$ 2,756,741	\$ 2,233,296	\$ 3,299,945	

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS		(unaudited, in 000s)	
Six months ended October 31,		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$	(338,246)	\$ (328,946)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization		81,262	81,925
Provision for bad debt		1,890	2,350
Deferred taxes		12,595	17,913
Stock-based compensation		16,094	11,839
Changes in assets and liabilities, net of acquisitions:			
Receivables		71,859	74,672
Prepaid expenses, other current and noncurrent assets		13,889	(9,134)
Accounts payable, accrued expenses, salaries, wages and payroll taxes		(267,257)	(218,692)
Deferred revenue, other current and noncurrent liabilities		(74,996)	(81,014)
Income tax receivables, accrued income taxes and income tax reserves		(206,278)	(179,660)
Other, net		(4,128)	1,056
Net cash used in operating activities		(693,316)	(627,691)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures		(42,854)	(66,422)
Payments made for business acquisitions, net of cash acquired		(416,925)	(24,549)
Franchise loans funded		(16,021)	(8,915)
Payments from franchisees		7,902	11,689
Other, net		50,839	4,993
Net cash used in investing activities		(417,059)	(83,204)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from line of credit borrowings		135,000	—
Dividends paid		(104,063)	(103,484)
Repurchase of common stock, including shares surrendered		(190,369)	(102,096)
Proceeds from exercise of stock options		1,215	1,746
Other, net		(18,544)	(22,434)
Net cash used in financing activities		(176,761)	(226,268)
Effects of exchange rate changes on cash		1,053	(3,209)
Net decrease in cash and cash equivalents, including restricted balances		(1,286,083)	(940,372)
Cash, cash equivalents and restricted cash, beginning of period		1,707,727	1,663,678
Cash, cash equivalents and restricted cash, end of period	\$	421,644	\$ 723,306
SUPPLEMENTARY CASH FLOW DATA:			
Income taxes paid, net of refunds received	\$	54,109	\$ 50,197
Interest paid on borrowings		39,952	39,902
Accrued additions to property and equipment		3,409	4,765

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(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, 2019	238,337	\$ 2,383	\$ 767,636	\$ (20,416)	\$ 499,386	(36,377)	\$ (707,462)	\$ 541,527
Net loss	—	—	—	—	(150,247)	—	—	(150,247)
Other comprehensive loss	—	—	—	(2,320)	—	—	—	(2,320)
Stock-based compensation	—	—	6,557	—	—	—	—	6,557
Stock-based awards exercised or vested	—	—	(13,789)	—	(2,786)	906	17,631	1,056
Acquisition of treasury shares	—	—	—	—	—	(314)	(9,185)	(9,185)
Repurchase and retirement of common shares	(1,593)	(16)	(955)	—	(43,101)	—	—	(44,072)
Cash dividends declared - \$0.26 per share	—	—	—	—	(52,512)	—	—	(52,512)
Balances as of July 31, 2019	236,744	\$ 2,367	\$ 759,449	\$ (22,736)	\$ 250,740	(35,785)	\$ (699,016)	\$ 290,804
Net loss	—	—	—	—	(187,999)	—	—	(187,999)
Other comprehensive income	—	—	—	919	—	—	—	919
Stock-based compensation	—	—	9,331	—	—	—	—	9,331
Stock-based awards exercised or vested	—	—	(127)	—	(276)	13	264	(139)
Acquisition of treasury shares	—	—	—	—	—	(6)	(173)	(173)
Repurchase and retirement of common shares	(5,720)	(57)	(3,433)	—	(133,449)	—	—	(136,939)
Cash dividends declared - \$0.26 per share	—	—	—	—	(51,551)	—	—	(51,551)
Balances as of October 31, 2019	231,024	\$ 2,310	\$ 765,220	\$ (21,817)	\$ (122,535)	(35,778)	\$ (698,925)	\$ (75,747)

See accompanying notes to consolidated financial

statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(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, 2018	246,199	\$ 2,462	\$ 760,250	\$ (14,303)	\$ 362,980	(36,945)	\$ (717,678)	\$ 393,711
Net loss	—	—	—	—	(152,670)	—	—	(152,670)
Cumulative effect of ASU 2016-16 ⁽¹⁾	—	—	—	—	100,950	—	—	100,950
Other comprehensive loss	—	—	—	(1,731)	—	—	—	(1,731)
Stock-based compensation	—	—	4,307	—	—	—	—	4,307
Stock-based awards exercised or vested	—	—	(9,945)	—	(1,029)	627	12,185	1,211
Acquisition of treasury shares	—	—	—	—	—	(200)	(4,560)	(4,560)
Repurchase and retirement of common shares	(4,173)	(42)	(2,503)	—	(94,560)	—	—	(97,105)
Cash dividends declared - \$0.25 per share	—	—	—	—	(52,104)	—	—	(52,104)
Balances as of July 31, 2018	242,026	\$ 2,420	\$ 752,109	\$ (16,034)	\$ 163,567	(36,518)	\$ (710,053)	\$ 192,009
Net loss	—	—	—	—	(176,276)	—	—	(176,276)
Other comprehensive loss	—	—	—	(2,846)	—	—	—	(2,846)
Stock-based compensation	—	—	7,352	—	—	—	—	7,352
Stock-based awards exercised or vested	—	—	(226)	—	(202)	35	675	247
Acquisition of treasury shares	—	—	—	—	—	(16)	(431)	(431)
Cash dividends declared - \$0.25 per share	—	—	—	—	(51,380)	—	—	(51,380)
Balances as of October 31, 2018	242,026	\$ 2,420	\$ 759,235	\$ (18,880)	\$ (64,291)	(36,499)	\$ (709,809)	\$ (31,325)
Net loss	—	—	—	—	(126,454)	—	—	(126,454)
Other comprehensive income	—	—	—	1,238	—	—	—	1,238
Stock-based compensation	—	—	6,067	—	—	—	—	6,067
Stock-based awards exercised or vested	—	—	(5)	—	(169)	41	796	622
Acquisition of treasury shares	—	—	—	—	—	(2)	(56)	(56)
Repurchase and retirement of common shares	(525)	(5)	(315)	—	(11,981)	—	—	(12,301)
Cash dividends declared - \$0.25 per share	—	—	—	—	(51,382)	—	—	(51,382)
Balances as of January 31, 2019	241,501	\$ 2,415	\$ 764,982	\$ (17,642)	\$ (254,277)	(36,460)	\$ (709,069)	\$ (213,591)
Net income	—	—	—	—	877,909	—	—	877,909
Other comprehensive loss	—	—	—	(2,774)	—	—	—	(2,774)
Stock-based compensation	—	—	5,784	—	—	—	—	5,784
Stock-based awards exercised or vested	—	—	(1,231)	—	(150)	84	1,634	253
Acquisition of treasury shares	—	—	—	—	—	(1)	(27)	(27)
Repurchase and retirement of common shares	(3,164)	(32)	(1,899)	—	(73,501)	—	—	(75,432)
Cash dividends declared - \$0.25 per share	—	—	—	—	(50,595)	—	—	(50,595)
Balances as of April 30, 2019	238,337	\$ 2,383	\$ 767,636	\$ (20,416)	\$ 499,386	(36,377)	\$ (707,462)	\$ 541,527

⁽¹⁾ ASU 2016-16 was effective 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION The consolidated balance sheets as of October 31, 2019 and 2018, the consolidated statements of operations and comprehensive loss for the three and six months ended October 31, 2019 and 2018, the consolidated statements of cash flows for the six months ended October 31, 2019 and 2018, and the consolidated statements of stockholders' equity for the three and six months ended October 31, 2019 and the quarterly periods within the fiscal year ended April 30, 2019 have been prepared by the Company, without audit. In the opinion of management, all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position, results of operations, and cash flows as of October 31, 2019 and 2018 and for all periods presented, have been made.

"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.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been condensed or omitted. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our April 30, 2019 Annual Report to Shareholders on Form 10-K. All amounts presented herein as of April 30, 2019 or for the year then ended are derived from our Annual Report on Form 10-K.

MANAGEMENT ESTIMATES The preparation of financial statements in conformity with 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, reserves for uncertain tax positions, and related matters. 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.

SEASONALITY OF BUSINESS – Our operating revenues are seasonal in nature with peak revenues typically occurring in the months of February through April. Therefore, results for interim periods are not indicative of results to be expected for the full year.

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 9 and 11 for additional information on litigation, claims, and other loss contingencies related to our discontinued operations.

WAVE ACQUISITION On June 28, 2019, we acquired Wave HQ Inc. (formerly known as Wave Financial Inc.) and its subsidiaries (collectively, Wave) and during the quarter ended October 31, 2019 we finalized the post-closing working capital adjustment and made an additional payment of \$1.4 million, resulting in a total payment of \$408.4 million. The acquisition was funded with available cash. Wave is a provider of software solutions and related services specifically designed to help small business owners manage their finances. Major revenue sources include fees earned by providing payment processing, payroll services, and bookkeeping services. We believe the acquisition of Wave enhances our position in the small business market.

Included in the transaction price is \$8.2 million which will be treated as compensation expense over the next two years as certain key employees are required to remain employees to receive payment. Additionally, key employees are participating in a management incentive program consisting of cash performance incentives and stock-based compensation which will be earned over the next three years and is not considered part of the purchase price.

As of October 31, 2019 we have identified the acquired intangible assets and are still evaluating the income tax impacts of the transaction.

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The assets acquired, net of liabilities assumed on the acquisition date, and the identified intangible assets and goodwill, are as follows:

	(\$ in 000s)	
	Amount Acquired	Weighted-Average Life (in years)
Assets acquired and liabilities assumed, net	\$ 6,870	
Purchased technology	68,000	10
Customer relationships	23,000	5
Noncompete agreements	7,070	5
Trade name	5,800	10
Total identifiable net assets	110,740	
Goodwill	289,492	
Total identifiable assets and goodwill	\$ 400,232	

Revenues of \$14.5 million and pretax losses of \$21.3 million were recognized by Wave from the period of June 28, 2019 through October 31, 2019, which are included in our consolidated statement of operations for the six months ended October 31, 2019. Had we acquired Wave as of May 1, 2018, we would have reported, on a pro-forma basis, consolidated revenues of \$317.7 million and \$308.6 million for the six months ended October 31, 2019 and 2018, respectively, and consolidated pretax losses from continuing operations of \$478.4 million and \$453.4 million for the six months ended October 31, 2019 and 2018, respectively. Pro-forma adjustments primarily include amortization of intangible assets and certain compensation expenses.

NEW ACCOUNTING PRONOUNCEMENTS –

Leases. In February 2016, the FASB issued Accounting Standards Update No. 2016-02, “Leases” (ASU 2016-02), which requires the recognition of lease assets and lease liabilities on the balance sheet by lessees for leases previously classified as operating leases. We adopted this guidance and related amendments as of May 1, 2019 using the 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 it adopted, rather than at the beginning of the earliest comparative period).

We have recognized operating lease right-of-use (ROU) assets and operating lease liabilities on our balance sheet as part of adopting the standard and pre-existing liabilities for deferred rent, and various lease incentives were reclassified as a component of the lease assets. We elected the package of practical expedients which allows us to not reassess historical lease classification, initial direct costs or contracts related to leases. For leases with an initial term of twelve months or less we have elected to only recognize retail office leases on our balance sheet. We elected the practical expedient to account for lease and non-lease components (such as common area maintenance, utilities, insurance and taxes) as a single lease component for all classes of underlying assets. We also elected the practical expedient to not reassess whether land easement contracts meet the definition of a lease. We did not elect the practical expedient of hindsight when determining the lease term of existing contracts at the effective date.

The adoption of the new standard did not materially affect our consolidated statement of operations or cash flows. See note 10, Leases, for additional information.

NOTE 2: REVENUE RECOGNITION

The majority of our revenues are from our U.S. Tax Services business. The following table disaggregates our U.S. Tax Services revenues by major service line, with revenues from our international Tax Services businesses and from Wave included as separate lines:

(in 000s)

	Three months ended October 31,		Six months ended October 31,	
	2019	2018	2019	2018
Revenues:				
U.S. assisted tax preparation	\$ 41,226	\$ 41,652	\$ 74,218	\$ 72,756
U.S. royalties	7,820	8,062	14,679	15,633
U.S. DIY tax preparation	4,541	2,994	7,951	5,775
International	44,926	45,497	85,507	84,676
Refund Transfers	791	560	2,300	1,984
Emerald Card®	8,616	9,478	22,471	23,724
Peace of Mind® Extended Service Plan	25,660	24,318	58,497	60,895
Tax Identity Shield®	4,648	5,243	9,170	9,984
Interest and fee income on Emerald Advance™	485	397	1,039	844
Wave	10,902	—	14,527	—
Other	11,186	10,670	20,804	17,783
Total revenues	\$ 160,801	\$ 148,871	\$ 311,163	\$ 294,054

Wave revenues primarily consist of fees received to process payment transactions and are generally calculated as a percentage of the transaction amounts processed. Revenues are recognized upon authorization of the transaction.

Changes in the balances of deferred revenue and wages for Peace of Mind® Extended Service Plan (POM) are as follows:

(in 000s)

POM	Deferred Revenue		Deferred Wages	
	2019	2018	2019	2018
Six months ended October 31,				
Balance, beginning of the period	\$ 212,511	\$ 218,274	\$ 27,306	\$ 32,683
Amounts deferred	4,222	3,459	29	80
Amounts recognized on previous deferrals	(68,088)	(71,074)	(9,430)	(10,752)
Balance, end of the period	\$ 148,645	\$ 150,659	\$ 17,905	\$ 22,011

As of October 31, 2019, deferred revenue related to POM was \$148.6 million. We expect that \$105.6 million will be recognized over the next twelve months, while the remaining balance will be recognized over the following sixty months.

As of October 31, 2019 and 2018, Tax Identity Shield® (TIS) deferred revenue was \$21.0 million and \$21.8 million, respectively. Deferred revenue related to TIS was \$29.7 million and \$36.4 million at April 30, 2019 and 2018, respectively. All deferred revenue related to TIS will be recognized within the next six months.

NOTE 3: LOSS PER SHARE AND STOCKHOLDERS' EQUITY

LOSS PER SHARE Basic and diluted loss 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 or loss from continuing operations attributable to common shareholders by the weighted average shares outstanding during each period. The dilutive effect of potential common shares is included in diluted earnings per share except in those periods with a loss from continuing operations. 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 3.7 million shares for the three and six months ended October 31, 2019, and 3.4 million shares for the three and six months ended October 31, 2018, as the effect would be antidilutive due to the net loss from continuing operations during those periods.

