H&R BLOCK INC
Form DEF 14A
July 28, 2014
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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 þ 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))**
þ 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)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

One H&R Block Way

Kansas City, Missouri 64105

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD SEPTEMBER 11, 2014

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 11, 2014, 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 nine 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, 2015 (See page 59);

3. Advisory approval of the Company s named executive officer compensation (See page 60);

4. Approval of the Amended and Restated Executive Performance Plan (See page 61);

5. One shareholder proposal, if properly presented at the meeting (See page 66); and

6. 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 11, 2014 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 28, 2014

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON SEPTEMBER 11, 2014.

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

April 30, 2014 are available at www.proxyvote.com.

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July 28, 2014

Dear Fellow Shareholder,

Our annual meeting of shareholders scheduled for September 11, 2014 marks the fourth 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 opportunities and challenges going forward. The annual meeting is an opportunity for our shareholders to participate in the governance of the Company and to provide valuable feedback to our Board of Directors.

Bill Cobb will provide a review of fiscal year 2014 at the annual meeting. Improved return mix and changes to the Company s pricing strategy in its retail locations coupled with digital tax software product enhancements and monetization efforts as well as increased Tax Plus financial services products revenue, led to a 4.1% increase in revenues, to $3.024 billion. Additionally, the Company achieved EBITDA expansion of 8% to $940 million, or 31% of revenues, while continuing to invest in initiatives that contributed to improved client satisfaction.

Our recently outlined strategy to grow revenues through a balance of improved return mix and increased product attachments our Tax Plus strategy was derived from our core operating principle: ***We look at your life through tax and find ways to help.*** This simple phrase reflects a commitment to client service dating back to the earliest days of Henry and Richard Bloch that guides us to this day. Bill and his team delivered strong performance in fiscal year 2014, executing on our Tax Plus strategy to improve client satisfaction, increase revenues, and drive margin expansion, while continuing to invest in our business. Management s efforts in fiscal year 2014 led to significant improvements in all areas of our business, specifically:

- In retail, we made investments in our offices, in our people, and in our technology, resulting in improved service metrics.
- In digital, we enhanced the user experience by customizing the product to each client and making it simpler to use. These enhancements led to improved conversion and a substantial increase in product upgrades.
- In financial services, we saw significant improvement across our entire range of products.

While it is too early to predict what the Affordable Care Act will mean for our Company, our approach to evaluating the opportunities presented by the changing health care market reflects our commitment to exploring ways to grow the Company s business.

These results are a reflection of the application of our core value ***We do the right thing.*** This core value is further evidenced by the Board s efforts to ensure that, among other things, our executives interests are aligned with those of our shareholders. Pay-for-performance has long been central to our culture, as we believe that superior performance by our executive officers and management is essential to achieving our goal of increasing shareholder value. Starting at the top, Bill Cobb s compensation is heavily weighted to equity rather than cash, and the value of this equity compensation is largely determined by our Company s performance over time.

We have been pleased that you, our shareholders, agree with our approach. Last year, over 96% 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 2015, 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.

On behalf of the entire Board, I d like to thank you for your support. We are excited about the future of H&R Block 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 2014 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 11, 2014 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 2014 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 11, 2014 (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 28, 2014, 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 2014 Annual Report, to our shareholders of record. All shareholders will be able to access this proxy statement and our 2014 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 four items of business at the annual meeting:

- Election of the nine nominees for director named in this proxy statement (Proposal 1);
- Ratification of the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm for the fiscal year ending April 30, 2015 (Proposal 2);
- Advisory approval of the Company s named executive officer compensation (Proposal 3);
- Approval of the Amended and Restated Executive Performance Plan (Proposal 4); and
- One shareholder proposal, if properly presented at the meeting (Proposal 5).

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WHO IS ENTITLED TO VOTE?

Shareholders of record as of the close of business on July 11, 2014 are entitled to vote at the annual meeting. Each share of H&R Block common stock is entitled to one vote.

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 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.

WHAT ARE THE VOTING RECOMMENDATIONS OF THE BOARD OF DIRECTORS AND THE VOTING REQUIREMENTS?

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

Proposal	*Board Recommendation*	*More Information*	*Broker Discretionary Voting Allowed?*	*Votes required for approval*	*Abstentions and Broker Non-Votes*
1. Election of Directors.	**FOR each Nominee**	**Page 5**	**No**	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 of all five proposals.	Abstentions have the same effect as votes AGAINST the relevant proposal.
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, 2015.	**FOR**	**Page 59**	**Yes**		Broker non-votes have no impact on the outcome of the vote for any of the proposals.
3. Advisory approval of the Company s named executive officer compensation.	**FOR**	**Page 60**	**No**		
4. Approval of the Amended and Restated Executive Performance Plan.	**FOR**	**Page 61**	**No**		
5. Shareholder proposal concerning political contributions.	**AGAINST**	**Page 66**	**No**		

Broker Discretionary Voting

On non-routine proposals, a broker non-vote occurs because 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.

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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.

Voting Requirements and Effect of Abstentions and Broker Non-Votes

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

For each of the proposals, 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.

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 the 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 4 and against Proposal 5.

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 4 and AGAINST Proposal 5. 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 10, 2014.

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 8, 2014 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 11, 2014, 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.

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.

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, 274,823,409 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 11, 2014 ?

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.

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.

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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 For Investors 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. Nine of the ten members of the Board are standing for re-election. As previously disclosed, Marvin R. Ellison informed the Board on March 21, 2014 of his decision not to stand for re-election following the completion of his term at the 2014 annual meeting of shareholders, due to policies of his employer which limit the number of external boards of directors on which he can serve. Pursuant to our Bylaws, the Board has set the number of directors that shall constitute the Board at nine, effective upon the commencement of the 2014 annual meeting of shareholders.

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.

As discussed above, the Board has set the number of directors that shall constitute the Board at nine. There are nine nominees for election to the Board at the annual meeting of shareholders to be held on September 11, 2014. Each of the nine 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, 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 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

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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. The Company did not receive notice from any shareholder prior to the deadline for submitting notice of an intention to nominate any additional persons for election as directors at the 2014 annual meeting.

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 experience, areas of 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 experiences, areas of expertise and educational backgrounds 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 professional experiences, areas of expertise, educational backgrounds and other qualifications that impact our business that are particularly desirable for our directors to possess in order to help meet specific Board needs, including:

- *Financial industry knowledge*, which is vital in understanding and reviewing our strategy, including the acquisition of businesses that offer complementary products or services;
- *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;
- *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;
- *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;

- *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

- *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.

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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.

Name	*Financial Industry Knowledge*	*Operating Experience*	*Executive Leadership*	*Accounting or Financial*	*Enterprise Risk Management*	*Public Company Governance*
Paul J. Brown		ü	ü	ü	ü	ü
William C. Cobb	ü	ü	ü		ü	ü
Robert A. Gerard	ü	ü	ü	ü	ü	ü
David Baker Lewis	ü			ü	ü	ü
Victoria J. Reich		ü	ü	ü	ü	ü
Bruce C. Rohde		ü	ü	ü	ü	ü
Tom D. Seip	ü	ü	ü	ü	ü	ü
Christianna Wood	ü			ü		ü
James F. Wright		ü	ü		ü	ü

The Board believes that all the director nominees are highly qualified. As the chart shows, the director nominees have significant leadership experience, knowledge, and skills that qualify them for service on our Board, and, as a group, represent diverse views, experiences, and backgrounds. All director nominees satisfy the criteria set forth in our Corporate Governance Guidelines and possess the personal characteristics that are essential for the proper and effective functioning of the Board. Each nominee s biography below contains additional information regarding his or her experiences, qualifications and skills.

The number of shares of common stock, share units, and share equivalents beneficially owned by each nominee for director is listed under the heading Security Ownership of Directors and Management on page 69.

DIRECTOR NOMINEES

There are nine nominees for election to the Board at the annual meeting. As described above, the Board has set the number of directors that shall constitute the Board at nine, effective upon the commencement of the 2014 annual meeting of shareholders. All Board members are subject to annual election. The following pages present information regarding each director nominee, including information about each nominee s professional experience, areas of expertise, educational background, and qualifications that led the Board to nominate him or her for election. The following also includes information about all public company directorships each nominee currently holds.

