

H&R BLOCK INC
Form DEF 14A
July 29, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

H&R BLOCK, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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One H&R Block Way
Kansas City, Missouri 64105

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD SEPTEMBER 12, 2013

The annual meeting of shareholders of H&R Block, Inc., a Missouri corporation (the Company), will be held at the Kansas City Repertory Theatre in the H&R Block Center located at One H&R Block Way (corner of 13th and Walnut Streets), Kansas City, Missouri, on Thursday, September 12, 2013, at 9:00 a.m. Central time. Shareholders attending the meeting are asked to park in the H&R Block Center parking garage located beneath the H&R Block Center (enter the parking garage from either Walnut or Main Street). The meeting will be held for the following purposes:

1. Election of the ten nominees for director named in this proxy statement (See page 5);
2. Ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending April 30, 2014 (See page 61);
3. Advisory approval of the Company's named executive officer compensation (See page 61);
4. Approval of an amendment to the Company's Amended and Restated Articles of Incorporation to provide for exculpation of directors (See page 62);
5. Approval of an amendment to the Company's Amended and Restated Articles of Incorporation to eliminate director term limits (See page 64);
6. One shareholder proposal, if properly presented at the meeting (See page 65); and
7. To transact such other business as may properly come before the meeting and any adjournment or postponement thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this notice. The Board of Directors has fixed the close of business on July 12, 2013 as the record date for determining shareholders of the Company entitled to receive notice of and vote at the meeting and any adjournment or postponement thereof.

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, WE URGE YOU TO VOTE YOUR SHARES VIA THE TOLL-FREE TELEPHONE NUMBER OR OVER THE INTERNET, AS PROVIDED IN THE ENCLOSED MATERIALS. IF YOU REQUESTED A PROXY CARD BY MAIL, YOU MAY SIGN, DATE AND MAIL THE PROXY CARD IN THE ENVELOPE PROVIDED.

By Order of the Board of Directors,

SCOTT W. ANDREASEN

Vice President and Secretary

Kansas City, Missouri

July 29, 2013

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON SEPTEMBER 12, 2013.

The Notice of Annual Meeting, Proxy Statement and Annual Report on Form 10-K for the fiscal year ended

April 30, 2013 are available at www.proxyvote.com.

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July 29, 2013

Dear Fellow Shareholder,

Our annual meeting of shareholders scheduled for September 12, 2013 marks the third annual meeting for Bill Cobb and me, and we look forward to discussing your Company's recent results and sharing with you our views on the challenges and opportunities going forward. The Board takes pride in the contributions of Bill and his team; in an economic environment that remains problematic, they not only delivered strong financial results for the current year but also continued to build for the future by strengthening and broadening our business base.

Bill Cobb will review fiscal year 2013 at the annual meeting. Significant reductions in ongoing expenses coupled with solid improvement in key areas of our tax preparation businesses—especially digital products and Canadian and Australian operations—led to a 46% increase in earnings per share from continuing operations. All shareholders have benefitted from the most tangible recognition of this performance: an 89% increase in our share price over the course of the last fiscal year.

We Look at Your Life through Tax and Find Ways to Help

This simple phrase—reflecting a commitment to client service dating back to the earliest days of Henry and Richard Bloch—is both a statement of corporate principle and a key guidepost in shaping the strategic direction of your Company. A prime example is healthcare. 2013 is the 100th anniversary of the Constitutional amendment authorizing the United States government to collect income taxes, and just last year the Supreme Court ruled that this amendment provided the constitutional basis for the Affordable Care Act, the landmark healthcare legislation signed into law in 2010. Since passage of that legislation, our management team has been actively exploring how we can best help our clients manage the requirements it imposes and take advantage of the opportunities it presents. Last tax season, we offered our clients a free review of their eligibility and potential obligations under the Affordable Care Act. Since then, we have continued to explore ways in which we can provide services in this area beginning this fall. At this time, it is too early to predict what the healthcare law will mean for our Company, but our approach to evaluating the opportunities presented by the changing healthcare market reflects our commitment to exploring ways to grow the Company's business.