The computations of basic and diluted loss per share from continuing operations are as follows:

	(in 000s, except per share amounts)			
	Three months ended October 31,		Six months ended October 31,	
	2019	2018	2019	2018
Net loss from continuing operations attributable to shareholders	\$ (183,554)	\$ (170,937)	\$ (329,278)	\$ (319,734)
Amounts allocated to participating securities	(150)	(144)	(299)	(286)
Net loss from continuing operations attributable to common shareholders	\$ (183,704)	\$ (171,081)	\$ (329,577)	\$ (320,020)
Basic weighted average common shares	198,079	205,520	200,058	206,596
Potential dilutive shares	—	—	—	—
Dilutive weighted average common shares	198,079	205,520	200,058	206,596
Loss per share from continuing operations attributable to common shareholders:				
Basic	\$ (0.93)	\$ (0.83)	\$ (1.65)	\$ (1.55)
Diluted	(0.93)	(0.83)	(1.65)	(1.55)

The weighted average shares outstanding for the three and six months ended October 31, 2019 decreased to 198.1 million and 200.1 million, respectively, from 205.5 million and 206.6 million, respectively, for the three and six months ended October 31, 2018. The decrease is due to share repurchases completed in the current and prior years.

STOCK-BASED COMPENSATION During the six months ended October 31, 2019, we also acquired 0.3 million shares of our common stock at an aggregate cost of \$9.4 million, which represent shares swapped or surrendered to us in connection with the vesting or exercise of stock-based awards. During the six months ended October 31, 2018, we acquired 0.2 million shares at an aggregate cost of \$5.0 million for similar purposes.

During the six months ended October 31, 2019 and 2018, we issued 0.9 million and 0.7 million shares of common stock, respectively, due to the vesting or exercise of stock-based awards.

During the six months ended October 31, 2019, we granted equity awards equivalent to 1.4 million shares under our stock-based compensation plans, consisting primarily of nonvested units. Stock-based compensation expense of our continuing operations totaled \$9.4 million and \$16.1 million for the three and six months ended October 31, 2019, respectively and \$7.5 million and \$11.8 million for the three and six months ended October 31, 2018, respectively. As of October 31, 2019, unrecognized compensation cost for stock options totaled \$0.4 million, and for nonvested shares and units totaled \$47.1 million.

NOTE 4: RECEIVABLES

Receivables, net of their related allowance, consist of the following:

(in 000s)

As of	October 31, 2019		October 31, 2018		April 30, 2019	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Loans to franchisees	\$ 23,554	\$ 43,322	\$ 26,964	\$ 38,489	\$ 22,427	\$ 35,325
Receivables for U.S. assisted and DIY tax preparation and related fees	18,531	3,716	6,033	5,503	34,284	3,716
H&R Block Instant Refund™ receivables	530	695	—	2,008	37,319	1,701
H&R Block Emerald Advance™ lines of credit	8,073	9,201	7,418	10,988	8,546	12,418
Software receivables from retailers	970	—	552	—	9,354	—
Royalties and other receivables from franchisees	8,094	147	9,103	710	11,888	97
Wave payment processing receivables	3,041	—	—	—	—	—
Other	11,917	2,165	11,216	2,831	15,147	2,382
Total	\$ 74,710	\$ 59,246	\$ 61,286	\$ 60,529	\$ 138,965	\$ 55,639

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 short-term loans and revolving lines of credit which are used to fund off-season working capital needs. As of October 31, 2019 and 2018, loans with a principal balance of \$0.2 million and \$1.1 million, respectively, were more than 90 days past due. We had no loans to franchisees on non-accrual status.

H&R BLOCK INSTANT REFUND PROGRAM— H&R Block Instant Refund™ (formerly Instant Cash Back®) amounts are generally received from the Canada Revenue Agency (CRA) within 60 days of filing the client's return, with the remaining balance collectible from the client.

We review the credit quality of our Instant Refund receivables based on pools, which are segregated by the year of origination, with older years being deemed more unlikely to be repaid. 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 October 31, 2019 are as follows:

(in 000s)

Year of Origination	Current Balance	Non-Accrual
2019	\$ 3,051	\$ 2,663
2018 and prior	441	441
	3,492	\$ 3,104
Allowance	(2,267)	
Net balance	\$ 1,225	

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H&R BLOCK EMERALD ADVANCE LINES OF CREDIT We review the credit quality of our purchased participation interests in Emerald Advance™ (EA) receivables based on pools, which are segregated by the year of origination, with older years being deemed more unlikely to be repaid. Balances and amounts on non-accrual status and classified as impaired, or more than 60 days past due, as of October 31, 2019, by year of origination, are as follows:

		(in 000s)	
Year of origination:		Balance	Non-Accrual
2019	\$	23,812	\$ 23,812
2018 and prior		6,718	6,718
Revolving loans		14,279	12,437
		44,809	\$ 42,967
Allowance		(27,535)	
Net balance	\$	17,274	

ALLOWANCE FOR DOUBTFUL ACCOUNTS Activity in the allowance for doubtful accounts for our EA and all other short-term and long-term receivables for the six months ended October 31, 2019 and 2018 is as follows:

		(in 000s)		
		EAs	All Other	Total
Balances as of April 30, 2019	\$	27,535	\$ 53,938	\$ 81,473
Provision		—	1,890	1,890
Charge-offs, recoveries and other		—	(1,217)	(1,217)
Balances as of October 31, 2019	\$	27,535	\$ 54,611	\$ 82,146
Balances as of April 30, 2018	\$	26,622	\$ 55,191	\$ 81,813
Provision		—	2,350	2,350
Charge-offs, recoveries and other		—	(4,196)	(4,196)
Balances as of October 31, 2018	\$	26,622	\$ 53,345	\$ 79,967

NOTE 5: GOODWILL AND INTANGIBLE ASSETS

Changes in the carrying amount of goodwill for the six months ended October 31, 2019 and 2018 are as follows:

		(in 000s)		
		Goodwill	Accumulated Impairment Losses	Net
Balances as of April 30, 2019	\$	552,234	\$ (32,297)	\$ 519,937
Acquisition of Wave		289,492	—	289,492
Other Acquisitions		8,491	—	8,491
Disposals and foreign currency changes, net		(2,589)	—	(2,589)
Impairments		—	—	—
Balances as of October 31, 2019	\$	847,628	\$ (32,297)	\$ 815,331
Balances as of April 30, 2018	\$	540,168	\$ (32,297)	\$ 507,871
Acquisitions		624	—	624
Disposals and foreign currency changes, net		(1,304)	—	(1,304)
Impairments		—	—	—
Balances as of October 31, 2018	\$	539,488	\$ (32,297)	\$ 507,191

We test goodwill for impairment annually in our fourth quarter, or more frequently if events occur or circumstances change which would, more likely than not, reduce the fair value of a reporting unit below its carrying value.

Components of intangible assets are as follows:

(in 000s)

	Gross Carrying Amount	Accumulated Amortization	Net
As of October 31, 2019:			
Reacquired franchise rights	\$ 355,116	\$ (147,313)	\$ 207,803
Customer relationships	299,245	(211,681)	87,564
Internally-developed software	149,644	(113,863)	35,781
Noncompete agreements	40,636	(32,620)	8,016
Franchise agreements	19,201	(13,974)	5,227
Purchased technology	122,700	(49,503)	73,197
Trade name	5,800	(192)	5,608
Acquired assets pending final allocation ⁽¹⁾	2,181	—	2,181
	\$ 994,523	\$ (569,146)	\$ 425,377
As of October 31, 2018:			
Reacquired franchise rights	\$ 339,719	\$ (124,733)	\$ 214,986
Customer relationships	256,739	(179,011)	77,728
Internally-developed software	142,147	(117,060)	25,087
Noncompete agreements	32,879	(30,596)	2,283
Franchise agreements	19,201	(12,694)	6,507
Purchased technology	54,700	(40,646)	14,054
Acquired assets pending final allocation ⁽¹⁾	23,879	—	23,879
	\$ 869,264	\$ (504,740)	\$ 364,524
As of April 30, 2019:			
Reacquired franchise rights	\$ 350,410	\$ (136,345)	\$ 214,065
Customer relationships	274,838	(195,174)	79,664
Internally-developed software	139,239	(109,885)	29,354
Noncompete agreements	33,376	(31,446)	1,930
Franchise agreements	19,201	(13,334)	5,867
Purchased technology	54,700	(43,518)	11,182
Acquired assets pending final allocation ⁽¹⁾	431	—	431
	\$ 872,195	\$ (529,702)	\$ 342,493

⁽¹⁾ Represents franchisee and competitor business acquisitions for which final purchase price allocations have not yet been determined.

We made payments to acquire franchisee and competitor businesses totaling \$20.7 million and \$24.5 million during the six months ended October 31, 2019 and 2018, respectively. These payments do not include the payments made to acquire Wave as discussed in note 1.

Amortization of intangible assets for the three and six months ended October 31, 2019 was \$21.6 million and \$39.8 million, respectively. Amortization of intangible assets for the three and six months ended October 31, 2018 was \$17.6 million and \$35.7 million, respectively. Estimated amortization of intangible assets for fiscal years 2020, 2021, 2022, 2023 and 2024 is \$80.2 million, \$67.4 million, \$51.6 million, \$35.5 million and \$27.8 million, respectively.

NOTE 6: LONG-TERM DEBT

The components of long-term debt are as follows:

As of	(in 000s)		
	October 31, 2019	October 31, 2018	April 30, 2019
Senior Notes, 4.125%, due October 2020	\$ 650,000	\$ 650,000	\$ 650,000
Senior Notes, 5.500%, due November 2022	500,000	500,000	500,000
Senior Notes, 5.250%, due October 2025	350,000	350,000	350,000
Committed line of credit borrowings	135,000	—	—
Debt issuance costs and discounts	(6,050)	(8,672)	(7,371)
	<u>1,628,950</u>	<u>1,491,328</u>	<u>1,492,629</u>
Less: Current portion	(648,651)	—	—
	<u>\$ 980,299</u>	<u>\$ 1,491,328</u>	<u>\$ 1,492,629</u>

UNSECURED COMMITTED LINE OF CREDIT Our unsecured committed line of credit (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 CLOC will mature on September 21, 2023, unless extended pursuant to the terms of the CLOC, at which time all outstanding amounts thereunder will be due and payable. Our CLOC includes an annual facility fee, which will vary depending on our then current credit ratings.

The 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 CLOC includes provisions for an equity cure which could potentially allow us to independently cure certain defaults. Proceeds under the CLOC may be used for working capital needs or for other general corporate purposes. We were in compliance with these requirements as of October 31, 2019.

We had an outstanding balance of \$135 million under the CLOC as of October 31, 2019, and amounts available to borrow were limited by the debt-to-EBITDA covenant to approximately \$962 million as of October 31, 2019.

Our Senior Notes due in October 2020 are classified as a current liability as of October 31, 2019 because such amounts are due within one year. We are considering various financing options in regard to the maturing Senior Notes and anticipate these options will provide adequate liquidity to fund the cash requirements at or prior to maturity. The estimated fair value of our long-term debt, including the current portion of long-term debt, as of October 31, 2019 and 2018 and April 30, 2019 totaled \$1.7 billion, \$1.5 billion and \$1.6 billion, respectively.

NOTE 7: 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 2017 and 2018 remain open for examination. Our U.S. federal income tax returns for 2016 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.

We had gross unrecognized tax benefits of \$156.7 million, \$189.6 million and \$185.1 million as of October 31, 2019 and 2018 and April 30, 2019, respectively. The gross unrecognized tax benefits decreased \$28.4 million and increased \$3.5 million during the six months ended October 31, 2019 and 2018, respectively. The decrease in unrecognized tax benefits during the six months ending October 31, 2019 is related to federal and state statute of limitation periods ending in the current quarter as well as to favorable audit settlements. We believe it is reasonably possible that the balance of unrecognized tax benefits could decrease by approximately \$14.1 million within the next twelve months. The anticipated decrease is due to the expiration of statutes of limitations and anticipated closure of various state matters currently under exam. For such matters where a change in the balance of unrecognized tax benefits is not yet deemed reasonably possible, no estimate has been included.

Consistent with prior years, our pretax loss for the six months ended October 31, 2019 is expected to be offset by income in the fourth quarter due to the established pattern of seasonality in our primary business operations. As such, management has determined that it is more-likely-than-not that realization of tax benefits recorded in our financial statements will occur within our fiscal year. The amount of tax benefit recorded for the six months ended October 31, 2019 reflects management's estimate of the annual effective tax rate applied to the year-to-date loss from continuing operations adjusted for the tax impact of discrete items for the periods presented.

A discrete income tax benefit of \$25.2 million was recorded in the six months ended October 31, 2019 compared to a discrete tax benefit of \$7.4 million in the same period of the prior year. The discrete tax benefit recorded in the current period primarily resulted from the settlement of various matters, including expiration of statute of limitations and resolution with tax authorities, and valuation allowance changes related to utilization of foreign losses. The discrete tax benefit recorded in the prior year resulted primarily from favorable audit settlements.

Our effective tax rate for continuing operations, including the effects of discrete tax items, was 29.7% and 25.8% for the six months ended October 31, 2019 and 2018, respectively. Discrete items increased the effective tax rate for the six months ended October 31, 2019 and 2018 by 5.4% and 1.7%, respectively. Due to the loss in both periods, a discrete tax benefit in either period increases the tax rate while an item of discrete tax expense decreases the tax rate. The impact of discrete tax items combined with the seasonal nature of our business can cause the effective tax rate through our second quarter to be significantly different than the rate for our full fiscal year.

NOTE 8: OTHER INCOME AND OTHER EXPENSES

The following table shows the components of other income (expense), net:

	(in 000s)			
	Three months ended October 31,		Six months ended October 31,	
	2019	2018	2019	2018
Interest income	\$ 2,225	\$ 4,505	\$ 10,251	\$ 9,002
Foreign currency gains (losses), net	105	(124)	114	(127)
Other, net	409	83	1,497	131
	\$ 2,739	\$ 4,464	\$ 11,862	\$ 9,006

NOTE 9: COMMITMENTS AND CONTINGENCIES

Assisted tax returns, as well as services provided under Tax Pro GoSM and Tax Pro ReviewSM, 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 \$7.6 million, \$7.1 million and \$9.9 million as of October 31, 2019 and 2018 and April 30, 2019, 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 \$4.1 million, \$11.5 million and \$11.1 million as of October 31, 2019 and 2018 and April 30, 2019, respectively, with amounts 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 short-term loans and revolving lines of credit. Our total obligation under these lines of credit was \$34.2 million at October 31, 2019, and net of amounts drawn and outstanding, our remaining commitment to fund totaled \$22.1 million.