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Director Nominees

Paul J. Brown

Director since 2011

Age 47

Committees:

- Governance and Nominating

Professional Experience

Mr. Brown has served as the Chief Executive Officer of Arby s Restaurant Group, Inc., the second largest quick-service sandwich chain in the U.S., since May 2013. He served as President, Brands and Commercial Services for Hilton Worldwide, a global hospitality company, from 2008 to April 2013. Prior to that, he was with Expedia Inc., for four years, most recently serving as President, Expedia North America and Expedia Inc. Partner Services Group. From 2001 through 2005, Mr. Brown was a Partner with McKinsey & Co. in their London and Atlanta offices. Earlier in his career, he was Senior Vice President of Brand Services for Intercontinental Hotels Group, a Manager with the Boston Consulting Group, Inc., and a Senior Consultant with Andersen Consulting.

Education

Mr. Brown received a Bachelors degree in Management from the Georgia Institute of Technology and a Masters of Business Administration degree from the Kellogg Graduate School of Management, Northwestern University.

Other Boards and Appointments

Mr. Brown was previously a director of Borders Group, Inc. from 2009 until 2011, where he was a member of the Audit Committee. Mr. Brown currently serves as a member of the Georgia Institute of Technology s Advisory Board, and the boards of the Metro Atlanta Chamber and the Arby s Foundation.

Director Qualifications

Mr. Brown brings to the Board significant executive leadership, operations, financial management, e-commerce, brand management, and enterprise risk management experience.

William C. Cobb

President and Chief Executive Officer

Professional Experience

Mr. Cobb has served as President and Chief Executive Officer of H&R Block, Inc. since May 2011. Mr. Cobb retired from eBay, Inc., an e-commerce company, in 2008, having worked there from November 2000 to March 2008, where he most recently served as President of eBay Marketplaces North America for four years and before that held several senior management positions, including Senior Vice President and General Manager of eBay International and Senior Vice President of Global Marketing. Prior to joining eBay, Inc., he held various marketing and executive positions, including Chief Marketing Officer for International, at YUM! Brands (formerly Pepsico/Tricon) where he worked from 1987 until 2000.

Director since 2010

Age 57

Committees:

- Finance

Education

Mr. Cobb holds a Bachelor of Science degree in Economics from the Wharton School of the University of Pennsylvania and a Masters of Business Administration degree from the Kellogg School of Management at Northwestern University.

Other Boards and Appointments

Mr. Cobb served as a non-employee director of H&R Block, Inc. from 2010 until his appointment as our President and Chief Executive Officer in May 2011. He was previously a director of Och-Ziff Capital Management Group LLC (2008-2011), Orbitz Worldwide, Inc. (2008-2011), and Pacific Sunwear of California, Inc. (2008-2011). Mr. Cobb previously served on the Advisory Board of the Kellogg School of Management at Northwestern University and the non-profit Bay Harbor Foundation, in each case through 2011. Mr. Cobb currently serves as a member of the board of the United Way of Greater Kansas City.

Director Qualifications

Mr. Cobb brings to the Board intimate knowledge of the Company s daily operations as the Company s President and Chief Executive Officer, an extensive background in marketing and the internet industry, and significant experience as a senior executive at various public companies.

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Robert A. Gerard

Chairman of the

Board of Directors

Director since 2007

Age 69

Committees:

- Finance (Chair)
- Governance and Nominating

Professional Experience

Mr. Gerard is the General Partner and investment manager of GFP, L.P., a private investment partnership. From 2004 to 2011, Mr. Gerard was Chairman of the Management Committee and Chief Executive Officer of Royal Street Communications, LLC, a licensee, developer, and operator of telecommunications networks in Los Angeles and Central Florida. From 1977 until his retirement in 1991, Mr. Gerard held senior executive positions with investment banking firms Morgan Stanley & Co., Dillon Read & Co., and Bear Stearns. From 1974 to 1977, Mr. Gerard served in the United States Department of the Treasury, completing his service as Assistant Secretary for Capital Markets and Debt Management.

Education

Mr. Gerard is a graduate of Harvard College and holds a Masters of Arts degree and a Juris Doctor degree from Columbia University.

Other Boards and Appointments

Mr. Gerard served as a director of Gleacher & Company, Inc. from 2009 through May 2013, where he most recently served as Chair of the Executive Compensation Committee and was a member of the Committee on Directors and Corporate Governance.

Director Qualifications

Mr. Gerard brings to the Board extensive experience in the financial services industry and many years of business experience in senior management and finance, as well as experience serving on the boards of other public companies.

David Baker Lewis

Director since 2004

Age 70

Professional Experience

Mr. Lewis currenty serves as Of Counsel at Lewis & Munday, a Detroit-based legal firm with additional offices in New York City and Washington, D.C. Mr. Lewis is a co-founder of the firm, which was established in 1972, and previously served as the firm s Chairman and CEO.

Committees:

- Audit (Chair)
- Governance and Nominating

Education

Mr. Lewis received a Bachelor of Arts degree from Oakland University, a Masters of Business Administration degree from the University of Chicago, and a Juris Doctor degree from the University of Michigan School of Law.

Other Boards and Appointments

Mr. Lewis is also a director of The Kroger Company, where he is a member of the Public Responsibilities and Finance Committees, and STERIS Corp., where he is a member of the Audit Committee. He was previously a director of Conrail, Inc., LG&E Energy Corp., M.A. Hanna, TRW, Inc., and Comerica, Inc., all prior to 2007.

Director Qualifications

Mr. Lewis brings to the Board experience from serving on the boards of other public companies, including service as the current or former chair of four public company audit committees, expertise derived from his law practice and business background, and knowledge of finance and financial services.

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Professional Experience

Victoria J. Reich

Director since 2011

Age 56

Ms. Reich served as the Senior Vice President and Chief Financial Officer of United Stationers Inc., a wholesale distributor of business products, from June 2007 until July 2011. Prior to that, Ms. Reich spent ten years with Brunswick Corporation, a manufacturer of sporting and fitness equipment, where she most recently was President of Brunswick European Group from 2003 until 2006. She served as Brunswick s Senior Vice President and Chief Financial Officer from 2000 to 2003 and as Vice President and Controller from 1996 until 2000. Before joining Brunswick, Ms. Reich spent 17 years at General Electric Company where she held various financial management positions.

Committees:

- Audit
- Finance

Education

Ms. Reich holds a Bachelor of Science degree in Applied Mathematics and Economics from Brown University.

Other Boards and Appointments

Ms. Reich is a director of Ecolab Inc., where she is Vice Chairman of the Audit Committee and a member of the Safety, Health and Environment Committee. She is also a director of Ingredion Incorporated, where she is a member of the Audit Committee.

Director Qualifications

Ms. Reich brings to the Board extensive financial management experience, operational experience, and executive leadership abilities.

Professional Experience

Bruce C. Rohde

Director since 2010

Age 65

Mr. Rohde served in multiple roles with ConAgra Foods, Inc., a packaged foods company, beginning in 1984, including General Counsel, President, Vice Chairman, Chairman and Chief Executive Officer, before retiring in 2005 as Chairman and CEO Emeritus. Mr. Rohde currently serves as the Managing Partner of Romar Capital Group, a private investment entity. He holds many court admissions and also holds a certified public accountant certificate.

Committees:

- Compensation (Chair)
- Audit

Education

Mr. Rohde holds two degrees from Creighton University, a Bachelor of Science degree in Business Administration and a Juris Doctor degree, cum laude.

Other Boards and Appointments

Mr. Rohde is Chairman of Creighton University Board of Trustees, is a Presidential Appointee to the National Infrastructure Advisory Council, and is a director of the Preventive Medicine Research Institute. Mr. Rohde formerly served as a director of Gleacher & Company, Inc. from 2009 through May 2013, where he most recently served as Lead Director and Chair of the Governance and Nominating Committee, as well as a member of the Audit and Executive Compensation Committees. He was previously a director of ConAgra Foods, Inc. and Valmont Industries Inc., both prior to 2007

Director Qualifications

Mr. Rohde brings to the Board significant senior executive leadership experience from a large public company perspective, including service in multiple executive roles as described above. He also has substantial experience as a board member at several public companies, including service as the chair of a wide variety of board committees, Chairman, Vice Chairman and Lead Director. Over the course of his career, Mr. Rohde s diverse background has given him abundant experience in law, finance, accounting, and operational management.