Another major legislative initiative of recent years is also impacting your Company. Under the Dodd-Frank Act's bank regulatory provisions aimed at preventing recurrence of the events that led to the financial crisis of 2007–2008—our ownership of H&R Block Bank subjects us to federal oversight which has constrained our flexibility in key areas such as strategic transactions and capital allocation. Culminating a process that began last year, we recently announced an agreement to sell assets and assign liabilities of our bank to Republic Bank & Trust Company, subject to approval by federal regulators and other disclosed conditions. A key element of the transaction currently being negotiated is an agreement to allow us to market and distribute Republic Bank's H&R Block-branded financial products and services. As a result, the Emerald Card and the Emerald Advance—products valued by millions of our clients—will remain key elements of our business strategy.

Internationally, tax compliance is becoming more and more both a civic (and legal) responsibility and an economic necessity, and your Company is making strides in providing tax preparation services around the world. As noted above, Canada and Australia are already vitally important markets for us; we are the leading branded tax preparer in both countries. We have also begun pilot programs in two of the fast growing BRIC countries—Brazil and India—and we have reason to be optimistic about our potential to build businesses in those countries in the future. Virtually every American knows about the H&R Block brand, which stands for quality and integrity in tax preparation, and we have been pleased to discover that our powerful brand also resonates in other countries around the world.

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We Do the Right Thing

The Board has been vigilant in ensuring that our executives' interests are aligned with those of our shareholders; pay-for-performance was central to our culture long before it emerged as a buzzword in corporate America. A significant portion of executive compensation is a function of the Company's financial, operational, strategic, and stock price performance. Starting at the top, Bill Cobb's compensation is not only heavily weighted to equity rather than cash, the value of much of his equity compensation is determined by our Company's performance over time.

We have been pleased that you, our shareholders, agree with our approach. Last year, over 90% of the shares voted at the annual meeting were voted for our say-on-pay proposal. The Compensation Committee, working with its independent consultant, has retained the core design of our executive compensation program in fiscal year 2014, as it believes the current design appropriately rewards our executives for their performance, motivates them to work towards achieving our long term objectives, and strengthens the alignment of their interests with those of our shareholders. However, as described in more detail later in the proxy statement, our Compensation Committee has taken additional steps this year to further strengthen that alignment. For fiscal year 2014, 80% of our executives' long term incentive awards are performance-based awards, an increase from 70% in fiscal year 2013.

At this year's annual meeting, we are also asking you to approve amendments to our Articles of Incorporation, including an amendment that would repeal the twelve-year limit on directors' terms, a limit we adopted in 2008. The twelve-year limit was a well-intentioned, but an ineffective effort to promote turnover on our Board. We have found that the annual election of all directors (a practice we adopted in 2007), coupled with a rigorous Board and committee self-evaluation process, is the best way to ensure an active and vibrant Board. In the coming years, retention of the term limit provision could result in the loss of the valuable contributions of directors who, over time, have developed insight into the business of the Company, an outcome which the Board believes is not in the best interests of shareholders. Therefore, we ask for your support in approving Proposal 5.

On behalf of the entire Board, I'd like to thank you for your support. We are excited about our Company's future and, as we seek to capture the opportunities that lie ahead, are honored by the confidence you have shown through your ownership of our shares.

Robert A. Gerard

Chairman of the Board

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H&R BLOCK, INC.

PROXY STATEMENT

FOR THE 2013 ANNUAL MEETING OF SHAREHOLDERS

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors (the Board of Directors or Board) of H&R Block, Inc., a Missouri corporation (H&R Block or the Company or we) for use at the annual meeting of shareholders of the Company to be held on Thursday, September 12, 2013 at 9:00 a.m. Central time, at the Kansas City Repertory Theatre in the H&R Block Center located at One H&R Block Way (corner of 13th and Walnut Streets), Kansas City, Missouri. References to the annual meeting in this proxy statement include any adjournment or postponement thereof. This proxy statement contains information about the matters to be voted on at the meeting and the voting process, as well as information about our directors and executive officers.