LOSS CONTINGENCIES PERTAINING TO DISCONTINUED MORTGAGE OPERATIONS We 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 October 31, 2019 and 2018 or April 30, 2019.

See note 11, 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 10: LEASES

As discussed in note 1, we adopted ASU 2016-02 on May 1, 2019. 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 generally are from May 1 to April 30. We record operating lease right of use (ROU) assets and operating lease liabilities based on the discounted future minimum lease payments over the term of the lease. We generally do not include renewal options in the term of the lease. As the rates implicit in our leases are not readily determinable, we used our incremental borrowing rate based on the lease term and geographic location in calculating the discounted future minimum lease payments.

We recognize lease expenses for our operating leases on a straight-line basis. For lease payments that are subject to adjustments based on indexes or rates, the most current index or rate adjustments were included in the measurement of our ROU assets and lease liabilities at adoption. Variable lease costs, including non-lease components (such as common area maintenance, utilities, insurance, and taxes) and certain index-based changes in lease payments, are expensed as incurred.

For the three and six months ended October 31, 2019, our lease costs consist of the following:

	(in 000s)	
	Three months ended October 31, 2019	Six months ended October 31, 2019
Operating lease costs	\$ 60,759	\$ 120,930
Variable lease costs	17,689	32,450
Subrental income	(336)	(685)
Total lease costs	\$ 78,112	\$ 152,695

Other information related to operating leases for the six months ended October 31, 2019 is as follows:

		(\$ in 000s)
Cash paid for operating lease costs	\$	99,146
Operating lease right of use assets obtained in exchange for operating lease liabilities ⁽¹⁾	\$	204,962
Weighted-average remaining operating lease term (years)		3
Weighted-average operating lease discount rate		3.5%

⁽¹⁾ This balance excludes the initial impacts of the adoption of ASU 2016-02.

Aggregate operating lease maturities as of October 31, 2019 are as follows:

		(in 000s)
Remainder of 2020	\$	121,490
2021		176,640
2022		116,537
2023		60,550
2024		27,756
2025 and thereafter		14,996
Total future undiscounted operating lease payments		517,969
Less imputed interest		(28,381)
Total operating lease liabilities	\$	489,588

As disclosed in our Annual Report on Form 10-K for the fiscal year ended April 30, 2019, our future undiscounted operating lease commitments under the previous accounting standard was \$573.3 million.

NOTE 11: 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 reasonable 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 October 31, 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 October 31, 2019 and 2018 and April 30, 2019, our total accrued liabilities were \$1.6 million, \$3.0 million and \$1.9 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 is 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 October 31, 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 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, Inc. and HRB Digital LLC 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, California 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 4 years prior to the date of the filing of the complaint, pre-judgment interest, civil penalties and costs. The case was removed to the United States District Court for the Central District of California on June 6, 2019 (Case No. 2:19-cv-04933-ODW-AS). A motion to remand is pending. 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 H&R Block, Inc., HRB Tax Group, Inc. and HRB Digital LLC in the Superior Court of the State of California, County of San Francisco (Case No. CGC-19576093) styled *Olosoni and Snarr v. H&R Block, Inc., et al*. The case was removed to the United States District Court for the Northern District of California on June 21, 2019 (Case No. 3:19-cv-03610-SK). The plaintiffs filed a first amended complaint on August 9, 2019, dropping H&R Block, Inc. from the case. In their amended complaint, the plaintiffs seek to represent classes of all persons, between May 17, 2015 and the present, who (1) paid to file one or more federal tax returns through H&R Block's internet-based filing system, (2) were eligible to file those tax returns for free through the H&R

Block Free File offer of the IRS Free File Program, and (3) resided in and were citizens of California at the time of the payments. The plaintiffs generally allege unlawful, unfair, fraudulent and deceptive business practices and acts in connection with the IRS Free File Program in violation of the California Consumers Legal Remedies Act, California Civil Code §§1750, *et seq.*, California False Advertising Law, California Business and Professions Code §§17500, *et seq.*, and California Unfair Competition Law, California Business and Professions Code §§17200 *et seq.* The plaintiffs seek declaratory and injunctive relief, restitution, compensatory damages, punitive damages, interest, attorneys' fees and costs. We filed a motion to stay the proceedings based on the primary jurisdiction doctrine and a motion to compel arbitration, both of which were denied. We filed an appeal of the denial of the motion to compel arbitration, which is pending. We also filed a motion to transfer venue to the United States District Court for the Western District of Missouri, which remains pending. 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 26, 2019, a putative class action complaint was filed against H&R Block, Inc., HRB Tax Group, Inc., HRB Digital LLC and Free File, Inc. in the United States District Court for the Western District of Missouri (Case No. 4:19-cv-00788-GAF) styled *Swanson v. H&R Block, Inc., et al.* The plaintiff seeks to represent both a nationwide class and a California subclass of all persons eligible for the IRS Free File Program who paid to use an H&R Block product to file an online tax return for the 2002 through 2018 tax filing years. The plaintiff generally alleges unlawful, unfair, fraudulent and deceptive business practices and acts in connection with the IRS Free File Program in violation of the California Consumers Legal Remedies Act, California Civil Code §§1750, *et seq.*, California False Advertising Law, California Business and Professions Code §§17500, *et seq.*, California Unfair Competition Law, California Business and Professions Code §§17200, *et seq.*, in addition to breach of contract and fraud. The plaintiff seeks injunctive relief, disgorgement, compensatory damages, statutory damages, punitive damages, interest, attorneys' fees and costs. We filed a motion to stay the proceedings based on the primary jurisdiction doctrine and a motion to compel arbitration, both of which remain pending. 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 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 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 closed on September 30, 2019 and motions for summary judgment were filed on December 6, 2019. A mediation session between the parties is scheduled for January 28, 2020. 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 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 closed on September 30, 2019 and

motions for summary judgment were filed on December 6, 2019. A mediation session between the parties is scheduled for January 28, 2020. 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.

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 \$2.9 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 October 31, 2019, total approximately \$280 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 substantial and could have a material adverse impact on our business and our consolidated financial position, results of operations, and cash flows.

NOTE 12: CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Block Financial LLC (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 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 STATEMENTS OF OPERATIONS						(in 000s)
Three months ended October 31, 2019	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block	
Total revenues	\$ —	\$ 11,750	\$ 152,781	\$ (3,730)	\$ 160,801	
Cost of revenues	—	4,866	248,513	(173)	253,206	
Selling, general and administrative	1,538	5,290	147,063	(3,557)	150,334	
Total operating expenses	1,538	10,156	395,576	(3,730)	403,540	
Other income (expense), net	(188,397)	9,995	1,209	179,932	2,739	
Interest expense on external borrowings	—	(21,300)	(6)	—	(21,306)	
Loss from continuing operations before incometax benefit	(189,935)	(9,711)	(241,592)	179,932	(261,306)	
Income tax benefit	(1,936)	(2,832)	(72,984)	—	(77,752)	
Net loss from continuing operations	(187,999)	(6,879)	(168,608)	179,932	(183,554)	
Net loss from discontinued operations	—	(4,445)	—	—	(4,445)	
Net loss	(187,999)	(11,324)	(168,608)	179,932	(187,999)	
Other comprehensive income	919	—	919	(919)	919	
Comprehensive loss	\$ (187,080)	\$ (11,324)	\$ (167,689)	\$ 179,013	\$ (187,080)	

						(in 000s)
Three months ended October 31, 2018	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block	
Total revenues	\$ —	\$ 11,458	\$ 142,154	\$ (4,741)	\$ 148,871	
Cost of revenues	—	7,014	245,969	(2,168)	250,815	
Selling, general and administrative	1,476	2,847	111,569	(2,573)	113,319	
Total operating expenses	1,476	9,861	357,538	(4,741)	364,134	
Other income (expense), net	(176,485)	9,018	(898)	172,829	4,464	
Interest expense on external borrowings	—	(21,126)	(65)	—	(21,191)	
Loss from continuing operations before income tax benefit	(177,961)	(10,511)	(216,347)	172,829	(231,990)	
Income tax benefit	(1,685)	(2,316)	(57,052)	—	(61,053)	
Net loss from continuing operations	(176,276)	(8,195)	(159,295)	172,829	(170,937)	
Net loss from discontinued operations	—	(5,339)	—	—	(5,339)	
Net loss	(176,276)	(13,534)	(159,295)	172,829	(176,276)	
Other comprehensive loss	(2,846)	—	(2,846)	2,846	(2,846)	
Comprehensive loss	\$ (179,122)	\$ (13,534)	\$ (162,141)	\$ 175,675	\$ (179,122)	

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS						(in 000s)
Six months ended October 31, 2019	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block	
Total revenues	\$ —	\$ 28,284	\$ 289,840	\$ (6,961)	\$ 311,163	
Cost of revenues	—	10,082	473,211	(695)	482,598	
Selling, general and administrative	1,538	8,187	263,011	(6,266)	266,470	
Total operating expenses	1,538	18,269	736,222	(6,961)	749,068	
Other income (expense), net	(340,149)	20,492	15,077	316,442	11,862	
Interest expense on external borrowings	—	(42,356)	(21)	—	(42,377)	
Loss from continuing operations before income tax benefit	(341,687)	(11,849)	(431,326)	316,442	(468,420)	
Income tax benefit	(3,441)	(3,010)	(132,691)	—	(139,142)	
Net loss from continuing operations	(338,246)	(8,839)	(298,635)	316,442	(329,278)	
Net loss from discontinued operations	—	(8,968)	—	—	(8,968)	
Net loss	(338,246)	(17,807)	(298,635)	316,442	(338,246)	
Other comprehensive loss	(1,401)	—	(1,401)	1,401	(1,401)	
Comprehensive loss	\$ (339,647)	\$ (17,807)	\$ (300,036)	\$ 317,843	\$ (339,647)	

						(in 000s)
Six months ended October 31, 2018	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block	
Total revenues	\$ —	\$ 28,290	\$ 273,631	\$ (7,867)	\$ 294,054	
Cost of revenues	—	12,047	463,087	(2,759)	472,375	
Selling, general and administrative	1,476	6,097	216,594	(5,108)	219,059	
Total operating expenses	1,476	18,144	679,681	(7,867)	691,434	
Other income (expense), net	(330,101)	18,845	6,150	314,112	9,006	
Interest expense on external borrowings	—	(42,249)	(132)	—	(42,381)	
Loss from continuing operations before income tax benefit	(331,577)	(13,258)	(400,032)	314,112	(430,755)	
Income tax benefit	(2,631)	(6,017)	(102,373)	—	(111,021)	
Net loss from continuing operations	(328,946)	(7,241)	(297,659)	314,112	(319,734)	
Net loss from discontinued operations	—	(9,212)	—	—	(9,212)	
Net loss	(328,946)	(16,453)	(297,659)	314,112	(328,946)	
Other comprehensive loss	(4,577)	—	(4,577)	4,577	(4,577)	
Comprehensive loss	\$ (333,523)	\$ (16,453)	\$ (302,236)	\$ 318,689	\$ (333,523)	

CONDENSED CONSOLIDATING BALANCE SHEETS						(in 000s)
As of October 31, 2019	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block	
Cash & cash equivalents	\$ —	\$ 4,143	\$ 241,169	\$ —	\$ 245,312	
Cash & cash equivalents - restricted	—	—	176,332	—	176,332	
Receivables, net	—	36,244	38,466	—	74,710	
Prepaid expenses and other current assets	2,812	3,480	98,766	—	105,058	
Total current assets	2,812	43,867	554,733	—	601,412	
Property and equipment, net	—	387	205,829	—	206,216	
Operating lease right of use asset	—	295	475,674	—	475,969	
Intangible assets, net	—	—	425,377	—	425,377	
Goodwill	—	—	815,331	—	815,331	
Deferred tax assets and income taxes receivable	2,322	15,953	127,532	—	145,807	
Investments in subsidiaries	3,078,076	—	119,925	(3,198,001)	—	
Amounts due from affiliates	—	1,667,699	3,131,764	(4,799,463)	—	
Other noncurrent assets	—	58,773	27,856	—	86,629	
Total assets	\$ 3,083,210	\$ 1,786,974	\$ 5,884,021	\$ (7,997,464)	\$ 2,756,741	
Accounts payable and accrued expenses	2,570	8,252	100,617	—	111,439	
Accrued salaries, wages and payroll taxes	—	2,013	55,589	—	57,602	
Accrued income taxes and reserves for uncertain tax positions	—	1,060	105,065	—	106,125	
Current portion of long-term debt	—	648,651	—	—	648,651	
Operating lease liabilities	—	150	162,747	—	162,897	
Deferred revenue and other current liabilities	—	20,342	156,901	—	177,243	
Total current liabilities	2,570	680,468	580,919	—	1,263,957	
Long-term debt and line of credit borrowings	—	980,299	—	—	980,299	
Deferred tax liabilities and reserves for uncertain tax positions	24,623	1,486	154,253	—	180,362	
Operating lease liabilities	—	148	326,543	—	326,691	
Deferred revenue and other noncurrent liabilities	—	4,648	76,531	—	81,179	
Amounts due to affiliates	3,131,764	—	1,667,699	(4,799,463)	—	
Total liabilities	3,158,957	1,667,049	2,805,945	(4,799,463)	2,832,488	
Stockholders' equity (deficiency)	(75,747)	119,925	3,078,076	(3,198,001)	(75,747)	
Total liabilities and stockholders' equity	\$ 3,083,210	\$ 1,786,974	\$ 5,884,021	\$ (7,997,464)	\$ 2,756,741	