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Tom D. Seip

Director since 2001

Age 64

Committees:

- Governance and Nominating (Chair)
- Compensation

Professional Experience

Mr. Seip currently serves as the managing member of Way Too Much Stuff LLC and Ridgefield Farm LLC, private investment vehicles. Mr. Seip was employed by Charles Schwab & Co., Inc., San Francisco, California, from January 1983 until June 1998 in various positions, including Chief Executive Officer of Charles Schwab Investment Management, Inc. from 1997 until June 1998 and Executive Vice President Retail Brokerage from 1994 until 1997.

Education

Mr. Seip received a Bachelor of Arts degree from Pennsylvania State University and participated in the Doctoral Program in Developmental Psychology at the University of Michigan.

Other Boards and Appointments

Mr. Seip is Chairman of the Board of Trustees of the Neuberger Berman Mutual Funds, New York.

Director Qualifications

Mr. Seip brings to the Board useful financial insight and skills based on his extensive experience in investment management, financial product development, and management of branch office networks and back office operations. Mr. Seip also has significant experience with the governance of public companies.

Christianna Wood

Director since 2008

Age 54

Committees:

- Audit

Professional Experience

Ms. Wood is the Chief Executive Officer of Gore Creek Capital Ltd., an investment management consulting company based in Golden, Colorado. Ms. Wood served as the Chief Executive Officer of Capital Z Asset Management, the largest dedicated sponsor of hedge funds, from 2008 through July 2009. Previously, she was the Senior Investment Officer for the Global Equity unit of the California Public Employees Retirement System (CalPERS) for five years. Prior to her service for CalPERS, Ms. Wood served as a Principal of several investment management organizations. She is also a chartered financial analyst and a chartered alternative investment analyst.

Education

Ms. Wood obtained a Bachelor of Arts degree, cum laude, from Vassar College and a Masters of Business Administration degree in Finance from New York University.

Other Boards and Appointments

Ms. Wood is a member of the Board of Trustees of Vassar College where she serves on the Investment, Audit, and Budget and Finance Committees and as Chair of the Investor Responsibility Committee. Ms. Wood is also a member of the boards of Grange Insurance, The Merger Fund, The International Integrated Reporting Council, and the International Securities Exchange. Additionally, Ms. Wood serves as Chairman of the Board of The Global Reporting Initiative and is a member of the Investment Committee of the Colorado Trust. She was previously a member of the Public Company Accounting Oversight Board Standard Advisory Group (2006-2008) and the International Auditing and Assurance Standards Board Consultative Advisory Group (2006-2009). Ms. Wood also served on the Board of Governors of the International Corporate Governance Network from June 2008 until June 2012, having served as Chairman of the Board since June 2009.

Director Qualifications

Ms. Wood brings to the Board a broad finance and corporate governance background, including experience as a senior investment officer for a large retirement fund and as Chairman of the Board of Governors of the International Corporate Governance Network. She has significant experience in accounting and financial matters. Through her prior service as an investment manager, Ms. Wood has had significant experience in the application of portfolio risk management techniques.

Professional Experience

James F. Wright

Director since 2011

Age 64

Mr. Wright served as Executive Chairman of Tractor Supply Company, a farm and ranch supply retailer, from January 2013 through December 2013. Prior to that, Mr. Wright served as Chairman of the Board and Chief Executive Officer from November 2007 through January 2013, and previously served as President and Chief Executive Officer from 2004 to November 2007 and as President and Chief Operating Officer from 2000 through 2004. Mr. Wright previously served as President and Chief Executive Officer of Tire Kingdom, a tire and automotive services retailer, from May 1997 to June 2000.

Committees:

- Compensation

Education

Mr. Wright attended the University of Wisconsin-Oshkosh.

Other Boards and Appointments

Mr. Wright was a director of Spartan Stores from 2002 through August 2011, where he served as Lead Director from 2006-2011, Chair of the Corporate Governance Committee from 2006-2011, member of the Compensation Committee from 2006-2011, and as Chair of the Compensation Committee from 2003-2006. He previously served on the board and as a member of the Executive Committee of the National Retail Federation, the world s largest retail trade assocation. He currently serves on the board of SCD Probiotics, LLC.

Director Qualifications

Mr. Wright brings to the Board many years of experience serving in executive leadership at public companies along with experience serving on other public company boards, as well as extensive knowledge of retail operations.

Director Not Standing for Re-election

As discussed above, Mr. Ellison informed the Board on March 21, 2014 that, due to policies of his employer which limit the number of external boards of directors on which he can serve, he will not stand for re-election following the completion of his term at the 2014 annual meeting of shareholders.

Marvin R. Ellison

Director since 2011

Age 49

Professional Experience

Committees:

¡ Compensation

Mr. Ellison has served as Executive Vice President U.S. Stores for The Home Depot, Inc., a home improvement speciality retailer, since August 2008. From January 2006 through August 2008, he served as President Northern Division. From August 2005 through January 2006, he served as Senior Vice President Logistics and from October 2004 through August 2005 he served as Vice President Logistics. From June 2002 through October 2004, he served as Vice President Loss Prevention. From 1987 until June 2002, Mr. Ellison held various management and executive level positions with Target Corporation, a general merchandise retailer. His final position with Target was Director, Assets Protection.

Education

Mr. Ellison earned a Business Administration degree in Marketing from the University of Memphis and a Masters of Business Administration degree from Emory University.

Other Boards and Appointments

Mr. Ellison is also director of FedEx Corporaton, where he is a member of the Compensation Committee.

Director Qualifications

Mr. Ellison has many years of experience in the retail industry, which have included operations, executive leadership, and enterprise risk management responsibilities.

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Unless otherwise instructed, the appointed proxies will vote the shares represented by the proxy cards received by them for each of the nominees named above. All nominees have consented to serve if elected. The Board of Directors has no reason to believe that any of the nominees would be unable to accept the office of director if elected. If any of the nominees becomes unavailable for election for any reason, the Board may provide for a lesser number of directors or designate substitute nominees, and proxies will be voted for the remaining nominees and any substitute nominees, unless otherwise instructed by the shareholder.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF EACH OF THE NINE NOMINEES FOR DIRECTOR IN THIS PROPOSAL 1.

ADDITIONAL INFORMATION CONCERNING THE BOARD OF DIRECTORS

BOARD OF DIRECTORS MEETINGS AND COMMITTEES

The Board of Directors is responsible for managing the property and business affairs of the Company. The Board reviews significant developments affecting the Company and acts on matters requiring Board approval. During the 2014 fiscal year, the Board of Directors held seven meetings. Each of the incumbent directors attended at least 75% of the aggregate total number of meetings of the Board of Directors and Board committees of which he or she was a member.

The standing committees of the Board are the Audit Committee, the Compensation Committee, the Governance and Nominating Committee, and the Finance Committee. The Company s Corporate Governance Guidelines, Code of Business Ethics and Conduct, the Board of Directors Independence Standards (the Independence Standards), and charters for each of the standing committees may be accessed on the Company s website at www.hrblock.com by clicking the For Investors link and then clicking the Corporate Governance link under the Company tab. These documents are also available in print to shareholders upon written request to the Corporate Secretary, H&R Block, Inc., One H&R Block Way, Kansas City, Missouri 64105. Set forth below is a description of the primary duties of each committee and its members.

Audit Committee	
Committee Members Mr. Lewis (Chair) Ms. Reich Mr. Rohde Ms. Wood 5 meetings in fiscal year 2014	¡ Approves the appointment of the Company s independent registered public accounting firm ¡ Evaluates the independence and performance of such firm ¡ Reviews the scope of the annual audit ¡ Reviews and evaluates the effectiveness of the Company s internal audit function ¡ Ensures that the Company has established a system to enforce the H&R Block Code of Business Ethics and Conduct ¡ Reviews and discusses with management and the independent registered public accounting firm the audited financial statements and accounting principles See the Audit Committee Report on page 58. All of the members of the Audit Committee are independent under regulations adopted by the SEC, New York Stock Exchange (NYSE) listing standards and the Independence Standards. The Board has determined that each member of the Audit Committee is financially literate under NYSE guidelines and that Mr. Lewis, Ms. Reich, and Ms. Wood are each an

audit committee financial expert pursuant to the criteria prescribed by the SEC.