WHY DID I RECEIVE A NOTICE IN THE MAIL REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS INSTEAD OF A FULL SET OF PRINTED PROXY MATERIALS?

Pursuant to rules adopted by the Securities and Exchange Commission (SEC), we are making this proxy statement and our 2013 Annual Report available to shareholders electronically via the internet. Unless you have already requested to receive a printed set of proxy materials, you will receive an Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on September 12, 2013 (the Notice), which contains instructions on how to access proxy materials and vote your shares via the internet or, if you prefer, to request a printed set of proxy materials at no cost to you. On or about July 29, 2013, we mailed the Notice, or, for shareholders who have already requested to receive a printed set of proxy materials, this proxy statement, an accompanying proxy card, and our 2013 Annual Report, to our shareholders of record. All shareholders will be able to access this proxy statement and our 2013 Annual Report on the website referred to in the Notice or request to receive printed copies of the proxy materials.

HOW CAN I ELECTRONICALLY ACCESS THE PROXY MATERIALS?

The Notice provides you with instructions on how to view our proxy materials for the annual meeting on the internet. The website on which you will be able to view our proxy materials will also allow you to choose to receive future proxy materials electronically, which will save us the cost of printing and mailing documents to you. If you choose to receive future proxy materials electronically, you will receive an email next year with instructions containing a link to the proxy voting site. Your election to receive proxy materials electronically will remain in effect until you terminate it.

HOW CAN I OBTAIN A FULL SET OF PRINTED PROXY MATERIALS?

The Notice will provide you with instructions on how to request to receive printed copies of the proxy materials. You may request printed copies up until one year after the date of the meeting.

WHAT AM I VOTING ON?

You are voting on six items of business at the annual meeting:

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- i Election of the ten nominees for director named in this proxy statement (Proposal 1);

- i Ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending April 30, 2014 (Proposal 2);

H&R Block, Inc. | Notice of Annual Meeting of Shareholders and 2013 Proxy Statement

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- Advisory approval of the Company’s named executive officer compensation (Proposal 3);
- Approval of an amendment to the Company’s Amended and Restated Articles of Incorporation to provide for exculpation of directors (Proposal 4);
- Approval of an amendment to the Company’s Amended and Restated Articles of Incorporation to eliminate director term limits (Proposal 5); and
- One shareholder proposal, if properly presented at the meeting (Proposal 6).

WHO IS ENTITLED TO VOTE?

Shareholders of record as of the close of business on July 12, 2013 are entitled to vote at the annual meeting. Each share of H&R Block common stock is entitled to one vote.

WHAT ARE THE VOTING RECOMMENDATIONS OF THE BOARD OF DIRECTORS?

Our Board of Directors recommends that you vote your shares as follows:

<i>Proposal</i>	<i>Board Recommendation</i>
1. Election of Directors.	FOR EACH OF THE NOMINEES
2. Ratification of the appointment of Deloitte & Touche LLP as the Company’s independent registered public accounting firm for the fiscal year ending April 30, 2014.	FOR
3. Advisory approval of the Company’s named executive officer compensation.	FOR
4. Approval of an amendment to the Company’s Amended and Restated Articles of Incorporation to provide for exculpation of directors.	FOR
5. Approval of an amendment to the Company’s Amended and Restated Articles of Incorporation to eliminate director term limits.	FOR
6. Shareholder proposal concerning pro-rata vesting of equity awards.	AGAINST

WHAT IS THE DIFFERENCE BETWEEN HOLDING SHARES AS A SHAREHOLDER OF RECORD AND AS A BENEFICIAL OWNER?