CONDENSED CONSOLIDATING BALANCE SHEETS						(in 000s)
As of October 31, 2018	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block	
Cash & cash equivalents	\$ —	\$ 4,417	\$ 596,382	\$ —	\$ 600,799	
Cash & cash equivalents - restricted	—	—	122,507	—	122,507	
Receivables, net	—	39,241	22,045	—	61,286	
Prepaid expenses and other current assets	2,811	3,593	100,006	—	106,410	
Total current assets	2,811	47,251	840,940	—	891,002	
Property and equipment, net	—	524	241,248	—	241,772	
Intangible assets, net	—	—	364,524	—	364,524	
Goodwill	—	—	507,191	—	507,191	
Deferred tax assets and income taxes receivable	434	17,941	112,612	—	130,987	
Investments in subsidiaries	2,600,520	—	114,862	(2,715,382)	—	
Amounts due from affiliates	—	1,520,018	2,623,445	(4,143,463)	—	
Other noncurrent assets	—	58,288	39,532	—	97,820	
Total assets	\$ 2,603,765	\$ 1,644,022	\$ 4,844,354	\$ (6,858,845)	\$ 2,233,296	
Accounts payable and accrued expenses	\$ 2,360	\$ 9,933	\$ 102,100	\$ —	\$ 114,393	
Accrued salaries, wages and payroll taxes	—	1,641	41,755	—	43,396	
Accrued income taxes and reserves for uncertain tax positions	—	1,060	93,197	—	94,257	
Deferred revenue and other current liabilities	—	20,409	163,266	—	183,675	
Total current liabilities	2,360	33,043	400,318	—	435,721	
Long-term debt	—	1,491,328	—	—	1,491,328	
Deferred tax liabilities and reserves for uncertain tax positions	9,285	3,989	222,525	—	235,799	
Deferred revenue and other noncurrent liabilities	—	800	100,973	—	101,773	
Amounts due to affiliates	2,623,445	—	1,520,018	(4,143,463)	—	
Total liabilities	2,635,090	1,529,160	2,243,834	(4,143,463)	2,264,621	
Stockholders' equity (deficiency)	(31,325)	114,862	2,600,520	(2,715,382)	(31,325)	
Total liabilities and stockholders' equity	\$ 2,603,765	\$ 1,644,022	\$ 4,844,354	\$ (6,858,845)	\$ 2,233,296	

CONDENSED CONSOLIDATING BALANCE SHEETS						(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	

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS						(in 000s)
Six months ended October 31, 2019	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block	
Net cash used in operating activities	\$ —	\$ (20,938)	\$ (672,378)	\$ —	\$ (693,316)	
Cash flows from investing:						
Capital expenditures	—	—	(42,854)	—	(42,854)	
Payments made for business acquisitions, net of cash acquired	—	—	(416,925)	—	(416,925)	
Franchise loans funded	—	(15,868)	(153)	—	(16,021)	
Payments from franchisees	—	7,476	426	—	7,902	
Intercompany borrowings (payments)	—	(104,742)	(293,217)	397,959	—	
Other, net	—	(894)	51,733	—	50,839	
Net cash used in investing activities	—	(114,028)	(700,990)	397,959	(417,059)	
Cash flows from financing:						
Proceeds from line of credit borrowings	—	135,000	—	—	135,000	
Dividends paid	(104,063)	—	—	—	(104,063)	
Repurchase of common stock, including shares surrendered	(190,369)	—	—	—	(190,369)	
Proceeds from exercise of stock options	1,215	—	—	—	1,215	
Intercompany borrowings (payments)	293,217	—	104,742	(397,959)	—	
Other, net	—	—	(18,544)	—	(18,544)	
Net cash provided by (used in) financing activities	—	135,000	86,198	(397,959)	(176,761)	
Effects of exchange rates on cash	—	—	1,053	—	1,053	
Net increase (decrease) in cash, including restricted balances	—	34	(1,286,117)	—	(1,286,083)	
Cash, cash equivalents and restricted cash, beginning of period	—	4,109	1,703,618	—	1,707,727	
Cash, cash equivalents and restricted cash, end of period	\$ —	\$ 4,143	\$ 417,501	\$ —	\$ 421,644	

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS						(in 000s)
Six months ended October 31, 2018	H&R Block, Inc. (Guarantor)	Block Financial (Issuer)	Other Subsidiaries	Eliminations	Consolidated H&R Block	
Net cash used in operating activities	\$ —	\$ (22,827)	\$ (604,864)	\$ —	\$ (627,691)	
Cash flows from investing:						
Capital expenditures	—	(164)	(66,258)	—	(66,422)	
Payments made for business acquisitions, net of cash acquired	—	—	(24,549)	—	(24,549)	
Franchise loans funded	—	(8,740)	(175)	—	(8,915)	
Payments from franchisees	—	11,442	247	—	11,689	
Intercompany borrowings (payments)	—	20,819	(203,834)	183,015	—	
Other, net	—	209	4,784	—	4,993	
Net cash provided by (used in) investing activities	—	23,566	(289,785)	183,015	(83,204)	
Cash flows from financing:						
Dividends paid	(103,484)	—	—	—	(103,484)	
Repurchase of common stock, including shares surrendered	(102,096)	—	—	—	(102,096)	
Proceeds from exercise of stock options	1,746	—	—	—	1,746	
Intercompany borrowings (payments)	203,834	—	(20,819)	(183,015)	—	
Other, net	—	(668)	(21,766)	—	(22,434)	
Net cash used in financing activities	—	(668)	(42,585)	(183,015)	(226,268)	
Effects of exchange rates on cash	—	—	(3,209)	—	(3,209)	
Net increase (decrease) in cash, including restricted balances	—	71	(940,443)	—	(940,372)	
Cash, cash equivalents and restricted cash, beginning of period	—	4,346	1,659,332	—	1,663,678	
Cash, cash equivalents and restricted cash, end of period	\$ —	\$ 4,417	\$ 718,889	\$ —	\$ 723,306	

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND 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 also offer small business financial solutions through our company-owned or franchise offices and online through Wave. We report a single segment that includes all of our continuing operations.

RECENT DEVELOPMENTS

On June 28, 2019, we acquired Wave HQ Inc. (formerly known as Wave Financial Inc.) and its subsidiaries (collectively, Wave). See additional discussion in Item 1, note 1.

RESULTS OF OPERATIONS

Consolidated – Financial Results		(in 000s, except per share amounts)			
Three months ended October 31,	2019	2018	\$ Change	% Change	
Revenues:					
U.S. assisted tax preparation	\$ 41,226	\$ 41,652	\$ (426)	(1.0)%	
U.S. royalties	7,820	8,062	(242)	(3.0)%	
U.S. DIY tax preparation	4,541	2,994	1,547	51.7 %	
International	44,926	45,497	(571)	(1.3)%	
Refund Transfers	791	560	231	41.3 %	
Emerald Card®	8,616	9,478	(862)	(9.1)%	
Peace of Mind® Extended Service Plan	25,660	24,318	1,342	5.5 %	
Tax Identity Shield®	4,648	5,243	(595)	(11.3)%	
Interest and fee income on Emerald Advance™	485	397	88	22.2 %	
Wave	10,902	—	10,902	**	
Other	11,186	10,670	516	4.8 %	
Total revenues	160,801	148,871	11,930	8.0 %	
Compensation and benefits:					
Field wages	60,993	59,096	1,897	3.2 %	
Other wages	60,744	50,046	10,698	21.4 %	
Benefits and other compensation	28,708	24,178	4,530	18.7 %	
	150,445	133,320	17,125	12.8 %	
Occupancy	97,530	104,880	(7,350)	(7.0)%	
Marketing and advertising	9,651	8,586	1,065	12.4 %	
Depreciation and amortization	42,657	41,493	1,164	2.8 %	
Bad debt	2,035	188	1,847	982.4 %	
Other (1)	101,222	75,667	25,555	33.8 %	
Total operating expenses	403,540	364,134	39,406	10.8 %	
Other income (expense), net	2,739	4,464	(1,725)	(38.6)%	
Interest expense on borrowings	(21,306)	(21,191)	(115)	(0.5)%	
Pretax loss	(261,306)	(231,990)	(29,316)	(12.6)%	
Income tax benefit	(77,752)	(61,053)	16,699	27.4 %	
Net loss from continuing operations	(183,554)	(170,937)	(12,617)	(7.4)%	
Net loss from discontinued operations	(4,445)	(5,339)	894	16.7 %	
Net loss	\$ (187,999)	\$ (176,276)	\$ (11,723)	(6.7)%	
BASIC AND DILUTED LOSS PER SHARE:					
Continuing operations	\$ (0.93)	\$ (0.83)	\$ (0.10)	(12.0)%	
Discontinued operations	(0.02)	(0.03)	0.01	33.3 %	
Consolidated	\$ (0.95)	\$ (0.86)	\$ (0.09)	(10.5)%	
EBITDA from continuing operations (2)	\$ (197,343)	\$ (169,306)	\$ (28,037)	(16.6)%	

(1) We reclassified \$3.2 million of supplies expense from its own financial statement line to other expenses for fiscal year 2019 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.

Three months ended October 31, 2019 compared to October 31, 2018

Revenues increased \$11.9 million, or 8.0%, from the prior year period.

Revenues from U.S. DIY tax preparation increased \$1.5 million, or 51.7%, primarily due to higher off-season online volumes. Revenues from POM increased \$1.3 million, or 5.5%, due to changes in the claims pattern used to recognize revenue.

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Revenues of \$10.9 million were recognized by Wave, which we acquired on June 28, 2019, and therefore were not included in our results of operations in the prior year period.

Total operating expenses increased \$39.4 million, or 10.8%, from the prior year. Other wages increased \$10.7 million, or 21.4%, primarily due to higher information technology wages and the acquisition of Wave. Benefits and other compensation increased \$4.5 million, or 18.7% primarily due to higher stock-based compensation and employee insurance expenses. Occupancy decreased \$7.4 million, or 7.0%, due to office closure expenses in the prior year.

Other expenses increased \$25.6 million, or 33.8%. The components of other expenses are as follows:

Three months ended October 31,	2019	2018	\$ Change	% Change
Consulting and outsourced services	\$ 24,284	\$ 17,817	\$ 6,467	36.3 %
Bank partner fees	1,373	1,368	5	0.4 %
Client claims and refunds	9,457	10,098	(641)	(6.3)%
Employee travel and related expenses	13,813	13,377	436	3.3 %
Technology-related expenses	13,569	18,911	(5,342)	(28.2)%
Credit card/bank charges	9,836	2,743	7,093	258.6 %
Insurance	3,845	2,910	935	32.1 %
Legal fees and settlements	13,028	916	12,112	1,322.3 %
Supplies	5,260	3,189	2,071	64.9 %
Other	6,757	4,338	2,419	55.8 %
	\$ 101,222	\$ 75,667	\$ 25,555	33.8 %

Consulting expenses increased \$6.5 million due to additional resources for our technology initiatives, while technology-related expenses decreased \$5.3 million primarily due to a favorable contract resolution. Credit card and bank charges increased \$7.1 million as a result of the acquisition of Wave, while legal fees increased \$12.1 million due to fees associated with ongoing legal matters, as discussed in Item 1, note 11 to the consolidated financial statements, and the acquisition of Wave.

We recorded an income tax benefit in the current year of \$77.8 million compared to \$61.1 million in the prior year. See Item 1, note 7 to the consolidated financial statements for additional discussion.

RESULTS OF OPERATIONS

Consolidated - Financial Results		(in 000s, except per share amounts)			
Six months ended October 31,	2019	2018	\$ Change	% Change	
Revenues:					
U.S. assisted tax preparation	\$ 74,218	\$ 72,756	\$ 1,462	2.0 %	
U.S. royalties	14,679	15,633	(954)	(6.1)%	
U.S. DIY tax preparation	7,951	5,775	2,176	37.7 %	
International	85,507	84,676	831	1.0 %	
Refund Transfers	2,300	1,984	316	15.9 %	
Emerald Card®	22,471	23,724	(1,253)	(5.3)%	
Peace of Mind® Extended Service Plan	58,497	60,895	(2,398)	(3.9)%	
Tax Identity Shield®	9,170	9,984	(814)	(8.2)%	
Interest and fee income on Emerald Advance™	1,039	844	195	23.1 %	
Wave	14,527	—	14,527	**	
Other	20,804	17,783	3,021	17.0 %	
Total revenues	311,163	294,054	17,109	5.8 %	
Compensation and benefits:					
Field wages	114,796	109,028	5,768	5.3 %	
Other wages	114,581	97,868	16,713	17.1 %	
Benefits and other compensation	55,182	47,109	8,073	17.1 %	
	284,559	254,005	30,554	12.0 %	
Occupancy	189,682	195,606	(5,924)	(3.0)%	
Marketing and advertising	16,430	15,480	950	6.1 %	
Depreciation and amortization	81,262	81,925	(663)	(0.8)%	
Bad debt	1,067	(670)	1,737	**	
Other (1)	176,068	145,088	30,980	21.4 %	
Total operating expenses	749,068	691,434	57,634	8.3 %	
Other income (expense), net	11,862	9,006	2,856	31.7 %	
Interest expense on borrowings	(42,377)	(42,381)	4	— %	
Pretax loss	(468,420)	(430,755)	(37,665)	(8.7)%	
Income tax benefit	(139,142)	(111,021)	28,121	25.3 %	
Net loss from continuing operations	(329,278)	(319,734)	(9,544)	(3.0)%	
Net loss from discontinued operations	(8,968)	(9,212)	244	2.6 %	
Net loss	\$ (338,246)	\$ (328,946)	\$ (9,300)	(2.8)%	
BASIC AND DILUTED LOSS PER SHARE:					
Continuing operations	\$ (1.65)	\$ (1.55)	\$ (0.10)	(6.5)%	
Discontinued operations	(0.04)	(0.04)	—	— %	
Consolidated	\$ (1.69)	\$ (1.59)	\$ (0.10)	(6.3)%	
EBITDA from continuing operations (2)	\$ (344,781)	\$ (306,449)	\$ (38,332)	(12.5)%	

(1) We reclassified \$5.4 million of supplies expense from its own financial statement line to other expenses for fiscal year 2019 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.

Six months ended October 31, 2019 compared to October 31, 2018

Revenues increased \$17.1 million, or 5.8%, from the prior year period. U.S. assisted tax preparation fees increased \$1.5 million, or 2.0%, primarily due to higher off-season tax return volumes, slightly offset by lower net average charge. Revenues from U.S. DIY tax preparation increased \$2.2 million, or 37.7%, due primarily to higher off-season online volumes.

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Revenues from POM decreased \$2.4 million, or 3.9%, due to changes in the claims pattern used to recognize revenue.

Revenues of \$14.5 million were recognized by Wave, which we acquired on June 28, 2019, and therefore were not included in our results of operations in the prior year period.

Total operating expenses increased \$57.6 million, or 8.3%, from the prior year period. Field wages increased \$5.8 million, or 5.3%, primarily due to higher wages due to the increase in return volumes. Other wages increased \$16.7 million, or 17.1%, primarily due to higher information technology wages and the acquisition of Wave. Benefits and other compensation increased \$8.1 million, or 17.1% primarily due to higher stock based compensation, retirement savings plan contributions and employee insurance expenses. Occupancy decreased \$5.9 million, or 3.0%, due to office closure expenses in the prior year.