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Compensation Committee	
Committee Members Mr. Rohde (Chair) Mr. Ellison Mr. Seip Mr. Wright 6 meetings in fiscal year 2014	¡ Reviews and approves the Company s overall executive compensation philosophy, including compensation of the executive officers of the Company and its subsidiaries ¡ Reviews and formally evaluates the CEO s performance against corporate goals and objectives and approves the CEO s compensation ¡ Reviews risks related to the Company s compensation policies and practices ¡ Administers the Company s short term and long term incentive compensation plans See the Compensation Discussion and Analysis beginning on page 21. The Compensation Committee has the sole discretion to retain or obtain the advice of any compensation consultant, legal counsel or other advisor to assist in the Compensation Committee s evaluation of executive compensation, including the sole authority to approve fees for any such advisor. The Compensation Committee is also responsible for assessing the independence of any such advisor. All of the members of the Compensation Committee are independent under NYSE listing standards and the Independence Standards.

Governance and Nominating Committee	
Committee Members Mr. Seip (Chair) Mr. Brown Mr. Gerard Mr. Lewis 4 meetings in fiscal year 2014	¡ Responsible for corporate governance matters ¡ Initiates nominations for election as a director of the Company ¡ Evaluates the performance of the Board of Directors ¡ Determines the compensation of the non-employee directors of the Company All of the members of the Governance and Nominating Committee are independent under NYSE listing standards and the Independence Standards.

Finance Committee	
Committee Members Mr. Gerard (Chair) Mr. Cobb Ms. Reich 3 meetings in fiscal year 2014	¡ Provides advice to management and the Board of Directors concerning: - Financial structure of the Company - Funding of operations of the Company and its subsidiaries - Investment of Company funds - Reviewing and making recommendations to the Board regarding proposed acquisitions, dispositions, mergers, joint ventures, investments, and similar transactions

DIRECTOR COMPENSATION

The Board considers and determines non-employee director compensation each year, taking into account recommendations from the Governance and Nominating Committee. The Governance and Nominating Committee formulates its recommendation based on its review of director compensation practices at a specific group of peer companies, based on publicly disclosed information (more discussion of our process for determining our peer group of companies can be found beginning on page 40). The Governance and Nominating Committee may delegate its authority to such subcommittees as it deems appropriate in the best interests of the Company and our shareholders. Management, in consultation with the Company s independent compensation consultant, assists the Governance and Nominating Committee in its review by accumulating and summarizing market data pertaining to director compensation levels and practices at our peer group of companies, reviewing external survey sources, and conducting its own custom research. In fiscal year 2014, based on a review of our peer group of companies and consultation with management and the Company s independent compensation consultant, the Governance and Nominating Committee recommended and the Board approved (i) an increase in the value of the annual grants of deferred stock units (DSUs) to $135,000 from $125,000 and (ii) payment of 100% of the Non-Executive Chairman s annual retainer in DSUs in order to further align the directors and the

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Chairman s interests with those of our shareholders. The following chart describes the compensation elements for our non-employee directors in effect at the end of fiscal year 2014:

Compensation Element	*Amount (annual except for meeting fees)*
Annual Cash Retainer[(1)]	$55,000
Annual Equity Retainer[(2)]	$135,000 in deferred stock units
Non-Executive Chairman of the Board Retainer[(1)]	$200,000 (payable in deferred stock units)
Chair Retainer Audit Committee	$20,000
Chair Retainer All Other Committees[(3)]	$15,000
Board Meeting Fee[(4)]	$2,000 per meeting
Committee Meeting Fee[(5)]	$1,500 per meeting

(1) Paid in quarterly installments.
(2) Equity grants are generally made immediately following election of directors at the annual meeting of shareholders.
(3) Due to his position as non-executive Chairman of the Board, Mr. Gerard has waived his eligibility for the Chair retainer related to his service as Chair of the Finance Committee.
(4) Subject to a maximum of ten Board meetings per year.
(5) Subject to a maximum of ten committee meetings per year per committee.

In fiscal year 2014, DSUs were granted to non-employee directors pursuant to the 2013 Long Term Incentive Plan (the 2013 Plan). The 2013 Plan was approved by the Board of Directors on July 23, 2012, as well as the Company s shareholders on September 13, 2012. The 2013 Plan became effective on January 1, 2013. The maximum number of shares of common stock that may be paid out under the 2013 Plan is 12,000,000 shares. The number of DSUs credited to a non-employee director s account pursuant to an award under the 2013 Plan is determined by dividing the dollar amount of the award by the average current market value per share of the Company s common stock for the ten consecutive trading dates ending on the date the DSUs are granted to the non-employee director. The current market value generally is the closing sales price of a share of our common stock as reported on the NYSE.

DSU awards are fully vested on the grant date and are not subject to forfeiture. Vested DSUs are held in a deferred compensation account and become payable to each non-employee director, in shares of common stock, on the six-month anniversary date of termination of service as a director. However, if a non-employee director dies prior to the payment in full of all amounts due such non-employee director, the balance of the non-employee director s DSU account becomes payable to the non-employee director s beneficiary, in shares of common stock, within ninety days following the non-employee director s death.

On September 12, 2013, DSUs approximately equal in value to $135,000 were granted to each of the Company s non-employee directors for the one-year period beginning September 12, 2013. On September 12, 2013, additional DSUs approximately equal in value to $200,000 were granted to Mr. Gerard for serving as the non-executive Chairman of the Board for the one-year period beginning September 12, 2013.

The Company also provides to its non-employee directors free business travel insurance in connection with Company-related travel. In addition, the H&R Block Foundation will match gifts by non-employee directors to any qualified not-for-profit organization on a dollar-for-dollar basis up to an annual aggregate limit of $5,000 per director per calendar year.

The Board has adopted stock ownership guidelines regarding stock ownership by non-employee directors. The non-employee director ownership guidelines require non-employee directors to own a level of qualifying equity securities with an aggregate value exceeding five times the annual cash retainer paid to them. Our stock ownership guidelines provide that, until a non-employee director satisfies the applicable holding requirement, he or she is required to retain any covered shares owned as of the date on which he or she becomes subject to the guidelines or acquired thereafter.

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DIRECTOR COMPENSATION TABLE

The following table sets forth total director compensation for non-employee directors for fiscal year 2014.

Current Directors	*Fees Earned or Paid in Cash ($)(1)*	*Stock Awards ($)(2)(3)*	*Option Awards ($)(4)*	*All Other Compensation ($)(5)*	*Total ($)*
Paul J. Brown	$75,500	$133,248	-	$5,000	$213,748
Marvin R. Ellison(6)	$78,000	$133,248	-	-	$211,248
Robert A. Gerard	$100,000	$330,605	-	-	$430,605
David Baker Lewis	$104,500	$133,248	-	-	$237,748
Victoria J. Reich	$81,500	$133,248	-	$4,300	$219,048
Bruce C. Rohde	$105,500	$133,248	-	$5,000	$243,748
Tom D. Seip	$99,000	$133,248	-	$5,000	$237,248
Christianna Wood	$78,500	$133,248	-	$5,000	$216,748
James F. Wright	$83,500	$133,248	-	$5,000	$221,748

(1) This column includes, as applicable, the annual cash retainer, meeting fees for each Board and committee meeting attended, and committee retainers earned or paid for services as a director during fiscal year 2014.

(2) The dollar amounts represent the grant date fair value under FASB Accounting Standards Codification Topic 718 Stock Compensation (ASC 718) for DSUs awarded during fiscal year 2014 to the non-employee director. These DSU awards are fully vested in that they are not subject to forfeiture; however, no shares underlying a particular award will be issued until six months following the date the director ends his or her service on the Board (or within ninety days of death, if earlier). The grant date fair value of an award is computed in accordance with ASC 718 utilizing assumptions discussed in Note 13 Stock-Based Compensation to the Company s consolidated financial statements in the Form 10-K for the year ended April 30, 2014, as filed with the SEC. As of April 30, 2014, the following DSUs were outstanding: Mr. Brown 23,187; Mr. Cobb 11,447; Mr. Ellison 23,187; Mr. Gerard 81,062; Mr. Lewis 50,101; Ms. Reich 23,187; Mr. Rohde 35,290; Mr. Seip 50,101; Ms. Wood 45,744; and Mr. Wright 23,187. Mr. Cobb s DSUs were awarded prior to fiscal year 2012, during the time that Mr. Cobb was a non-employee director of the Company.