If your shares are registered directly in your name with the Company’s transfer agent, Wells Fargo Shareowner Services (Wells Fargo), you are considered a registered shareholder and are considered, with respect to those shares, the shareholder of record. If you are a shareholder of record, the Notice or proxy materials were sent to you directly by the Company, and you may vote by any of the methods described below under How

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Do I Vote? .

If your shares are registered in the name of a stock brokerage account or by a broker, bank, or other nominee on your behalf (referred to as being held in street name), you are considered a beneficial owner of shares held in street name, and the broker, bank, or other nominee forwarded the Notice or proxy materials to you. As the beneficial owner, you have the right to direct your broker, bank, or other nominee holding your shares how to vote and you are also invited to attend the annual meeting. However, since you are not a shareholder of record, you may not vote these shares in person at the annual meeting unless you bring with you a legal proxy from the shareholder of record.

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HOW DO I VOTE?

If you are a registered shareholder, there are four different ways you can vote:

- **By Internet** You can vote via the internet at *www.proxyvote.com* by following the instructions provided (you will need the Control Number from the Notice or proxy card you received);
- **By Telephone** You can vote by telephone by calling the toll-free telephone number indicated on your proxy card or voting instruction card (you will need the Control Number from the Notice or proxy card you received);
- **By Mail** If you received your proxy materials by mail, you can vote by signing, dating and returning the accompanying proxy card; or
- **In Person** You can vote in person by written ballot at the annual meeting.

When your proxy is properly submitted, your shares will be voted as you indicate. If you do not indicate your voting preferences, the appointed proxies (William C. Cobb, Thomas A. Gerke, and Scott W. Andreasen) will vote your shares FOR Proposals 1 – 5 and AGAINST Proposal 6. If your shares are owned in joint names, all joint owners must vote by the same method, and if joint owners vote by mail, all of the joint owners must sign the proxy card. The deadline for voting by telephone or via the internet, except with respect to shares held through the H&R Block Retirement Savings Plan as described below, is 11:59 p.m. Eastern time on September 11, 2013.

If you are a beneficial owner of shares held in street name, you may vote by following the voting instructions provided by your broker, bank, or other nominee, and your broker, bank, or other nominee should vote your shares as you have directed. You must have a legal proxy from the shareholder of record in order to vote the shares in person at the annual meeting.

If your shares are held through the H&R Block Retirement Savings Plan, you may also vote as set forth above, except that Plan participants may not vote their Plan shares in person at the annual meeting. If you provide voting instructions via the internet, by telephone or by written proxy card, Fidelity Management Trust Company, the Plan's Trustee, will vote your shares as you have directed. If you do not provide specific voting instructions, the Trustee will vote your shares in the same proportion as shares for which the Trustee has received instructions. Please note that you must submit voting instructions to the Trustee no later than September 9, 2013 at 11:59 p.m. Eastern time in order for your shares to be voted by the Trustee at the annual meeting. Your voting instructions will be kept confidential by the Trustee.

MAY I ATTEND THE MEETING?

All shareholders, properly appointed proxy holders, and invited guests of the Company may attend the annual meeting. Shareholders who plan to attend the meeting may be required to present valid photo identification. If you hold your shares in street name, please also bring proof of your share ownership, such as a broker's statement showing that you beneficially owned shares of the Company on the record date of July 12, 2013, or a legal proxy from your broker, bank, or other nominee (a legal proxy is required if you hold your shares in street name and you plan to vote in person at the annual meeting). Shareholders of record will be verified against an official list available at the registration area. The Company reserves the right to deny admittance to anyone who cannot adequately show proof of share ownership as of the record date.

WHAT ARE BROKER NON-VOTES?