Other expenses increased \$31.0 million, or 21.4%. The components of other expenses are as follows:

Six months ended October 31,	2019	2018	\$ Change	% Change
Consulting and outsourced services	\$ 42,473	\$ 38,632	\$ 3,841	9.9 %
Bank partner fees	2,855	2,833	22	0.8 %
Client claims and refunds	18,701	22,720	(4,019)	(17.7)%
Employee travel and related expenses	22,238	20,206	2,032	10.1 %
Technology-related expenses	30,979	30,677	302	1.0 %
Credit card/bank charges	13,828	5,146	8,682	168.7 %
Insurance	8,239	6,299	1,940	30.8 %
Legal fees and settlements	16,301	3,489	12,812	367.2 %
Supplies	8,546	5,393	3,153	58.5 %
Other	11,908	9,693	2,215	22.9 %
	\$ 176,068	\$ 145,088	\$ 30,980	21.4 %

Credit card and bank charges increased \$8.7 million as a result of the acquisition of Wave, while legal fees increased \$12.8 million due to fees associated with ongoing legal matters, as discussed in Item 1, note 11 to the consolidated financial statements, and the acquisition of Wave.

FINANCIAL CONDITION

These comments should be read in conjunction with the consolidated balance sheets and consolidated statements of cash flows included in Part 1, Item 1.

CAPITAL RESOURCES AND LIQUIDITY –

OVERVIEW– Our primary sources of capital and liquidity include cash from operations (including changes in working capital), draws on our 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, periodically resulting in a working capital deficit, from May through January. We 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 October 31, 2019 are sufficient to meet our operating, investing and financing needs.

DISCUSSION OF CONSOLIDATED STATEMENTS OF CASH FLOWS The following table summarizes our statements of cash flows for the six months ended October 31, 2019 and 2018. See Item 1 for the complete consolidated statements of cash flows for these periods.

	(in 000s)	
Six months ended October 31,	2019	2018
Net cash used in:		
Operating activities	\$ (693,316)	\$ (627,691)
Investing activities	(417,059)	(83,204)
Financing activities	(176,761)	(226,268)
Effects of exchange rates on cash	1,053	(3,209)
Net change in cash, cash equivalents and restricted cash	\$ (1,286,083)	\$ (940,372)

Operating Activities. Cash used in operations increased, primarily due to the timing of payments for accounts payable, accrued expenses, salaries, wages and payroll taxes combined with changes in income tax accounts.

Investing Activities. Cash used in investing activities totaled \$417.1 million for the six months ended October 31, 2019 compared to \$83.2 million in the prior year period. This change resulted primarily from the acquisition of Wave, partially offset by the receipt of cash on an available-for-sale debt security in the current year.

Financing Activities. Cash used in financing activities totaled \$176.8 million for the six months ended October 31, 2019 compared to \$226.3 million in the prior year period. This change resulted primarily from borrowings on our CLOC partially offset by higher share repurchases completed in the current year.

CASH REQUIREMENTS –

Dividends and Share Repurchases. 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 \$104.1 million and \$103.5 million for the six months ended October 31, 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.

Our current share repurchase program has remaining authorization of \$817.6 million which is effective through June 2022. Although we may continue to repurchase shares, there is no assurance that we will purchase up the full Board authorization.

Capital Investment. Capital expenditures totaled \$42.9 million and \$66.4 million for the six months ended October 31, 2019 and 2018, respectively. Our capital expenditures relate primarily to recurring improvements to retail offices, as well as investments in computers, software and related assets. In addition to our capital expenditures, we also made payments to acquire businesses. We acquired Wave and franchisee and competitor businesses totaling \$416.9 million in the current year compared to franchisee and competitor businesses totaling \$24.5 million in the prior year. See Item 1, note 1 and note 5 for additional information on our acquisitions.

FINANCING RESOURCES We had an outstanding balance of \$135.0 million under the CLOC as of October 31, 2019. Amounts available to borrow were limited by the debt-to-EBITDA covenant to approximately \$962 million as of October 31, 2019. See Item 1, note 6 to the consolidated financial statements.

Our Senior Notes due in October 2020 are classified as a current liability as of October 31, 2019 because such amounts are due within one year. We are considering various financing options in regard to the maturing Senior Notes and anticipate these options will provide adequate liquidity to fund the cash requirements at or prior to maturity.

If we elect to obtain new debt or refinance existing debt in the future, the terms and availability of such financing may be impacted by economic and financial market conditions, as well as our financial condition, results of operations, and credit ratings at the time we seek additional financing. Though we expect to be able to obtain any desired debt financing in the future, there can be no assurances that we will be able to obtain such financing on terms that will be acceptable or advantageous to us.

The following table provides ratings for debt issued by Block Financial as of October 31, 2019 and April 30, 2019:

As of	October 31, 2019			April 30, 2019		
	Short-term	Long-term	Outlook	Short-term	Long-term	Outlook
Moody's	P-3	Baa3	Negative	P-3	Baa3	Negative
S&P	A-2	BBB	Stable	A-2	BBB	Stable

Other than described above, there have been no material changes in our borrowings from those reported as of April 30, 2019 in our Annual Report on Form 10-K.

CASH AND OTHER ASSETS As of October 31, 2019, we held cash and cash equivalents, excluding restricted amounts, of \$245.3 million, including \$148.5 million held by our foreign subsidiaries.

Foreign Operations. When necessary, our international businesses are funded by our U.S. operations. To mitigate foreign currency exchange rate risk, we sometimes enter into foreign exchange forward contracts. There were no forward contracts outstanding as of October 31, 2019.

We do not currently intend to repatriate any 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 an increase of \$1.1 million during the six months ended October 31, 2019 compared to a decrease of \$3.2 million in the prior year.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS There have been no material changes in our contractual obligations and commercial commitments from those reported as of April 30, 2019 in our Annual Report on Form 10-K.

REGULATORY ENVIRONMENT

There have been no material changes in our regulatory environment from what was reported as of April 30, 2019 in our Annual Report on Form 10-K.

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 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, adjusted diluted earnings per share 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.

During the quarter we added adjusted diluted earnings per share from continuing operations as a non-GAAP measure, which excludes amortization of intangibles related to our acquisition of Wave and tax franchisee and competitor businesses. Due to the recent acquisition of Wave, we believe removing the impacts of amortization of acquired intangibles provides a more meaningful indicator of performance and will assist in understanding our financial results.

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

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

	Three months ended October 31,		Six months ended October 31,	
	2019	2018	2019	2018
Net loss - as reported	\$ (187,999)	\$ (176,276)	\$ (338,246)	\$ (328,946)
Discontinued operations, net	4,445	5,339	8,968	9,212
Net loss from continuing operations - as reported	(183,554)	(170,937)	(329,278)	(319,734)
Add back:				
Income taxes of continuing operations	(77,752)	(61,053)	(139,142)	(111,021)
Interest expense of continuing operations	21,306	21,191	42,377	42,381
Depreciation and amortization of continuing operations	42,657	41,493	81,262	81,925
	(13,789)	1,631	(15,503)	13,285
EBITDA from continuing operations	\$ (197,343)	\$ (169,306)	\$ (344,781)	\$ (306,449)

The following is a reconciliation of our results from continuing operations to our adjusted results from continuing operations, which are non-GAAP financial measures:

	Three months ended October 31,		Six months ended October 31,	
	2019	2018	2019	2018
Net loss from continuing operations	\$ (183,554)	\$ (170,937)	\$ (329,278)	\$ (319,734)
Adjustments (pretax):				
Amortization of intangibles related to acquisitions	19,579	15,107	35,818	30,311
Adjusted pretax loss from continuing operations	(163,975)	(155,830)	(293,460)	(289,423)
Tax effect of adjustments ⁽¹⁾	(4,549)	(3,510)	(8,711)	(7,296)
Adjusted net loss from continuing operations	\$ (168,524)	\$ (159,340)	\$ (302,171)	\$ (296,719)
Diluted loss per share (GAAP)	\$ (0.93)	\$ (0.83)	\$ (1.65)	\$ (1.55)
Adjustments, net of tax	0.08	0.05	0.14	0.11
Adjusted loss per share (non-GAAP)	\$ (0.85)	\$ (0.78)	\$ (1.51)	\$ (1.44)

⁽¹⁾ Tax effect of adjustments is computed as the pretax effect of the adjustments multiplied by our effective tax rate before discrete items.

FORWARD-LOOKING INFORMATION

This report and other documents filed with the 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," "goal," "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 our Annual Report on Form 10-K for the fiscal year ended April 30, 2019 and are also described from time to time in other filings with the SEC. Investors should carefully consider all of these risks, and should pay particular attention to Item 1A, "Risk Factors," and Item 7 under "Critical Accounting Policies" of our Annual Report on Form 10-K for the fiscal year ended April 30, 2019.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risks from those reported at April 30, 2019 in our Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES As of the end of the period covered by this Form 10-Q, management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING August 1, 2019, we implemented a new general ledger accounting system on a company-wide basis. The implementation of the new general ledger system required us to make changes to the design and operation of our internal controls over financial reporting.

There were no other changes during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, see discussion in Part I, Item 1, note 11 to the consolidated financial statements.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those reported at April 30, 2019 in our Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

A summary of our purchases of H&R Block common stock during the second quarter of fiscal year 2020 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 Yet Be Purchased Under the Plans or Programs (2)
August 1 - August 31	250	\$ 24.26	244	\$ 948,518
September 1 - September 30	4,105	\$ 24.12	4,105	\$ 849,515
October 1 - October 31	1,371	\$ 23.30	1,371	\$ 817,568
	5,726	\$ 23.93	5,720	

(1) We purchased approximately 6 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 \$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.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are numbered in accordance with the Exhibit Table of Item 601 of Regulation S-K:

10.1	H&R Block, Inc. Executive Severance Plan, as amended and restated on November 7, 2019.
31.1	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Extension Calculation Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

H&R BLOCK, INC.

/s/ Jeffrey J. Jones II

Jeffrey J. Jones II
President and Chief Executive Officer
December 6, 2019

/s/ Tony G. Bowen

Tony G. Bowen
Chief Financial Officer
December 6, 2019

/s/ Kellie J. Logerwell

Kellie J. Logerwell
Chief Accounting Officer
December 6, 2019

H&R BLOCK, INC. EXECUTIVE SEVERANCE PLAN

(Amended and Restated effective November 7, 2019)

The H&R Block, Inc. Executive Severance Plan was adopted by H&R Block, Inc., a Missouri corporation (“HRB”) effective as of May 12, 2009. This amendment and restatement is effective November 7, 2019 (as so amended and restated, the “Plan”).

Section 1. Purpose.

The Company considers the establishment and maintenance of a sound and vital management to be essential to protecting and enhancing the best interests of the Company and its shareholders. This Plan provides severance pay to compensate management for the involuntary loss of employment and a period of readjustment. The Company also recognizes that a Change in Control of HRB may arise in the future and that such event may result in the departure or distraction of management to the detriment of the Company and its shareholders. Accordingly, the Board has determined it is in the best interests of the Company and its shareholders to secure the continued services and dedication of such management in the event of any threat or occurrence of a Change in Control of HRB by providing such management the benefits set forth in this Plan.

This Plan supersedes all prior agreements, arrangements or plans of the Company related to separation pay in the event of a Qualifying Termination or Change in Control Termination, except as provided in the following sentence. Notwithstanding the foregoing, nothing under this Plan supersedes or replaces (a) any rights granted to a Participant under the H&R Block, Inc. 2013 Long Term Incentive Plan, the H&R Block 2018 Long Term Incentive Plan, or any successor plan, for grants on or after March 5, 2013, or (b) any previously granted rights to non-exempt nonqualified deferred compensation subject to Section 409A (as defined in Section 11 of this Plan), unless the rights under this Plan are exempt from Section 409A or this Plan’s payment provisions satisfy the subsequent deferral rules promulgated pursuant to Section 409A. Any benefits conferred under this Plan will be provided to Participants in lieu of benefits under any other severance plan. For the avoidance of doubt, this amendment and restatement is not intended, and shall not be interpreted to, modify any written binding contract existing on November 2, 2017 and relating to the Company’s payment of compensation to the extent such modification would result in a loss of deductibility under Code Section 162(m).

Section 2. Definitions.

For purposes of this Plan, the following terms shall have the meanings specified below unless the context clearly requires otherwise:

- (a) “Affiliate” shall have the meaning ascribed to such term in Rule 12b-2 of Regulation 12B under the Securities Exchange Act of 1934, as amended.
- (b) “Base Compensation” means a Participant’s annual base salary plus Participant’s annual target short-term incentive opportunity.
- (c) “Board” means the Board of Directors of HRB.

- (d) “Cause” means any of the following unless, if capable of cure, such events are fully corrected in all material respects by Participant within ten (10) days after the Company provides notice of the occurrence of such event:
- (i) A Participant’s misconduct that materially interferes with or materially prejudices the proper conduct of the business of the Company;
 - (ii) A Participant’s commission of an act materially and demonstrably detrimental to the good will of the Company;
 - (iii) A Participant’s commission of any act of dishonesty or breach of trust resulting or intending to result in material personal gain or enrichment of the Participant at the expense of the Company;
 - (iv) A Participant’s violation of any non-competition, non-solicitation, confidentiality or similar restrictive covenant under any employment-related agreement, plan or policy with respect to which the Participant is a party or is bound; or
 - (v) A Participant’s conviction of, or plea of guilty or nolo contendere to, a misdemeanor involving an act of moral turpitude or a felony.

If the Company does not give the Participant a termination notice within sixty (60) days after the Board or the Chairman of the Board has knowledge that an event constituting Cause has occurred, the event will no longer constitute Cause. The Company may place a Participant on unpaid leave for up to 30 consecutive days while it is determining whether there is a basis to terminate the Participant’s employment for Cause. Such unpaid leave will not constitute Good Reason.

For purposes of this definition, any act or omission by the Participant based on authority given pursuant to a resolution duly adopted by the Board will be deemed made in good faith and in the best interests of the Company.