(3) The DSU award value approved by the Board of Directors for fiscal year 2014 is converted into the number of DSUs by dividing the dollar amount of the award by the average current market value per share of the Company s common stock for the ten consecutive trading dates ending on the date the DSUs are granted to the non-employee director. The current market value generally is the closing sales price of a share of our common stock as reported on the NYSE. However, the grant date fair value of an award computed in accordance with ASC 718 does not utilize such an average. As such, the value approved by the Board of Directors for fiscal year 2014 differs from the value reported in this column.

(4) No stock options to purchase the Company s common stock were granted to individuals while serving as non-employee directors during fiscal year 2014. As of April 30, 2014, the following stock options were outstanding: Mr. Lewis 24,000; and Mr. Seip 32,000.

(5) This column represents the H&R Block Foundation matching amount on contributions to 501(c)(3) organizations on a calendar year basis. The amount includes matching contributions that occurred in the 2013 calendar year and in the 2014 calendar year (all of which were paid within fiscal year 2014); therefore, the amount reported in this column may exceed $5,000.

(6) As described above, Mr. Ellison informed the Board on March 21, 2014 that, due to policies of his employer which limit the number of external boards of directors on which he can serve, he will not stand for re-election following the completion of his term at the 2014 annual meeting of shareholders.

CORPORATE GOVERNANCE

Corporate Governance Guidelines

Our Board of Directors operates under Corporate Governance Guidelines (the Governance Guidelines) to assist the Board in exercising its responsibilities. The Governance Guidelines reflect the Board s commitment to monitoring the effectiveness of policy and decision-making both at the Board level and the management level, with a view to enhancing shareholder value over the long term. The Governance Guidelines also ensure that the Board will have the necessary authority and practices in place to review and evaluate the Company s business operations as needed and to make decisions that are independent of the Company s management. Pursuant to the Governance Guidelines, the Board evaluates its performance on an annual basis through an evaluation process administered by the Governance and Nominating Committee. The Governance Guidelines are not intended to be a static statement of the Company s policies, principles, and guidelines, but are subject to continual assessment and refinement as the Board may determine advisable or necessary in line with the best interests of the Company and our shareholders.

Director Service on Other Boards

The Governance Guidelines provide that directors should not serve on more than three other boards of public companies in addition to the Company s Board. Furthermore, before serving on the board of another public company, directors are required to give prior notice to the Board. The Company s Chief Executive Officer is not permitted to serve on more than one other board of a public company in addition to the Company s Board and must obtain Board approval prior to serving on the board of any public company. Currently, all directors are in compliance with this guideline.

Mandatory Director Resignation Policies

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 from the Board to the Company s Board, subject only to the condition that it is accepted by the Board, for consideration by the Governance and Nominating Committee. The Governance and Nominating Committee will then make a recommendation to the Board as to whether to accept or reject the resignation. The Board will then act on the tendered resignation, taking into account the recommendation of the Governance and Nominating Committee, and publicly disclose its decision regarding the tendered resignation and the rationale behind the decision within ninety days from the date of the certification of the election results. The Governance and Nominating Committee in making its recommendation, and the Board in making its decision, may consider any factors or other information that it considers appropriate and relevant. The director who tenders his or her resignation is not permitted to participate in the proceedings of the Governance and Nominating Committee or the decision of the Board with respect to his or her resignation. If the Board accepts a director s resignation, or if a non-incumbent nominee for director is not elected, then the Board may fill the vacant position or decrease the size of the Board in accordance with the Company s Bylaws.

In addition, the Governance Guidelines require that any director whose principal employment or major responsibilities materially change shall tender his or her resignation from the Board for consideration by the Governance and Nominating Committee. The Governance and Nominating Committee will then make a recommendation to the Board as to whether to accept or reject the resignation. The Board will then act on the tendered resignation, taking into account the recommendation of the Governance and Nominating Committee.

To be eligible to be a nominee for election 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 these director resignation requirements.

Independent Chairman

The Company s Articles and the Governance Guidelines require that the Chairman of the Board be an independent director who has not previously served as an executive officer of the Company. As Chairman, Mr. Gerard leads all meetings of the Board, including executive sessions of the non-employee directors held at each regular meeting of the Board.

Substantial Majority of Board is Independent

As further described in the Governance Guidelines, the Board believes that a substantial majority of the Board should consist of directors who are independent under NYSE listing standards. As described below, nine of the Board s ten current directors are independent directors within the meaning of the Independence Standards and NYSE listing standards. Mr. Cobb is not an independent director under the Independence Standards or NYSE listing standards due to his position as our President and Chief Executive Officer. As discussed above, Mr. Ellison informed the Board on March 21, 2014 that, due to policies of his employer which limit the number of external boards of directors on which he can serve, he will not stand for re-election following the completion of his term at the 2014 annual meeting of shareholders.

NYSE listing standards provide that a director does not qualify as independent unless the Board affirmatively determines that the director has no material relationship with the Company. The listing standards permit the Board to adopt and disclose standards to assist the Board in making determinations of independence. Accordingly, the Board has adopted the Independence Standards to assist the Board in determining whether a director has a material relationship with the Company.

Evaluation of Director Independence

In June 2014, the Board conducted an evaluation of director independence regarding the current directors and nominees for director based on the Independence Standards and NYSE listing standards. In addition, the Board also conducted an evaluation of the independence of each of the Compensation Committee members in accordance with the requirements of the NYSE listing standards. In connection with this evaluation, the Board considered the responses provided by the directors in their annual director questionnaires and reviewed commercial, charitable, consulting, familial, and other relationships between each director or immediate family member and the Company, its subsidiaries, and their employees. As a result of its evaluation, the Board affirmatively determined that Messrs. Brown, Ellison, Gerard, Lewis, Rohde, Seip, and Wright, Ms. Reich, and Ms. Wood are independent, and that Mr. Cobb is not independent due to his position as our President and Chief Executive Officer. In addition, the Board affirmatively determined that each member of the Compensation Committee is independent.

Code of Ethics

All directors, officers, and employees of the Company must act ethically and in accordance with the policies set forth in the H&R Block Code of Business Ethics and Conduct (the Code). The Code includes guidelines relating to the ethical handling of actual or potential conflicts of interest, compliance with domestic and foreign laws, accurate financial reporting, and procedures for promoting compliance with, and reporting violations of, the Code. In support of the Code, we have established a number of channels for reporting potential ethics violations or similar concerns or for guidance on ethics matters, such as via email, telephone, or in-person communications. All individuals have the ability to report concerns or discuss ethics-related matters anonymously. The Audit Committee has also established procedures for the receipt, retention and treatment of reports received by us regarding accounting, internal accounting controls or audit matters, including reports made to the Corporate Secretary by phone at (816) 854-4288 or by email to corporatesecretary@hrblock.com. The Code is overseen by the Company s Chief Ethics Officer, who is appointed by the Audit Committee. To help ensure the Audit Committee s effective oversight of our ethics and compliance program, the Audit Committee regularly receives reports from the Chief Ethics Officer and reviews the Company s ethics and compliance program. The Company will post any amendments to or waivers of the Code (to the extent applicable to the Company s Chief Executive Officer, Chief Financial Officer, or Principal Accounting Officer) on our website.

The Code can be accessed on the Company s website at www.hrblock.com by clicking the For Investors link and then clicking the Corporate Governance link under the Company tab. The Code is also available in print to shareholders upon written request to the Corporate Secretary, H&R Block, Inc., One H&R Block Way, Kansas City, Missouri 64105.

Succession Planning

The Board recognizes the importance of effective executive leadership to the Company s success. The Company s Board is actively engaged and involved in succession planning. The Board discusses the talent pipeline for specific critical roles, and high potential leaders are given exposure and visibility to Board members through formal presentations and informal events. More broadly, the Board is regularly updated on key talent indicators for the overall workforce, including economic environment, diversity, recruiting, and development programs.

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BOARD LEADERSHIP STRUCTURE AND ACCOUNTABILITY

The Company s Articles and the Governance Guidelines require that the Chairman of the Board (i) be an independent director pursuant to NYSE listing standards, (ii) not simultaneously be Chief Executive Officer or President of the Company, and (iii) not have previously served as an executive officer of the Company. As such, the Board is led by an independent Chairman, currently Mr. Gerard, who has also been designated as the Board s Senior Independent Director.