A broker non-vote occurs when a broker, bank, or other nominee holding shares on behalf of a beneficial owner is prohibited from exercising discretionary voting authority for a beneficial owner who has not provided voting instructions. Brokers, banks, and other nominees may vote without instruction only on routine proposals. On non-routine proposals, nominees cannot vote without instructions from the beneficial owner, resulting in so-called broker non-votes. Proposal 2, the ratification of Deloitte & Touche LLP as the Company's independent registered public accounting firm, is the only routine proposal on the ballot for the annual meeting. All other proposals are non-routine. If you hold your shares with a broker, bank, or other nominee, they will not be voted on non-routine proposals unless you give voting instructions to such nominee.

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MAY I CHANGE MY VOTE?

You may revoke your proxy and change your vote at any time before the voting deadline for the annual meeting. After your initial vote, you may vote again on a later date any time prior to the annual meeting via the internet or by telephone (only your latest internet or telephone proxy submitted prior to the voting deadline for the annual meeting will be counted), by signing and returning a new proxy card or voting instruction form with a later date, or by attending the annual meeting and voting in person. However, your attendance at the annual meeting will not automatically revoke your proxy unless you vote again at the annual meeting or specifically request in writing that your prior proxy be revoked. If your shares are held in street name by a broker, bank, or other nominee, you must contact that nominee to change your vote.

WHAT VOTE IS REQUIRED TO APPROVE EACH PROPOSAL?

For each matter to be voted upon at the annual meeting, shareholders may vote for, against, or abstain.

For Proposals 1, 2, 3 and 6, the affirmative vote of a majority of shares present in person or represented by proxy, and entitled to vote on the matter, is necessary for election or approval. The vote on Proposal 3, the approval of the Company's named executive officer compensation, is a non-binding advisory vote only. For Proposals 4 and 5, the affirmative vote of the holders of a majority of outstanding shares entitled to vote on such matters is necessary for approval.

Shares represented in person or by a proxy that directs that the shares abstain from voting are deemed to be represented at the meeting as to that particular matter, and have the same effect as a vote against the proposals. Broker non-votes have no impact on Proposals 1, 2, 3, and 6. However for Proposals 4 and 5, which require the approval of a majority of the outstanding shares entitled to vote, broker non-votes will have the same effect as a vote against such proposals.

If a submitted proxy does not specify how to vote, the shares represented by that proxy will be considered to be voted in favor of Proposals 1 - 5 and against Proposal 6.

DO SHAREHOLDERS HAVE CUMULATIVE VOTING RIGHTS WITH RESPECT TO THE ELECTION OF DIRECTORS?

No, shareholders do not have cumulative voting rights with respect to the election of directors.

WHAT CONSTITUTES A QUORUM?

As of the record date, 273,263,986 shares of the Company's common stock were issued and outstanding. A majority of the outstanding shares entitled to vote at the annual meeting, represented in person or by proxy, will constitute a quorum. Abstentions and broker non-votes will be counted as present and entitled to vote for purposes of determining a quorum.

WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON SEPTEMBER 12, 2013 ?

It means your shares are held in more than one account. You should vote all of your shares.

WHAT IS HOUSEHOLDING?

As permitted by the SEC, we are delivering only one copy of this proxy statement to shareholders residing at the same address, unless the shareholders have notified us of their desire to receive multiple copies of the proxy statement. This practice is known as householding.

The Company will promptly deliver, upon request, a separate copy of the proxy statement to any shareholder residing at an address to which only one copy was mailed. Requests for additional copies for the current year or future years should be directed to the Corporate Secretary, H&R Block, Inc., One H&R Block Way, Kansas City, Missouri 64105, or by telephone at (816) 854-4288.



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Shareholders of record residing at the same address and currently receiving multiple copies of the proxy statement may contact our registrar and transfer agent, Wells Fargo, to request that only a single copy of the proxy statement be mailed in the future. You can contact Wells Fargo by phone at (888) 213-0968, or by mail at 1110 Centre Point Curve, Suite 101, Mendota Heights, Minnesota 55120-4100.

WHO WILL BEAR THE COST OF THIS SOLICITATION AND HOW WILL PROXIES BE SOLICITED?