- (e) “Change in Control” means the occurrence of one or more of the following events:
- (i) Any one person, or more than one person acting as a group, acquires ownership of stock of HRB that, together with stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of HRB. If any one person, or more than one person acting as a group, is considered to own more than 50 percent of the total fair market value or total voting power of the stock of HRB, the acquisition of additional stock by the same person or persons shall not be considered to cause a Change in Control. An increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which HRB acquires its stock in exchange for property will be treated as an acquisition of stock for purposes of this Section 2(e)(i).
 - (ii) Any one person, or more than one person acting as a group, acquires (when combined with all other acquisitions of HRB stock acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of HRB possessing 35 percent or more of the total voting power of the stock of HRB. If any one person, or more than one person acting as a group, is considered to effectively control a corporation within the meaning of Treasury Regulation §1.409A-3(i)(5)(vi), the acquisition of additional control of the corporation by the same person or persons is not considered to cause a change in

the effective control of the corporation. An increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which HRB acquires its stock in exchange for property will not be treated as an acquisition of stock for purposes of this Section 2(e)(ii), but will be treated as an acquisition of stock for purposes of Section 2(e)(i).

- (iii) A majority of members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by two-thirds (2/3) of the members of the Board before the date of such appointment or election.
- (iv) Any one person, or more than one person acting as a group, acquires (when combined with all other acquisitions of HRB assets acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from HRB that have a total gross fair market value equal to or more than 50 percent of the total gross fair market value of all of the assets of HRB immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of HRB, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. Notwithstanding the foregoing, there is no Change in Control event under this Section 2(e)(iv) when there is a transfer to an entity that is controlled by the shareholders of HRB immediately after the transfer. A transfer of assets by HRB is not treated as a change in the ownership of such assets if the assets are transferred to: (a) a shareholder of HRB (immediately before the asset transfer) in exchange for or with respect to its stock; (b) an entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by HRB; (c) a person, or more than one person acting as a group, that owns, directly or indirectly, 50 percent or more of the total value or voting power of all the outstanding stock of HRB; or (d) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person described in (c) above.

For purposes of this section, persons will be considered to be acting as a group in accordance with Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended, and Section 409A of the Code.

- (f) “Change in Control Termination” means a Participant’s Qualifying Termination or Good Reason Termination, in either event within seventy-five (75) days immediately preceding or within eighteen (18) months immediately following a Change in Control.
- (g) “COBRA Subsidy” means an amount equal to the Participant’s monthly post-employment premium for health and welfare benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”) less the amount paid from time to time by active employees for similar coverage. To be eligible for the COBRA Subsidy, the Participant must be enrolled in the Participating Employer’s health and welfare plans on the date of Separation from Service.
- (h) “Code” means the Internal Revenue Code of 1986, as amended.
- (i) “Company” means HRB and its Affiliates.
- (j) “Comparable Position” means a position where:
 - (i) the primary work location is within 50 miles of the Participant’s primary work location prior to the Qualifying Termination; and

(ii) the Base Compensation is not more than 10% below the Participant's compensation rate at the time of the Qualifying Termination.

(k) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

(l) "Good Reason Termination" means a Separation from Service:

(i) which is initiated by the Participant within seventy-five (75) days immediately preceding or within eighteen (18) months immediately following a Change in Control on account of one or more of the following conditions occurring within that same time frame:

(A) A material diminution in the Participant's Base Compensation;

(B) A material diminution in the Participant's authority, duties, or responsibilities;

(C) A material change in the geographic location at which the Participant must perform the services; or

(D) Any other action or inaction that constitutes a material breach by the Company of any written employment-related agreement between the Participant and the Company;

(ii) for which the Participant does not consent to the condition referenced in (i) above; and

(iii) for which the Company does not substantially remedy the condition (as described in this section).

A Participant must provide notice to the Company of the existence of any of the foregoing conditions within thirty (30) days of the later of (x) initial existence of the condition for which Participant will terminate employment and (y) the date the Change in Control occurs; provided, however, that any notice relating to a condition that initially occurs before such Change in Control must be provided no later than ninety (90) days following the initial existence of the condition (it being understood that for purposes of both clauses (x) and (y) above, the relevant time period commences as of the date Participant knows or should reasonably have known of the existence of such condition). Participant must remain employed with the Company for at least thirty (30) days after providing such notice. During the thirty (30) days following receipt of the notice, the Company may substantially remedy the event, occurrence or condition for which notice was given, in which case a Good Reason Termination will not occur as a result of the condition and the Company will not be required to pay the amount.

(m) "HRB" means H&R Block, Inc., a Missouri corporation.

(n) "Initial Effective Date" means May 12, 2009.

(o) "Monthly Compensation" means a Participant's highest annual base salary as of the Change in Control or during the twelve (12) month period immediately preceding his or her Termination Date divided by twelve (12). For the avoidance of doubt "annual base salary" does not include bonuses, incentive compensation, or compensation received pursuant to any equity award.

(p) "Participant" means an associate of the Company whose participation in the Plan is approved by the Compensation Committee of the Board (or other committee appointed by the Board to administer the Plan pursuant to Section 18).

- (q) "Payment Deadline" means the date which is sixty (60) days after the Termination Date.
- (r) "Plan" means this H&R Block, Inc. Executive Severance Plan, as amended from time to time. This document serves as both the legal plan document and summary plan description.
- (s) "Plan Administrator" and "Plan Sponsor" means H&R Block Management, LLC. The address and telephone number of H&R Block Management, LLC is One H&R Block Way, Kansas City, Missouri 64105, (816) 854-3000.
- (t) "Qualifying Termination" means the involuntary Separation from Service by the Company under circumstances not constituting Cause but does not include:
 - (i) the elimination of the Participant's position where the Participant was offered a Comparable Position with the Company or with a party that acquires any asset from the Company (or a subsidiary or an affiliate of such a party),
 - (ii) the redefinition of a Participant's position to a lower compensation rate or grade; or
 - (iii) the Participant's Separation from Service due to death or disability.
- (u) "Release Agreement" means the release agreement, substantially in the form set forth as Exhibit A to this Plan, which a Participant shall be required to execute as a condition to receiving payments and benefits under this Plan.
- (v) "Separation from Service" means the date that a Participant separates from service within the meaning of Section 409A of the Code and Treasury Regulation §1.409A-1(h).
- (w) "Termination Date" means the effective date of a Participant's Separation from Service.
- (x) "Year(s) of Service" means each period of twelve (12) consecutive months of employment measured from the Participant's employment commencement date. In determining a Participant's Years of Service, the Participant will be credited with a partial Year of Service for his or her final period of employment commencing on his or her most recent employment anniversary date equal to a fraction calculated in accordance with the following formula:

$$(\text{Number of days since most recent employment anniversary date} \div 365)$$

Notwithstanding the foregoing, in no event will a Participant be credited with less than twelve (12) Years of Service or more than eighteen (18) Years of Service.

Section 3. Severance Benefits.

- (a) If a Participant incurs a Qualifying Termination or a Change in Control Termination and executes his or her Release Agreement and returns it to the Company by the deadline set forth in the Release Agreement, and provided the Participant does not revoke as permitted in the Release Agreement, Company agrees to provide Employee with the following payments and benefits, subject to appropriate tax withholdings, to which he or she would be entitled post lapse of the seven (7) -day revocation period, which shall be payable and provided in accordance with and subject to the terms of the Plan unless otherwise specified below:

(i) The Company shall pay the Participant as soon as reasonably feasible post lapse of the seven (7) day revocation period, and in any event, no later than the Payment Deadline, a lump sum severance amount equal to:

(A) the Participant's Monthly Compensation multiplied by the Participant's Years of Service; plus

(B) the Participant's percentage of Monthly Compensation approved under the Company's Short Term Incentive Plan ("Incentive Plan") by the Board or the Compensation Committee, as applicable, for the then-current fiscal year, multiplied by the Participant's Years of Service; plus

(C) an amount equal to the Participant's COBRA Subsidy multiplied by twelve (12). To be eligible for a payment under this Section 3(a)(i)(C), the Participant must be enrolled in the Company's applicable health, dental, and vision benefits on the date of the Separation from Service.

(ii) Subject to Section 13, the Company, at its expense, shall engage a professional outplacement assistance firm, selected at the Company's discretion, to provide reasonable outplacement assistance to the Participant for a period not to exceed fifteen (15) months following the Participant's Termination Date. In no event shall the Company be required to expend more than Fifteen Thousand Dollars (\$15,000) for such outplacement assistance for the Participant.

(iii) The Participant shall be entitled to a pro-rata award of any award payable under the Incentive Plan based upon the Participant's actual performance and the attainment of goals established under the Incentive Plan as determined by the Board in its sole discretion. Such pro-rata award shall be payable at the time such awards are payable under the Incentive Plan. The pro-rata portion shall be based on the number of days preceding the Termination Date in the performance period during which the Termination Date occurs, divided by 365.

(b) A Participant who receives any payments and other benefits under this Section 3 shall not be eligible for any severance-related payments or benefits under any employment-related agreement or plan, policy or program of the Company. The payments and other benefits under this Section 3 shall offset any amounts due under the Worker Adjustment Retraining Notification Act of 1988 or any similar statute or regulation.

Section 4. Equity Awards.

The following provisions apply to awards granted before March 5, 2013 under HRB's 2003 Long-Term Executive Compensation, HRB's 2013 Long Term Incentive Plan, or any predecessor plan. Awards granted under HRB's 2013 Long Term Incentive Plan, HRB's 2018 Long Term Incentive Plan, or any successor plan, on or after March 5, 2013, vest and shall be exercisable as provided in the applicable award agreement.

(a) Qualifying Termination

In the event a Participant incurs a Qualifying Termination: with respect to any stock options outstanding as of the Termination Date, the Participant may exercise such options until the earlier of: (a) twelve (12) months following the Participant's Termination Date and (b) the last day the options would have been exercisable if the Participant had not incurred a Separation from Service.

(b) Change in Control Termination

In the event a Participant incurs a Change in Control Termination: with respect to any stock options outstanding as of the Termination Date, the Participant may exercise such options, to the extent vested, until the earlier of: (a) twelve (12) months following the Participant's Termination Date and (b) the last day the options would have been exercisable if the Participant had not incurred a Separation from Service.

Section 5. Repayment; Clawback.

Notwithstanding any provision in this Plan to the contrary, if (i) the Company is required to restate any of its financial statements filed with the Securities and Exchange Commission, other than restatements due solely to factors external to the Company such as a change in accounting principles or a change in securities laws or regulations with retroactive effect or (ii) the Participant violates the provisions of any confidentiality, non-competition, non-solicitation or similar agreement or policy, then the Board may recover or require reimbursement of all severance, equity compensation awards (including profits from the sale of Company stock acquired pursuant to such awards) and/or other payments or benefits made to the Participant under this Plan. In exercising its discretion to recover or require reimbursement of any amounts as a result of any restatement pursuant to clause (i) above, the Board may consider, among other relevant factors, the level of the Participant's responsibility or influence, as well as the level of others' responsibility or influence, over the judgments or actions that gave rise to the restatement.

Section 6. Other Payments.

Upon any Separation from Service entitling the Participant to payments under this Plan, the Participant shall receive all accrued but unpaid salary and all benefits accrued and payable under any plans, policies and programs of the Company, except for benefits payable under any other severance plan, policy or arrangement of the Company.

Section 7. Enforcement.

If a Participant incurs any expenses associated with the successful enforcement of his or her rights under this Plan by arbitration, litigation or other legal action, then the Company shall pay the Participant on demand of all reasonable expenses (including attorneys' fees and legal expenses) incurred by the Participant in enforcing such rights under this Plan. The Participant shall notify the Company of the expenses for which the Participant demands reimbursement within sixty (60) days after the Participant receives an invoice for such expenses, but in no case before a court, arbitrator, mediator or other judicial panel rules in favor of the Participant with respect to the dispute giving rise to such expenses, and the Company shall pay the reimbursement amount within fifteen (15) days after receipt of such notice, subject to Section 13. For purposes of clarity, the Company shall have no obligation to reimburse the Participant for any expenses incurred by such Participant if any court, arbitrator, mediator or other judicial panel rules in favor of the Company with respect to the dispute giving rise to such expenses.

Section 8. No Mitigation.

A Participant shall not be required to mitigate the amount of any payment or benefit provided for in this Plan by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for herein be reduced by any compensation earned by other employment or otherwise.

Section 9. Nonexclusivity of Rights.

Nothing in this Plan shall prevent or limit a Participant's continued or future participation in or rights under any benefit, bonus, incentive or other plan or program provided by the Company and for which the Participant may qualify, except as provided in this Plan.

Section 10. No Set Off.

The Company's obligation to make the payments provided for in this Plan and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Participant or others.

Section 11. Taxation.

(a) To the extent applicable, this Plan shall be construed and administered consistently with Code Section 409A and the regulations and guidance issued thereunder ("Section 409A"). For purposes of determining whether any payment made pursuant to this Plan results in a "deferral of compensation" within the meaning of Treasury Regulation 1.409A-1(b), the Company shall maximize the exemptions described in such section, as applicable. Any reference to a "termination of employment" or similar term or phrase shall be interpreted as a "separation from service" within the meaning of Section 409A. If any deferred compensation payment is payable while a Participant is a "specified employee" under Section 409A, and payment is due because of separation from service for any reason other than death, then payment of such amount shall be delayed for a period of six months and paid in a lump sum on the first payroll payment date following the earlier of the expiration of such six-month period or the Participant's death. To the extent any payments under this Plan are made in installments, each installment shall be deemed a separate payment for purposes of Section 409A and the regulations issued thereunder. A Participant or his or her beneficiary, as applicable, shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on such Participant or his or her beneficiary in connection with any payments to the Participant or his or her beneficiary pursuant to this Plan, including but not limited to any taxes, interest and penalties under Section 409A, and the Company shall have no obligation to indemnify or otherwise hold a Participant or his or her beneficiary harmless from any and all of such taxes and penalties.

(b) All payments and other benefits received by the Participant under this Plan shall be subject to all requirements of the law with regard to tax withholding and reporting and filing requirements, and the Company shall use its best efforts to satisfy promptly all such requirements.

Section 12. Section 280G Change in Control Payment.

(a) In the event that it is determined that any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of a Participant, whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise (the "Change in Control Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, then the Company shall pay to the Participant whichever of the following gives the Participant the highest net after-tax amount (after taking into account all applicable federal, state, local and security taxes): (1) the Change in Control Payment, or (2) the amount that would not result in the imposition of excise tax on the Participant under Code Section 4999. Any required reduction in the Change in Control Payment pursuant to the foregoing shall be accomplished solely by reducing the lump sum severance payment payable pursuant to Section 3(a)(i) of this Plan.

(b) All determinations to be made under this Section 12 shall be made by an independent registered public accounting firm selected by the Company immediately prior to the Change in Control (the "Accounting Firm"), which shall provide its determinations and any supporting calculations both to the Company and the Participant within ten (10) days of the Change in Control. Any such determination by the Accounting Firm shall be binding upon the Company and the Participant. All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Section 12 shall be borne solely by the Company.