We believe that our current Board structure creates a positive balance in leadership and accountability, as the functions of Chief Executive Officer and Board Chairman are significantly different. In addition to balancing responsibilities, we believe that our current structure enhances the accountability of the Chief Executive Officer to the Board and strengthens the Board s independence from management. Separating the roles of Board Chairman and Chief Executive Officer also allows the Chief Executive Officer to focus his or her efforts on running our business and managing the Company in the best interests of our shareholders. At the same time, our non-executive Chairman handles the separate responsibilities of Board and committee scheduling, Board agendas, and other Board organizational tasks, as well as serving on occasion as spokesman for the Board.

COMMUNICATIONS WITH THE BOARD

Shareholders and other interested parties wishing to communicate with the Board of Directors, the non-employee directors, or an individual Board member concerning the Company may do so by writing to the Board, to the non-employee directors, or to the particular Board member, and mailing the correspondence to the Corporate Secretary, H&R Block, Inc., One H&R Block Way, Kansas City, Missouri 64105 or by emailing the correspondence to corporatesecretary@hrblock.com. Please indicate on the envelope whether the communication is from a shareholder or other interested party. All such communications will be forwarded to the director or directors to whom the communication is addressed. In addition, our non-executive Chairman and other Board members have made and may in the future make themselves available for consultation and direct communication with significant shareholders.

DIRECTOR ATTENDANCE AT ANNUAL MEETINGS OF SHAREHOLDERS

Although the Company has no specific policy regarding director attendance at the Company s annual meeting of shareholders, all directors are encouraged to attend. All of the Company s current directors attended last year s annual meeting.

BOARD S ROLE IN RISK OVERSIGHT

Our Board has oversight responsibility for managing risk, directly and through its various Committees, and management is responsible for the Company s day-to-day enterprise risk management activities. The Company has established a management Risk Committee to support senior management in fulfilling its day-to-day enterprise risk management responsibilities and to support the Board in fulfilling its oversight responsibility for risk management. The Chief Accounting and Risk Officer oversees the activities of the Risk Committee, which is made up of key management-level employees. The Company s management Risk Committee assists the Board in its oversight of enterprise risk management by creating and facilitating a process to identify, prioritize, monitor, and report on risks and mitigation strategies, overseeing regular reporting of risks to the Board and its committees, identifying additional risk mitigation strategies as appropriate, and monitoring emerging risks.

In fulfilling its oversight role, the Board generally focuses on the adequacy of the Company s risk management and mitigation processes. The Board works with the Company s Chief Executive Officer, Chief Financial Officer, and Chief Accounting and Risk Officer to determine the Company s risk tolerance, and works to ensure that management identifies, evaluates, and properly manages the overall risk profile of the Company.

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

Committee of the Board	*Areas of Risk Oversight*	*Additional Information*
Audit Committee	Responsible for the oversight of policies and processes pertaining to the Company s enterprise risk management program and specifically considers risks and controls relating to the Company s financial statements and financial reporting processes.	The Company s Audit Services organization assists the Audit Committee and the Board in their oversight of enterprise risk management by ensuring that key risks are included in the audit plan, providing objective assurance to the Board on the effectiveness of risk management processes, and reviewing the management of key risks.
Compensation Committee	Responsible for reviewing the Company s compensation policies and practices and the relationship among the Company s risk management policies and practices, corporate strategy, and compensation policies and practices.	The Compensation Committee conducts an annual risk assessment related to the Company s compensation programs. For more information, see the discussion beginning on page 26 regarding the Company s compensation policies and practices.
Governance and Nominating Committee	Responsible for reviewing the Company s corporate governance policies and practices and making recommendations to the Board that take into account the management of governance-related risk.	In addition, the Governance and Nominating Committee s primary involvement in the director nomination and Board self-evaluation processes assists the Board in reviewing and mitigating risks related to the governance of our Board.
Finance Committee	Responsible for reviewing and approving plans and strategies with respect to financing transactions, acquisitions and dispositions, and other transactions involving financial risks.	The Finance Committee reviews the Company s earnings and free cash flow, its sources and uses of liquidity, compliance with financial covenants and applicable regulatory capital requirements, and uses of the Company s cash.

Each of the committee chairs regularly reports to the full Board concerning the activities of the applicable committee, the significant issues it has discussed, and the actions taken by that committee.

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COMPENSATION DISCUSSION AND ANALYSIS

In this section, we describe the material components of our executive compensation program for our named executive officers (Named Executive Officers or NEOs), whose compensation is set forth in the Summary Compensation Table and other compensation tables contained in this proxy statement. For our 2014 fiscal year, which ended April 30, 2014, our NEOs included the following individuals:

Officers	*Title as of April 30, 2014*
William C. Cobb	President and Chief Executive Officer
Gregory J. Macfarlane	Chief Financial Officer
Thomas A. Gerke	Chief Legal Officer
Delos L. (Kip) Knight, III	President, U.S. Retail Operations
Jason L. Houseworth	President, Global Digital and Product Management
Former Officers	
Susan P. Ehrlich[(1)]	Former President, Financial Services

(1) Ms. Ehrlich departed the Company after serving as President, Financial Services of the Company until August 2, 2013.

In addition, we provide an overview of our executive compensation philosophy and the elements of our executive compensation program. We also explain how and why our Compensation Committee arrives at specific compensation policies and practices involving our NEOs.

EXECUTIVE SUMMARY

Our executive compensation decisions are influenced by a variety of factors, with the primary goals being to align management s and shareholders interests and to link pay with performance. We evaluate performance over both short term and multi-year periods based on: (i) the Company s financial, operational, and strategic performance, including results for certain key performance metrics and (ii) the Company s total return to shareholders over time, both on an absolute basis and relative to other companies, such as the companies in the S&P 500 index.

We view compensation practices as an avenue to communicate our goals and standards of conduct and a means to reward executives for their achievements. Our executive compensation program has evolved in recent years and we believe that it is reasonable, competitive and appropriately balances the goals of attracting, motivating, rewarding and retaining our executives, and thus promotes stability in our leadership. To ensure management s interests are aligned with those of shareholders and to motivate and reward individual initiative and effort, a substantial portion of our NEOs compensation is at-risk and will vary above or below target levels commensurate with Company performance. We emphasize performance-based compensation that appropriately rewards executives for delivering financial, operational, and strategic results that meet or exceed pre-established goals through our short term incentive (STI) compensation program, as well as the performance share unit and market stock unit components of our long term incentive (LTI) program. Additionally, we further align the interests of our executives with those of shareholders and the long term interests of the Company through stock ownership requirements and grants of restricted share units under our LTI program.

Superior performance by our executive officers and management team is essential to achieving our goal of increasing shareholder value. As such, a significant portion of our executives compensation is at-risk and dependent upon the Company s financial, operational, and strategic performance, as well as increases in the Company s stock price. To maximize alignment with shareholders interests, we tie a significant portion of NEO compensation to the Company s actual performance by delivering it in the form of long term, equity-based compensation. The charts below illustrate the mix of fiscal year 2014 total

direct compensation types, using target LTI amounts and actual base salaries and STI amounts, for our CEO and, on average, for our other NEOs (exclusive of Ms. Ehrlich who departed the Company on August 2, 2013).

For our CEO, the specific components of total direct compensation for fiscal year 2014 are illustrated by the chart below on the left. The chart shows that 75% of his fiscal year 2014 total direct compensation was at-risk, with target performance-based equity comprising 80% of his LTI compensation and actual performance-based STI compensation comprising 68% of his total cash compensation. The chart below on the right illustrates the specific components of our other NEOs average total direct compensation for fiscal year 2014 (exclusive of Ms. Ehrlich who departed the Company on August 2, 2013). The chart shows that an average of 68% of our NEOs fiscal year 2014 compensation was at-risk, with target performance-based equity comprising 80% of their LTI compensation and actual performance-based STI compensation comprising 60% of their total cash compensation. The components depicted below are more fully described beginning on page 29.

The variance between our CEO s compensation and the compensation of other NEOs reflects the difference in responsibilities and overall accountability to shareholders. Our CEO s at-risk compensation is higher than the other NEOs because the CEO bears a higher level of responsibility for the Company s performance, as he is directly responsible for leading the development and execution of the Company s strategy and for selecting, retaining, and managing the executive team.