The Company is making this solicitation on behalf of the Company's Board of Directors and will pay the entire cost of this proxy solicitation, including the expense of preparing the proxy solicitation materials for the annual meeting and mailing the Notice and, as applicable, the proxy solicitation materials for such meeting. Following the mailing of these materials, directors, officers, and employees of the Company may solicit proxies by telephone, email, or other personal contact; such individuals will not receive compensation or reimbursement for these activities. Additionally, the Company has retained Georgeson Inc. to assist in the solicitation of proxies on behalf of the Board for a fee of \$25,000 plus reimbursement of reasonable expenses. Further, brokers and other custodians, nominees, and fiduciaries will be requested to forward the Notice and printed proxy materials to their principals, and the Company will reimburse them for the expense of doing so.

WHAT IS THE COMPANY'S INTERNET ADDRESS?

The Company's internet address is www.hrblock.com. The Company's filings with the SEC are available free of charge via the Investor Relations link at this website (click on the SEC Filings link under the Financial Info heading), and may also be found at the SEC's website, www.sec.gov.

WILL ANY OTHER MATTERS BE VOTED ON?

As of the date of this proxy statement, we know of no other matter that will be presented for consideration at the annual meeting other than those matters discussed in this proxy statement. If any other matters properly come before the meeting and call for a vote of the shareholders, the appointed proxies may use their discretion to vote on any such matters.

PROPOSAL 1 ELECTION OF DIRECTORS

The Company's Amended and Restated Articles of Incorporation (the Articles) and Amended and Restated Bylaws (the Bylaws) provide that the number of directors to constitute the Board of Directors shall not be fewer than 7 nor more than 12, with the exact number to be fixed by a resolution adopted by the affirmative vote of a majority of the entire Board. The Board of Directors currently consists of ten directors. The Articles and Bylaws also provide that all of the directors shall be elected at each annual meeting of shareholders. Under the Bylaws, each director holds office until the earlier of the election and qualification of such director's successor or the director's death, resignation, retirement, disqualification, disability, or removal from office. Any vacancy on the Board may be filled by a majority of the surviving or remaining directors then in office. The Company's Bylaws provide that any incumbent director who is not elected by a majority of shares entitled to vote on their election and represented in person or by proxy shall promptly tender his or her irrevocable resignation to the Company's Board, subject only to the condition that the Board accept the resignation. The Board and the Governance and Nominating Committee must consider and act on the resignation, as more fully described under Corporate Governance Mandatory Director Resignation Policies, on page 17. To be eligible to be a nominee as a director, whether nominated by the Board or a shareholder, a person must deliver to the Company a written agreement that such person will abide by this director resignation requirement.

There are ten nominees for election to the Board at the annual meeting of shareholders to be held on September 12, 2013. Each of the ten nominees, if elected, will hold office until the earlier of the election and qualification of such director's successor or the director's death, resignation, retirement, disqualification, disability, or removal from office. The Board has nominated Paul J. Brown, William C. Cobb, Marvin R. Ellison, Robert A. Gerard, David Baker Lewis, Victoria J. Reich, Bruce C. Rohde, Tom D. Seip, Christianna Wood, and James F. Wright for election as directors of the Company. Each nominee has consented to be named and to serve if elected. If any of the nominees becomes unavailable for election for any reason, the



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Board may provide for a lesser number of directors or designate substitute nominees, and the proxies will be voted for the remaining nominees and any substitute nominees, unless otherwise instructed by a shareholder.

DIRECTOR NOMINATION PROCESS

The entire Board of Directors is responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of shareholders. The Governance and Nominating Committee is responsible for identifying, screening, and recommending candidates to the entire Board for Board membership. The Governance and Nominating Committee works with the Board to determine the appropriate characteristics, skills, and experience for the Board as a whole and its individual members. In evaluating the suitability of individual Board members, the Board takes into account many factors, which are described in further detail below. The Board evaluates each individual in the context of the Board as a whole with the objective of retaining a group of directors with diverse and relevant experience that can best perpetuate the Company's success and represent shareholder interests through sound judgment.