Section 13. Reimbursements.

Any reimbursements or in-kind benefits to be provided pursuant to this Plan (including, but not limited to under Section 3(a)(ii)) that are taxable to the Participant shall be subject to the following restrictions: (a) each reimbursement must be paid no later than the last day of the calendar year following the calendar year during which the expense was incurred or tax was remitted, as the case may be; (b) the amount of expenses or taxes eligible for reimbursement, or in kind benefits provided, during a calendar year may not affect the expenses or taxes eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (c) the period during which any reimbursement may be paid or in-kind benefit may be provided shall end ten (10) years after termination of this Plan; and (d) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

Section 14. Term.

This Plan is effective as of the Initial Effective Date and shall continue with respect to a Participant until the earliest of: (a) the Participant's Separation from Service, or (b) the date the Participant enters into a written separation agreement with the Company.

Section 15. Successor Company.

The Company shall require any successor or successors (whether direct or indirect, by purchase, merger or otherwise) to all or substantially all of the business or assets of the Company to acknowledge expressly that this Plan is binding upon and enforceable against the Company in accordance with the terms hereof, and to become jointly and severally obligated with the Company to perform this Plan in the same manner and to the same extent that the Company would be required to perform if no such succession or successions had taken place.

Section 16. Notice.

All notices and other communications required or permitted hereunder or necessary or convenient in connection herewith shall be in writing and shall be delivered personally or mailed by registered or certified mail, return receipt requested, or by overnight express courier service, as follows:

If to the Company, to:

H&R Block, Inc.
One H&R Block Way
Kansas City, MO 64105
Attention: Corporate Secretary

If to the Participant, to the most recent address provided by the Participant to the Company for payroll purposes, or to such other address as the Company or the Participant, as the case may be, shall designate by notice to the other party hereto in the manner specified in this Section 16; provided, however, that if no such notice is given by the Company following a Change in Control, notice at the last address of the Company or any successor shall be deemed sufficient for the purposes hereof. Any such notice shall be deemed delivered and effective when received in the case of personal delivery, five (5) days after deposit, postage prepaid, with the U.S. Postal Service in the case of registered or certified mail, or on the next business day in the case of overnight express courier service.

Section 17. Amendment.

This Plan may be amended at any time by the Board with respect to all or some of the Participants, provided that any such amendment may not decrease or restrict a Participant's rights under this Plan without his or her consent.

Section 18. Administration.

The Plan shall be administered by the Board or by a committee of two or more members of the Board of Directors appointed by the Board which shall have the exclusive discretion and authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Plan and to decide or resolve any and all questions that may arise in connection with the Plan. To the extent the Board appoints a committee, any reference herein regarding the Board's administration of the Plan shall be construed to apply to such committee. As of the date this amendment and restatement is effective, the Board hereby appoints the compensation committee of the Board of Directors as administrators of the Plan (the "Compensation Committee").

Any decision or action of the Board with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan. In the administration of this Plan, the Board (or its appointed committee) may employ agents and delegate to them such administrative duties as the Board deems appropriate (including acting through a duly appointed representative) and may from time to time consult with counsel who may be counsel to the Company. The Company may pay a Participant cash in lieu of the outplacement assistance described in Section 3(a)(ii), if determined to be desirable under the circumstances by the Company's Chief Executive Officer, or, in the event the Chief Executive Officer is receiving the benefits, the Compensation Committee.

Except with respect to officers who are designated as executive officers by the Company's Board of Directors under Section 16 of the Securities Act of 1934, the Board (or its appointed committee) may delegate to one or more executive officers the authority, duties and responsibilities relating to the Company's rights to prevent, enforce or remedy affirmative or restrictive covenants contained either in this Plan or in a Participant's Release Agreement, including the authority for such executive officer(s) to further delegate such authority, duties and responsibilities to any other individual or entity, whether or not such person or entity is employed by, an officer of, or affiliated with the Company.

Section 19. No Right to Continued Employment.

Nothing in this Plan shall be construed as giving the Participant any right to be retained in the employ of the Company.

Section 20. Claims Procedure.

Any Participant may deliver to the Board a written claim for a determination with respect to the amounts distributable to such Participant from the Plan. If such a claim relates to the contents of a notice received by the Participant, the claim must be made within sixty (60) days after such notice was received by the Participant. The claim must state with particularity the determination desired by the Participant. All other claims must be made within 180 days of the date on which the event that caused the claim to arise occurred.

The Board shall consider a Participant's claim within seventy-five (75) days (unless special circumstances require additional time), and shall notify the Participant in writing: (i) that the Participant's requested determination has been made, and that the claim has been allowed in full; or (ii) that the Board has reached a conclusion contrary, in whole or in part, to the Participant's requested determination. Such notice must set forth in a manner calculated to be understood by the Participant and include the following information:

- (a) the specific reason(s) for the denial of the claim, or any part of it;
- (b) specific reference(s) to pertinent provisions of the Plan upon which such denial was based;
- (c) a description of any additional material or information necessary for the Participant to perfect the claim, and an explanation of why such material or information is necessary; and
- (d) an explanation of the claim review procedure set forth below.

Within sixty (60) days after receiving a notice from the Board that a claim has been denied, in whole or in part, a Participant (or the Participant's duly authorized representative) may file with the Board a written request for a review of the denial of the claim. Thereafter, but not later than thirty (30) days after the review procedure began, the Participant (or the Participant's duly authorized representative):

- (i) may review pertinent documents;
- (ii) may submit written comments or other documents; and/or
- (iii) may request a hearing, which the Board, in its sole discretion, may grant.

The Board shall render its decision on review promptly, and not later than sixty (60) days after the filing of a written request for review of the denial, unless a hearing is held or other special circumstances require additional time, in which case the Board's decision must be rendered within 120 days after such date. Such decision must be written in a manner calculated to be understood by the Participant, and it must contain:

- (x) specific reasons for the decision;
- (y) specific reference(s) to the pertinent Plan provisions upon which the decision was based; and
- (z) such other matters as the Board deems relevant.

A Participant's compliance with the foregoing provisions of this Section 20 is a mandatory prerequisite to a Participant's right to commence any legal action with respect to any claim for benefits under this Plan. Service of legal process shall be made to: H&R Block Management, LLC, Attention: General Counsel, One H&R Block Way, Kansas City, Missouri 64105.

Section 21. Governing Law.

This Plan shall be governed by and interpreted under the laws of the State of Missouri without giving effect to any conflict of laws provisions. Any legal action or proceeding with respect with this Plan shall be brought exclusively in the courts of the State of Missouri without regard to any conflicts of law.

Section 22. Successors and Assigns.

All of the terms and provisions of this Plan shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, representatives, successors and assigns of the parties hereto, except that the duties and responsibilities of the Participant and the Company hereunder shall not be assignable in whole or in part.

Section 23. Severability.

If any provision of this Plan or application thereof to anyone or under any circumstances shall be determined to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions or applications of this Plan which can be given effect without the invalid or unenforceable provision or application.

Section 24. Remedies Cumulative; No Waiver.

No right conferred upon the Participant by this Plan is intended to be exclusive of any other right or remedy, and each and every such right or remedy shall be cumulative and shall be in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission by the Participant in exercising any right, remedy or power hereunder or existing at law or in equity shall be construed as a waiver thereof.

Section 25. Headings.

The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

Section 26. Statement of ERISA Rights.

In accordance with ERISA, each Participant shall be entitled to:

- (a) Examine, without charge (by contacting the Plan Administrator) all Plan documents and copies of all documents governing the Plan and a copy of the latest annual report (Form 5500 series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration;
- (b) Obtain copies of all Plan documents and other Plan information upon written request to the Plan Administrator. A reasonable fee may be charged for these copies;

(c) Receive a summary of the Plan's annual financial report. The Plan Administrator is required to furnish each Participant with a copy of this summary annual report; and

(d) Obtain a statement showing the Participant's account balance (if any).

In addition to creating rights for Plan Participants, ERISA imposes duties upon the persons who are responsible for the operation of the Plan. The persons who operate the Plan are called "fiduciaries" and have a duty to operate the Plan prudently and in the interest of Plan Participants and beneficiaries. No one, including the employer, may fire a Participant or otherwise discriminate against the Participant in any way to prevent the Participant from obtaining a benefit or exercising his or her rights under ERISA. If a claim for a benefit is denied in whole or in part the Participant must receive a written explanation of the reason for the denial. The Participant has the right to have the Plan Administrator review and reconsider the claim.

Under ERISA, there are steps a Participant can take to enforce the above rights. For instance, if a Participant requests any of the materials listed above from the Plan Administrator and does not receive them within 30 days, the Participant may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay up to \$110 a day until the Participant receives the materials, unless the materials were not provided because of reasons beyond the control of the Plan Administrator.

If a claim for benefits is denied or ignored, either in whole or in part, the Participant may file suit in a state or federal court. In the event that Plan fiduciaries misuse the Plan's funds, or if the Participant is discriminated against for asserting his or her rights, the Participant may seek assistance from the U.S. Department of Labor, or file suit in a federal court. The court will decide who should pay court costs and legal fees. If a Participant is successful the court may order the person have sued to pay these costs and fees. But if the Participant loses, the court may order the Participant to pay these costs and fees if, for example, it finds the claim is frivolous.

Any questions concerning the Plan should be directed to the Plan Administrator. Additional information about this statement or a Participant's rights under ERISA may be obtained from the nearest Office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in the telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210. A Participant may also obtain certain publications about his or her rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the Company has executed this Plan this November 7, 2019. The H&R Block Executive Severance Plan was initially adopted by HRB effective as of May 12, 2009. This amendment and restatement is effective November 7, 2019.

H&R BLOCK, INC.

By: /s/ Tiffany S. Monroe
Tiffany S. Monroe

Title: Chief People Officer

EXHIBIT A

SEVERANCE AND RELEASE AGREEMENT

[EMPLOYEE] (“Employee”) and [EMPLOYING ENTITY], its parents, subsidiaries, affiliates, and assigns (collectively, “Company”) enter into this Severance and Release Agreement (“Release Agreement”) under the terms and conditions recited below.

I. Recitations

A. Employee is currently employed as [TITLE]. Due to changing business needs, Employee has been notified and Employee has agreed that [his/her] employment will end on [TERM DATE] (the “Termination Date”).

B. Employee and Company wish to enter into a full and final settlement of all issues and matters that exist between them, which include, but are not limited to, any issues and matters that may have arisen out of Employee’s employment with or separation from Company.

C. Employee specifically acknowledges that Company has advised [him/her] to seek [his/her] own personal legal counsel prior to signing this Release Agreement.

D. In exchange for the mutual promises of Employee and Company set forth in this Release Agreement, Employee and Company agree to the terms and conditions set forth below.

II. Basic Terms of the Release Agreement

A. The parties agree to treat Employee’s separation from employment as a Qualifying Termination, but not a Change in Control Termination, as defined in the H&R Block, Inc. Executive Severance Plan applicable to Employee (the “Plan”), a copy of which is attached to this Release Agreement as Exhibit A. Accordingly, following the Company’s receipt of a fully executed copy of this Release Agreement, and provided that Employee does not revoke as permitted in section III(A) below, Company agrees to provide Employee with the following payments and benefits to which [he/she] would be entitled, subject to appropriate tax withholdings and post lapse of the seven-day revocation period, which shall be payable and provided in accordance with and subject to the terms of the Plan unless otherwise specified below:

1. *Severance Payment.* As soon as reasonably feasible post lapse of the seven-day revocation period and in any event no later than sixty (60) days following the Termination Date (the “Payment Deadline”), Company will pay Employee a lump sum payment in the amount of \$[insert amount], less applicable tax withholdings. This severance payment consists of the sum of the following components:

(a) Employee’s Monthly Compensation multiplied by the applicable Years of Service, which is equal to \$[insert amount];

(b) The Employee’s percentage of Monthly Compensation approved under the Company’s Short Term Incentive (“STI”) Plan by the Board or the Compensation Committee, as applicable, for the current fiscal year multiplied by the applicable Years of Service, which is equal to \$[insert amount]; and

(c) A COBRA subsidy equal to the Company’s regular monthly premium, if any, paid toward the Employee’s health and welfare benefits as of Employee’s last day worked multiplied by twelve (12) months, which is equal to \$[insert amount]

2. *Outplacement Services.* Company will pay directly to a professional outplacement assistance firm, selected at the Company’s discretion, to obtain reasonable outplacement assistance to be provided to Employee until the earlier to occur of (a) the date Employee obtains other employment; or (b) fifteen (15) months following the Termination Date. In no event shall the Company be required to expend more than Fifteen Thousand Dollars (\$15,000) for such outplacement assistance for the Participant.

3. *Short-Term Incentive Payment.* Company will pay Employee a pro-rata award of any award payable under any STI Plan for fiscal year **[insert applicable year]** based upon Employee's actual performance and the Company's attainment of goals established under the STI Plan as determined by the Compensation Committee of the H&R Block, Inc. Board of Directors in its sole discretion. Such pro-rata award, if any, shall be payable less applicable tax withholdings and in accordance with the Company's short-term incentive process and subject to the terms and conditions of any applicable STI Plan. Company will pay Employee any short-term incentive award due **[him/her]** at the time such awards are generally payable under the applicable STI Plan to other participants.

4. *Stock Options.* With respect to those portions of any incentive stock options ("ISO") and nonqualified stock options ("NQSO") to purchase shares of H&R Block, Inc.'s common stock granted to Employee before March 5, 2013 and that are outstanding as of the Termination Date, Employee shall have until the earlier of (a) twelve (12) months following the Termination Date; or (b) the last day the options would have been exercisable if Employee had not incurred a separation from service to exercise such options. Any ISO and NQSO that were granted on or after March 5, 2013 shall vest and be exercisable as provided in the applicable award agreement. A list of the stock options vested as of the Termination Date and that shall be forfeited on the Termination Date is attached as Exhibit B.

5. *Performance Awards.* Any outstanding and unvested equity-based performance awards, including any unvested performance share units and market stock units, granted to Employee shall vest as provided in the applicable award agreement. A list of the performance awards outstanding as of the Termination Date and that shall be forfeited on the Termination Date is attached as Exhibit C.

6. *Restricted Shares and Restricted Share Units.* Any outstanding and unvested restricted shares or restricted share units granted to Employee shall vest as provided in the applicable award agreement. A list of the Restricted Shares and Restricted Share Units outstanding as of the Termination Date and that shall be forfeited on the Termination Date is attached as Exhibit D.