Notably, approximately 96.1% of the votes cast were in favor of our say-on-pay management proposal at our 2013 annual meeting of shareholders, which we believe evidences our shareholders support of Mr. Cobb s and our other NEOs compensation arrangements, as well as our executive compensation practices generally. Notwithstanding this substantial support, the Compensation Committee carefully reviewed all elements of the current executive compensation program to ensure that the overall design continues to support the Company s financial, operational, and strategic objectives. The Committee decided to retain the core design of our executive compensation program in fiscal year 2015, as it believes the current compensation program design continues to properly reward our executives for their performance, motivate them to work towards achieving our long term objectives, and, with 80% of our executives LTI awards being performance-based and at-risk, strengthen the alignment of their interests with those of our shareholders.

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To further illustrate these concepts and practices, we have included charts and tables in this Compensation Discussion and Analysis to enhance our shareholders understanding of the compensation of our NEOs. These tables and charts are meant to be in addition to, and not an alternative to, the charts and tables provided under the heading Executive Compensation beginning on page 46.

FISCAL YEAR 2014 RESULTS AND IMPACT ON COMPENSATION DECISIONS

In fiscal year 2014, we delivered strong performance by executing on our Tax Plus strategy to improve client satisfaction, increase revenues, and drive margin expansion, while continuing to invest in our business. We derived our Tax Plus strategy from our core operating principle ***We look at your life through tax and find ways to help.*** In executing this strategy, we undertook the following actions in fiscal year 2014:

- We enhanced our service levels while improving return mix, and increased attach rates on our best-in-class financial services products;
- We successfully launched the first year of our digital product redesign, enhancing the client experience; and
- We continued to educate our clients on the upcoming changes resulting from health care reform, and gained some key lessons from our health care initiatives that will serve us well going into 2015 and beyond.

Management s efforts in fiscal year 2014 led to significant improvements in all areas of our business. In retail, we made investments in our offices, in our people, and in our technology, resulting in improved service metrics. In digital, we enhanced the user experience by customizing the product to each client and making it simpler to use. These enhancements led to improved conversion and a substantial increase in product upgrades. On the financial services front, we enhanced our positioning on the Peace of Mind warranty-like product, succeeded in increasing the take rate on our refund transfer product, effectively managed the Emerald Advance program to drive increased profits, and continued to see improved usage metrics in our award winning Emerald Prepaid MasterCard®, with higher reloader rates and higher average deposits. Additionally, our management team also made progress in our health care initiatives, demonstrating our expertise by providing a tax and health care review for our clients on the upcoming changes resulting from the Affordable Care Act. Execution of our Tax Plus strategy resulted in strong results in fiscal year 2014, including the following highlights:

- We served more than 24 million clients worldwide and significantly increased client satisfaction;
- Total revenues from continuing operations increased $118 million, or 4%, to $3.024 billion;
- Tax Plus financial services products revenues increased 11%;
- Earnings before interest, taxes, depreciation, and amortization, or EBITDA, grew 8% to $940 million, or 31% of revenues; and
- We increased earnings per share from continuing operations by 17% to $1.81.

Altogether, we are pleased that we were able to make significant improvements to our business while delivering strong financial results for our shareholders. More broadly, we believe we are on pace with the long term strategy we have shared with our shareholders and are pleased with the strategic direction of the Company under Mr. Cobb s leadership. The Compensation Committee and Board took all of these factors into consideration when making decisions regarding the compensation of our NEOs for fiscal years 2014 and 2015.

Notwithstanding the strong performance of the Company in fiscal year 2014, the Compensation Committee took a measured approach when making decisions regarding our NEOs short term incentive payouts for fiscal year 2014 and adjustments to their base salaries and short term and long term incentive opportunities for fiscal year 2015, which are summarized in the chart on the following page. Additional discussion of these compensation decisions can be found beginning on page 29.

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Compensation Element	Compensation Committee Action
CEO Compensation	Mr. Cobb s initial salary and target STI opportunity were set under the terms of his employment agreement and had not been increased or otherwise adjusted since he joined the Company in May 2011. After taking into consideration Mr. Cobb s leadership during fiscal year 2014, as well as during his tenure as CEO, and the Company s financial and operational performance, the Committee: ¡ Approved a moderate increase in his fiscal year 2015 base salary; ¡ Maintained his current target STI opportunity for fiscal year 2015 but modified his maximum opportunity to the lower of 200% of his target opportunity and the maximum amount permitted by the applicable STI plan; and ¡ Approved a moderate increase in his fiscal year 2015 LTI compensation.
Other NEO Compensation	For fiscal year 2015, in recognition of individual performance, contributions to the Company s financial and operational performance, and, in some cases, to bring compensation closer to the market median, the Committee: ¡ Approved increases to base salaries as described more fully on page 29; ¡ Approved an increase in Mr. Knight s fiscal year 2015 target STI opportunity to bring it closer to market median; and ¡ Approved increases in fiscal year 2015 LTI compensation as described more fully on page 37. The Committee determined that a significant portion of the adjustments to compensation should be delivered through increases in LTI compensation since such compensation is at risk and tied directly to the Company s performance and changes in shareholder value.
Incentive Plan Metrics	The Committee selected incentive plan metrics for fiscal year 2015 STI and LTI compensation that continue to focus on propelling growth and overall Company performance through utilization of revenue, pre-tax earnings, and EBITDA from continuing operations, as well as total shareholder return on an absolute basis and relative to other companies.
Annual Incentive Payout versus Target	For fiscal year 2014, our NEOs who were employed as of the end of the fiscal year, exclusive of our CEO, received STI compensation of 197.7% of their target opportunities. Pursuant to the terms of his employment agreement, Mr. Cobb s STI compensation was limited to the maximum amount permitted under the Executive Performance Plan, which equaled 168.4% of his target opportunity. These amounts were based on the Company s performance against pre-established performance metrics approved by the Compensation Committee during fiscal year 2014.

In an effort to design our executive compensation program to promote stability in the leadership of our Company, we have formed a program with substantial emphasis placed on long term compensation and retention, which ties the compensation of our executives to the long term increase in value of the Company and creates the necessary incentives to attract and retain top quality executive talent in the future. The Compensation Committee will continue to focus on performance factors when designing our executive compensation program in order to ensure that the relationship among Company performance, our shareholders interests, and our executives compensation remains strong.

A more detailed description of the Company s fiscal year 2014 performance, including any relevant reconciliation to generally accepted accounting principles, can be found in our Annual Report on Form 10-K for the fiscal year ended April 30, 2014, as filed with the SEC.

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RELATIONSHIP BETWEEN COMPANY PERFORMANCE AND EXECUTIVE COMPENSATION

A primary goal of our executive compensation program is to directly link a significant portion of executive pay to Company performance, and in recent years we have taken significant steps towards achieving that goal. Over the past three years, we have made the following enhancements to our compensation practices to more closely align executive pay with Company performance:

- Introduced a performance share plan and a market stock unit plan in which the number of shares earned upon vesting, if any, depends on performance against specified goals with cliff vesting of earned shares at the end of a three-year period.

- Shifted the equity mix for executive LTI compensation to increase the focus on performance-based awards and total shareholder return on an absolute basis and relative to other companies by (i) eliminating the use of stock options as part of our annual LTI program and (ii) increasing the weighting of performance share units and introducing market stock units, for each of which the number of shares earned upon vesting, if any, depends on performance against specified goals measured over a full three-year period.

- Modified our stock ownership guidelines to require that our CEO owns shares or share equivalents held in the Company s benefit plans, with a total value equal to six times his or her base salary and adding the requirement that executives must retain a specified percentage of covered shares until he or she satisfies the applicable ownership requirement.

- Adopted amendments to the Company s 2003 Long-Term Executive Compensation Plan (the 2003 Plan) and adopted the 2013 Plan, as approved by shareholders, each of which prohibits repricing of stock options and stock appreciation rights, prohibits cash buyouts of underwater stock options and stock appreciation rights, and imposes minimum vesting periods for executive equity awards.

- Amended the Insider Trading Policy to prohibit directors and executives from holding Company stock in a margin account or pledging Company stock as collateral for a loan. We believe this prohibition more effectively aligns each director s and executive s interests with those of our shareholders.

- Adopted a stated intent to not provide golden parachute excise tax gross-ups for Company executives.

- Continued to impose a double-trigger on accelerations of equity awards that result from termination following a change in control of the Company.

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EXECUTIVE COMPENSATION PRACTICES

The table below highlights our current compensation practices, including the practices we have implemented because we believe they drive performance and the practices we have not implemented because we do not believe they would serve our shareholders long term interests.