The Governance and Nominating Committee may seek the input of other members of the Board or management in identifying candidates who meet the criteria outlined above. In addition, the Governance and Nominating Committee may use the services of consultants or a search firm. The Governance and Nominating Committee will consider recommendations by the Company's shareholders of qualified director candidates for possible nomination by the Board. Shareholders may recommend qualified director candidates by writing to the Company's Corporate Secretary at H&R Block, Inc., One H&R Block Way, Kansas City, Missouri 64105. Submissions should include information regarding a candidate's background, qualifications, experience, and willingness to serve as a director. Based on a preliminary assessment of a candidate's qualifications, the Governance and Nominating Committee may conduct interviews with the candidate or request additional information from the candidate. The Governance and Nominating Committee uses the same process for evaluating all candidates for nomination by the Board, including those recommended by shareholders. The Company's Bylaws permit persons to be nominated as directors directly by shareholders under certain conditions. To do so, shareholders must comply with the advance notice requirements outlined in the Shareholder Proposals and Nominations section of this proxy statement.

Diversity

Both the Board and the Governance and Nominating Committee believe that diversity of skills, perspectives, and experiences among Board members, in addition to the factors discussed above, improves the Board's oversight and evaluation of management on behalf of the shareholders and produces more creative thinking and better strategic solutions by the Board. Although we do not have a formal policy concerning diversity of director nominees, the Governance and Nominating Committee considers, though not exclusively, the distinctive skills, perspectives, and experiences that candidates who are diverse in gender, ethnic background, geographic origin, and professional experience have to offer.

SELECTING AND EVALUATING OUR NOMINEES

When evaluating potential director nominees, the Governance and Nominating Committee considers each individual's professional expertise and educational background in addition to their general qualifications. The Governance and Nominating Committee works with the Board to determine the appropriate mix of backgrounds and experiences in order to establish and maintain a Board that is strong in its collective knowledge and that can fulfill its responsibilities, perpetuate our long term success, and represent the interests of our shareholders.

The Governance and Nominating Committee regularly communicates with the Board to identify backgrounds, qualifications, professional experiences, and areas of expertise that impact our business that are particularly desirable for our directors to possess in order to help meet specific Board needs, including:

- i *Financial industry knowledge*, which is vital in understanding and reviewing our strategy, including the acquisition of businesses that offer complementary products or services;
- i *Operating experience* as current or former executives, which gives directors specific insight into, and expertise that will foster active participation in, the development and implementation of our operating plan and business strategy;



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- i *Executive leadership experience*, which gives directors who have served in significant leadership positions strong abilities to motivate and manage others and to identify and develop leadership qualities in others;

- i *Accounting and financial expertise*, which enables directors to analyze our financial statements, capital structure and complex financial transactions and oversee our accounting and financial reporting processes;

- i *Enterprise risk management experience*, which contributes to oversight of management’s risk monitoring and risk management programs, and establishment of risk appetite aligned with our strategy; and

- i *Public company board and corporate governance experience*, which provides directors a solid understanding of their extensive and complex oversight responsibilities and furthers our goals of greater transparency, accountability for management and the Board, and protection of our shareholders’ interests.

The following chart highlights each director nominee’s specific skills, knowledge, and experience that the Governance and Nominating Committee and Board relied upon when determining whether to nominate the individual for election. A particular nominee may possess other valuable skills, knowledge or experience even though they are not indicated below.

<i>Financial</i>						
<i>Industry</i>						<i>Public</i>
<i>Name</i>	<i>Knowledge</i>	<i>Operating Experience</i>	<i>Executive Leadership</i>	<i>Accounting/ Financial</i>	<i>Enterprise Risk Management</i>	<i>Company Governance</i>
Paul J. Brown		ü	ü			