B. Employee agrees to the following:

1. *Release of Claims.* Employee agrees to and hereby does release and forever discharge Company, and each and every one of its component, predecessor and successor companies, and their respective past and present agents, officers, executives, employees, attorneys, and directors (collectively the "Released Parties") from any and all matters, claims, charges, demands, damages, causes of action, debts, liabilities, controversies, claims for attorneys' fees, judgments, and suits of every kind and nature whatsoever, foreseen or unforeseen, known or unknown, which have arisen between Employee and the Released Parties up to the date Employee signs this Release Agreement, all as more fully set forth in sections IV(A) through (E) below.

2. *Confidential Information.* Employee agrees that **[he/she]** will not, without the prior written consent of Company, directly or indirectly use for the benefit of any person or entity other than Company, or make known, divulge or communicate to any person, firm, corporation or other entity, any confidential or proprietary information, knowledge or trade secrets acquired, developed or learned of by Employee during **[his/her]** employment with Company. Employee shall not retain after the Termination Date, any document, record, paper, disk, tape or compilation of information relating to any such confidential information.

3. *Return of Company Property.* Employee shall return to Company by the Termination Date, any and all things in **[his/her]** possession or control relating to Company, including but not limited to any equipment issued to Employee, all correspondence, reports, contracts, financial or budget information, personnel or labor relations files, office keys, manuals, and all similar materials not specifically listed here. Employee further agrees that as of the Termination Date **[he/she]** will have no outstanding balance on **[his/her]** corporate credit card for which appropriate travel and expense accounting has not been submitted.

4. *Legal Hold.* To the extent Employee has received a Preservation Notice/Legal Hold from the Legal Department, Employee shall take all necessary steps to preserve information related in any way to the Preservation Notice/Legal Hold in its original format and location and will not modify, delete or destroy such information. Employee will notify the Legal Department of the nature and location of any and all such information.

5. *Confidentiality & Restrictive Covenant Agreement.* Employee acknowledges that [he/she] entered into a Confidentiality & Restrictive Covenant Agreement with the Company (the “**Confidentiality Agreement**”), which is attached as Exhibit E. Employee agrees that [he/she] is bound by the provisions of the Confidentiality Agreement and will continue, after the Termination Date, to abide by the terms of the Confidentiality Agreement.

6. *Non-disparagement.* Employee agrees [he/she] will not disparage Company or make or solicit any comments to the media or others that may be considered derogatory or detrimental to the good business name or reputation of Company.

7. *Employee Availability/Cooperation.* Employee agrees to make [himself/herself] reasonably available to the Company to respond to requests for information pertaining to or relating to the Company, or any predecessor and successor companies, or their respective past and present agents, officers, executives, employees, attorneys, directors, and assigns. Employee also agrees to reasonably assist and cooperate with the Company (and its outside counsel) in connection with the defense or prosecution of any claim that may be made or threatened against or by the Company, or in connection with any ongoing or future investigation or dispute or claim of any kind involving the Company, including any proceeding before any arbitral, administrative, judicial, legislative, or other body or agency, including preparing for and testifying in any proceeding to the extent such claims, investigations or proceedings relate to services performed or required to be performed by Employee, pertinent knowledge possessed by Employee, or any act or omission by Employee. Employee will perform all acts and execute and deliver any documents that may be reasonably necessary to carry out the provisions of this section. Upon presentment to the Company of appropriate documentation, the Company will pay directly or reimburse Employee for the reasonable out-of-pocket expenses incurred as a result of such cooperation.

8. *Resignation.* Employee agrees that, upon the Termination Date, [he/she] resigns from all offices, directorships, trusteeships, committee memberships, and fiduciary capacities held with, or on behalf of, the Company, and any benefit plans of the Company. Employee will execute the resignations attached as Exhibit F contemporaneously with [his/her] execution of this Release Agreement, and agrees to reasonably cooperate with the Company to execute any additional resignations that the Company may determine to be required upon its further review of applicable requirements to which it is subject.

III. Acknowledgments and Additional Terms

A. *Consideration/Revocation Period.* Employee shall have twenty-one (21) days following [his/her] receipt of this Release Agreement to consider whether or not to sign this Release Agreement. Employee acknowledges that [he/she] may revoke [his/her] acceptance of the terms and conditions of this Release Agreement at any time within seven (7) calendar days after the day on which [he/she] originally returned [his/her] signed copy of the Release Agreement to the Company. Such revocation, to be effective, must be delivered by written notice, in a manner so the notice is received on or before the seventh day by: General Counsel, H&R Block, Inc., One H&R Block Way, Kansas City, MO 64105. In the event Employee does not return an executed copy of this Release Agreement to the Company within the twenty-one (21) day period, or Employee revokes [his/her] acceptance of the terms and conditions of this Release Agreement within the seven (7) day period following [his/her] execution of this Release Agreement, Employee will not be entitled to any of the payments or benefits provided under section II(A).

B. *Opportunity to Consult Personal Attorney.* Employee acknowledges that Company has advised [him/her] to seek [his/her] own legal counsel prior to signing this Release Agreement and that [he/she] has consulted or has had the opportunity to consult with [his/her] personal attorney prior to executing this Release Agreement.

C. *No Admission of Liability.* Employee and Company agree that nothing in this Release Agreement is an admission by either of any wrongdoing, and that nothing in this Release Agreement is to be construed as such by anyone.

D. *Consideration.* Employee agrees that provision of the payments and benefits set forth in section II(A) and the Plan constitute payments and benefits to which Employee is not otherwise entitled and constitutes valuable consideration for the promises and representations made by Employee in this Release Agreement.

E. *Choice of Law.* All disputes which arise out of the interpretation and enforcement of this Release Agreement shall be governed by the laws of the State of Missouri without giving effect to its choice of law provisions.

F. *Entire Agreement.* This Release Agreement, including Exhibits B through F attached hereto, constitutes the entire agreement between the parties related to the subject matters set forth in this Release Agreement. The parties acknowledge the terms of the Plan can be terminated or changed according to the terms set forth in the Plan. The parties acknowledge the terms of this Release Agreement can only be changed by a written amendment to the Release Agreement signed by both parties.

G. *No Reliance.* The parties have not relied on any representations, promises, or agreements of any kind made to them in connection with this Release Agreement, except for those set forth in writing in this Release Agreement or in the Plan.

H. *Separate Signatures.* Separate copies of this Release Agreement shall constitute originals which may be signed separately but which together will constitute one single agreement.

I. *Effective Date.* This Release Agreement becomes effective and binding on the eighth calendar day following Employee's execution of the Release Agreement pursuant to section III(A).

J. *Severability.* If any provision of this Release Agreement, including the Plan, is held to be invalid, the remaining provisions shall remain in full force and effect. In addition, if a court of competent jurisdiction determines the restrictions contained in the Confidentiality Agreement attached as Exhibit E to be invalid, illegal, or otherwise unenforceable or unreasonable in scope, the validity, legality, and enforceability of the other provisions of this Release Agreement shall not be affected thereby. Any such restriction(s) in the Confidentiality Agreement determined by a court of competent jurisdiction to be invalid, illegal, or otherwise unenforceable or unreasonable will be considered by the Company and Employee to be amended as to the scope of protection, time and geographic area in whatever manner, if any, is considered reasonable by that court and, as so amended, will be enforced.

K. *Continuing Obligations.* Any continuing obligations Employee has after separation of employment pursuant to any written agreement with Company, the Plan, or by operation of law are intended to survive this Release Agreement. The terms of this Release Agreement add to any such obligations and are not intended to otherwise modify them in any way.

L. *Compensation, Injuries, Leave, Ethics.* Employee acknowledges that: (1) upon receipt of a final paycheck, Employee has received all compensation due through the Termination Date as a result of services performed for Company, except as otherwise provided in this Release Agreement; (2) Employee has reported to Company any and all work-related injuries incurred during employment; (3) Company properly provided any requested leave of absence because of Employee's or a family member's health condition and Employee has not been subjected to any improper treatment, conduct or actions due to a request

for or taking such leave; and (4) Employee has provided the Company with written notice of any and all concerns regarding suspected ethical and compliance issues or violations on the part of Company.

M. *409A Representations*. Company has made a good faith effort to comply with current guidance under Section 409A of the Internal Revenue Code. Notwithstanding the foregoing or any provision in this Release Agreement to the contrary, Company does not warrant or promise compliance with Section 409A, and Employee understands and agrees that **[he/she]** shall not have any claim against Company with respect to Section 409A or for any good faith effort taken to comply with Section 409A.

IV. Release

A. In consideration of the recitations and agreements listed above, Employee releases, and forever discharges Company and each and every one of its component, predecessor, and successor companies, and their respective past and present agents, officers, executives, employees, attorneys, and directors (collectively the “Released Parties”), from any and all matters, claims, charges, demands, damages, causes of action, debts, liabilities, controversies, claims for attorneys’ fees, judgments, and suits of every kind and nature whatsoever, foreseen or unforeseen, known or unknown, which have arisen between Employee and the Released Parties up to the date Employee signs this Release Agreement.

B. This release of claims includes, but is not limited to: (1) any claims Employee may have relating to any aspect of **[his/her]** employment with the Released Parties and/or the separation of that employment; (2) any breach of an actual or implied contract of employment between Employee and the Released Parties; (3) any claim of unjust or tortious discharge; (4) any common law claim (including but not limited to fraud, negligence, intentional or negligent infliction of emotional distress, negligent hiring/retention/supervision, or defamation); (5) any claims arising under (i) the Civil Rights Act of 1866, 42 U.S.C. § 1981, (ii) the Civil Rights Act of 1964, 42 U.S.C. §§ 2000e, et seq., as amended by the Civil Rights Act of 1991, (iii) the Age Discrimination in Employment Act (the “ADEA”), 29 U.S.C. §§ 621, et seq. (including but not limited to the Older Worker Benefit Protection Act (the “OWBPA”)), (iv) the Employee Retirement Income Security Act, 29 U.S.C. §§ 1001, et seq., (v) the Rehabilitation Act of 1973, 29 U.S.C. §§ 701, et seq., (vi) the American with Disabilities Act, 42 U.S.C. §§ 12101, et seq., (vii) the Occupational Safety and Health Act, 29 U.S.C. §§ 651, et seq., and (viii) the Worker Adjustment and Retraining Notification Act, 29 U.S.C. §§ 2101, et seq.; (6) any applicable state or local employment discrimination statute or ordinance; and (7) any other federal, state, or local statutes or ordinances.

C. Employee represents and warrants that, as of the date **[he/she]** signs this Release Agreement, **[he/she]** has not filed or commenced any suit, claim, charge, complaint, or other legal proceeding of any kind against the Released Parties.

D. The above release does not waive claims: (1) for unemployment or workers’ compensation; (2) for vested rights under ERISA-covered employee benefit plans as applicable on the date Employee signs this Release Agreement; (3) that may arise after Employee signs this Release Agreement; or (4) which cannot be released by private agreement.

E. Employee agrees **[he/she]** waives any right to participate in any settlement, verdict or judgment in any class, collective or multi-party action against the Released Parties arising from conduct occurring on or before the date Employee signs this Release Agreement, and that **[he/she]** waives any right to accept anything of value or any injunctive relief associated with any such pending or threatened class, collective or multi-party action against the Released Parties.

V. No Interference with Rights

Nothing in this Release Agreement or any Confidentiality & Restrictive Covenant Agreement, including but not limited to, the release of claims, confidential information, return of property, non-solicitation of employees, non-solicitation of customers, non-competition, non-disparagement,

availability/cooperation, agreement to arbitrate and acknowledgement provisions, (1) limits or affects Employee's right to challenge the validity of this Release Agreement under the ADEA or the OWBPA; (2) prevents Employee from filing a charge or complaint with, or from participating in an investigation or proceeding conducted by, the Equal Employment Opportunity Commission, National Labor Relations Board, the Securities and Exchange Commission, or any other federal, state or local agency charged with the enforcement of any laws, including providing documents or other information; or (3) prevents Employee from exercising rights under Section 7 of the National Labor Relations Act to engage in joint activity with other employees, although by signing this release Employee is waiving rights to individual relief (including backpay, frontpay, reinstatement or other legal or equitable relief) in any charge, complaint, lawsuit, or other proceeding brought by Employee or on Employee's behalf by any third-party, except for any right Employee may have to receive a payment from a government agency (and not the Company) for information provided to the government agency or where otherwise prohibited. Notwithstanding Employee's confidentiality and non-disclosure obligations in this Release Agreement and otherwise, Employee understands that as provided by the Federal Defend Trade Secrets Act, Employee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret made: (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

THIS IS A RELEASE OF CLAIMS - READ CAREFULLY BEFORE SIGNING

I have read this Severance and Release Agreement. Company advised me to seek the advice of counsel regarding the meaning and effect of this Release Agreement, and I have had the opportunity to do so. I fully understand the terms of this Release Agreement and I understand it is a complete and final release of any of my claims against the Released Parties (as defined in this Release Agreement). I sign this Release Agreement as my own free act and deed.

[EMPLOYEE NAME]

Date:

[EMPLOYING ENTITY]

By:

Title:

Date:

EXHIBIT A

H&R BLOCK, INC. EXECUTIVE SEVERANCE PLAN

Exhibit A - Page [15](#)

EXHIBIT B

STOCK OPTIONS SUMMARY

Exhibit A - Page [15](#)

EXHIBIT C

PERFORMANCE SHARE UNITS SUMMARY

MARKET STOCK UNITS SUMMARY

EXHIBIT D

RESTRICTED SHARE UNITS SUMMARY

Exhibit A - Page [15](#)

EXHIBIT E

CONFIDENTIALITY & RESTRICTIVE COVENANT AGREEMENT

Exhibit A - Page [15](#)

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeffrey J. Jones II, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of H&R Block, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 6, 2019

/s/ Jeffrey J. Jones II

Jeffrey J. Jones II

Chief Executive Officer

H&R Block, Inc.

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Tony G. Bowen, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of H&R Block, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 6, 2019

/s/ Tony G. Bowen

Tony G. Bowen
Chief Financial Officer
H&R Block, Inc.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of H&R Block, Inc. (the "Company") on Form 10-Q for the fiscal quarter ending October 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey J. Jones II, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey J. Jones II

Jeffrey J. Jones II
Chief Executive Officer
H&R Block, Inc.
December 6, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of H&R Block, Inc. (the "Company") on Form 10-Q for the fiscal quarter ending October 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tony G. Bowen, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Tony G. Bowen

Tony G. Bowen
Chief Financial Officer
H&R Block, Inc.
December 6, 2019