Executive Compensation Practices *We Have Implemented* *(What We Do)*	*Executive Compensation Practices* *We Have Not Implemented* *(What We Don t Do)*
ü We tie pay to performance by ensuring that a significant portion of compensation is performance-based and at-risk. We set clear financial goals for corporate and business unit performance and differentiate based on individual performance against pre-set objectives. For fiscal year 2014, 75% of CEO total direct compensation was performance-based and at-risk.	û We do not have employment contracts with executives except for the agreement with our Chief Executive Officer that evidences his long term commitment to the Company.
ü We review market data sourced from our peer group of companies and general industry, and utilize tally sheets when making executive compensation decisions.	û We do not provide excise tax gross-ups, and we do not have a supplemental executive retirement plan that provides extra benefits to the NEOs.
ü We mitigate undue risk by placing substantial emphasis on long term equity incentives and utilizing caps on potential payments, clawback provisions, reasonable retention strategies, performance targets, and appropriate Board and management processes to identify and manage risk, as well as prohibiting hedging, pledging and engaging in transactions involving derivative products related to our stock.	û We do not maintain compensation programs that we believe create risks reasonably likely to have a material adverse effect on the Company.
ü We have modest post-employment and change in control provisions that apply to all executive officers.	û We do not have individual change in control agreements, except for certain provisions in Mr. Cobb s employment agreement.
ü We generally prohibit accelerated vesting of equity awards after a change in control for executives who voluntarily separate from the Company (i.e., we generally require a double-trigger).	û We do not pay dividends on any unvested long term equity awards or unearned performance-based equity awards. Dividend equivalents are only payable on such awards to the extent the awards ultimately vest and are earned.
ü We provide only minimal perquisites that we believe have a sound benefit to the Company s business.	û We do not provide significant additional benefits to executive officers that differ from those provided to all other employees.
ü We have adopted stock ownership and retention guidelines that we believe align management and shareholder interests.	û We expressly prohibit hedging, pledging and the use of margin accounts related to our stock.
ü We impose minimum vesting periods for all executives equity awards.	û We expressly prohibit the repricing of stock options and stock appreciation rights. We do not allow cash buyouts for underwater stock options or stock appreciation rights.
ü Our Compensation Committee benefits from the use of an external, independent compensation consulting firm that it retains.	û The Compensation Committee does not allow its compensation consulting firm to provide any other services to the Company.

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Results of 2013 Advisory Vote to Approve Named Executive Officer Compensation

The Company and the Board continually evaluate our compensation policies and practices to ensure they are meeting our objectives and are consistent with corporate governance best practices. As part of that process, the Compensation Committee and the Board consider the results of our shareholder advisory vote on executive compensation (commonly known as a say-on-pay vote). At our 2013 annual meeting of shareholders held on September 12, 2013, our shareholders approved our fiscal year 2013 compensation awarded to our NEOs with approximately 96.1% of the votes cast in favor of the proposal. We believe that the outcome of our say-on-pay vote signals our shareholders substantial support of our compensation approach, including the design and amount of Mr. Cobb s compensation and our efforts to attract, motivate, reward, and retain our NEOs. We value the opinions of our shareholders and consider the outcome of say-on-pay votes, as well as feedback received throughout the year, when making compensation decisions for our NEOs.

Consistent with our shareholders support, the Compensation Committee decided to retain the core design of our executive compensation program in fiscal year 2015, as it believes the current compensation program design continues to properly reward our executives for their performance, motivate them to work towards achieving our long term objectives, and, with 80% of our executives LTI awards being performance-based and at-risk, strengthen the alignment of their interests with the interests of our shareholders. The Compensation Committee will continue to routinely evaluate and, as appropriate, taking into account the views of our shareholders, enhance the design of our compensation program.

EXECUTIVE COMPENSATION BENCHMARKS AND TARGETS

The Compensation Committee has engaged Frederic W. Cook & Co., Inc. (Cook), an independent external compensation consultant, to benchmark the Company s executive compensation relative to its peer companies. Cook assists the Compensation Committee in defining the appropriate market of the Company s peer companies for executive compensation practices and in benchmarking our executive compensation program against that market each year. We benchmark our executive compensation practices relative to publicly disclosed information for a specific group of peer companies, which for fiscal year 2014 is set forth on page 40 under the heading Peer Group (the Peer Group). We also review compensation data from multiple survey sources, reflective of general industry pay levels for companies of relevant size based on total revenue for each of the NEOs. For fiscal year 2014, these survey sources were the Aon Hewitt TCM Executive Survey and the Towers Watson CDB Executive Survey. The Compensation Committee reviews summary survey and peer group data to confirm that the market references we use are appropriate for our business and the industries in which we compete for executive talent.

Our philosophy is to target total direct compensation (which consists of base salary plus targeted annual STI compensation plus targeted LTI grant values) for our NEOs near the median market rate, on average, taking into account the Company s size relative to our Peer Group. Under this approach, target total direct compensation for specific executives may be above or below market median due to multiple factors, including experience, role and responsibilities, individual performance, and readiness for promotion or growth potential. The Compensation Committee generally sets performance objectives under the STI and LTI plans so that targeted total direct compensation levels can be achieved only when targeted business performance objectives are met. Consequently, actual pay realized by executives will vary above or below the targeted level based on the degree to which specific performance objectives are attained.

For a more detailed explanation of our methodology for calculating compensation packages for our executives, see the Compensation Methodology and Calculation section on page 40.

EXECUTIVE COMPENSATION PROGRAM SUMMARY

The pay packages for our executive officers, including our NEOs, contain a mix of elements based on an individual s responsibilities and performance, as well as the Company s performance against specific pre-established annual financial, operational, and strategic performance goals.

For awards that are based on the Company s performance, our specific decisions regarding the setting of performance goals focus on certain metrics that relate to our business plan and strategic priorities and that we believe are the most critical value drivers of the business, such as revenue, earnings, earnings before interest, taxes, depreciation, and amortization, or EBITDA, earnings before interest and taxes, or EBIT, and client growth and retention. Actual performance goals, as well as strategic

priorities, vary from year to year based on the business environment and the Compensation Committee s determination of goals that it believes are important for a particular year.

Unlike target incentive compensation levels, which are set by the Compensation Committee near the beginning of each fiscal year, actual incentive compensation is a function of the Company s financial, operational, strategic, and absolute and relative stock performance, as reflected through STI payouts, payouts of LTI performance share units and market stock units, and the value of all other LTI awards. A substantial portion of our executives actual compensation is intended to be at-risk and to vary above or below target levels commensurate with Company performance.

The chart below summarizes the elements and objectives of our fiscal year 2014 compensation program for our executive officers, including our NEOs.

Component	*Purpose*	*Characteristics*	*Discussion*
Base Salary	Compensates for level of responsibility, experience, and sustained individual performance.	Fixed cash component based on role, experience, performance, and market data. Reviewed annually and adjusted when appropriate.	page 29
Short Term Incentive	Motivates and rewards achievement of pre-established annual financial, operational, and strategic performance objectives.	A variable cash component designed to tie directly to our business plan and provide competitive total cash opportunities that are subject to achievement of specific performance objectives.	page 30
Long Term Incentive	Motivates and rewards achievement of multi-year performance objectives that enhance shareholder value.	Equity-based compensation designed to support multiple objectives. For fiscal year 2014, the incentive was delivered through a combination of performance share units, market stock units, and restricted share units.	page 34
Retirement, Health and Welfare Benefits	Offers market-competitive health insurance options and income replacement upon retirement, death, or disability, thus supporting our attraction and retention objectives.	Benefits for executives are generally the same as those available to all employees, including a 401(k) plan with matching Company contributions capped based on applicable Internal Revenue Code limits.	page 39
Perquisites	Provides benefits that promote health and work-life balance, thereby supporting our attraction and retention objectives.	Perquisites are an immaterial component of our executive compensation program and are below the market median for our Peer Group.	page 39
Deferred Compensation Plan	Allows executives to defer compensation in a tax-efficient manner, thereby supporting our attraction and retention objectives.	Executives can elect to defer base salary and STI compensation.	page 50
Executive Severance Plan	Encourages executives to act in the best interests of our shareholders, while supporting attraction and retention objectives and ensuring the orderly succession of talent.	Benefits are contingent in nature and therefore are payable only if a participant s employment is terminated without cause or after a change in control (known as a double-trigger). Double-trigger applies to both cash severance and equity vesting.	page 52