

LACKAWANNA COUNTY COURT OF COMMON PLEAS

CLASS ACTION SETTLEMENT NOTICE

**IF YOU HAD YOUR TAXES PREPARED BY H&R BLOCK
AT A COMPANY-OWNED LOCATION IN PENNSYLVANIA AND YOU WERE CHARGED
A FEE FOR ELECTRONICALLY FILING YOUR TAX RETURNS, YOU COULD
GET MONEY FROM A CLASS ACTION SETTLEMENT.**

*A Court has authorized this notice. This is not a solicitation from a lawyer.
This is not a notice that you have been sued.*

- The settlement will pay claims submitted by people who had their personal tax returns prepared at H&R Block-branded company-owned locations in Pennsylvania and who were charged a fee for electronically filing the tax returns at the H&R Block-branded company-owned locations.
- The settlement resolves a lawsuit over whether H&R Block acted properly when it charged fees for electronic filing of tax returns to people who had their taxes prepared at H&R Block-branded company-owned locations in Pennsylvania.
- If you are a Class Member, your legal rights are affected by the settlement, regardless of whether you act or don't act. Read this notice carefully.

BASIC INFORMATION

1. Why did I get this notice package?

H&R Block's records show that you had your tax returns prepared at a location in Pennsylvania that H&R Block owns and that you were charged a fee for electronically filing your tax return(s).

The Court sent you this notice because you have a right to know about a proposed settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the settlement.

This package explains the lawsuit, the settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the Lackawanna County Court of Common Pleas and the case is known as *McNulty and Erzar v. H&R Block, Inc., et al.*, No. 02-cv-4654. The people who sued are called the "Plaintiffs" and the companies they sued, H&R Block, Inc., H&R Block Group, Inc., H&R Block Services, Inc., H&R Block Tax Services, Inc., H&R Block Eastern Tax Services, Inc., H&R Block Eastern Tax Company, LLC, H&R Block Eastern Enterprises, Inc., and H&R Block Eastern Support Services, LLC ("Block" or "Settling Defendants"), are called the Defendants.

The Class includes all individuals who had their personal tax returns prepared at an H&R Block-branded company-owned location in Pennsylvania and incurred a fee for the electronic filing of their tax returns at an H&R Block-branded company-owned location during the period between August 31, 1996 to June 27, 2008.

2. What is this lawsuit about?

The lawsuit claimed that Block violated Pennsylvania state law, and its duties to Class Members, when it electronically filed ("e-filed") their tax returns and charged them for it. The case has been pending since 2002. Block contests the claims and denies that it did anything wrong.

3. Why is this a class action?

In a class action, the Plaintiffs are called Class Representatives, and they sue on behalf of numerous people who have similar claims. All these people with similar claims are a Class, and each one is a Class Member. One court resolves the claims of all Class Members, except for those who exclude themselves from the Class. Judge Trish Corbett is in charge of this class action.

4. Why is there a settlement?

Plaintiffs and Defendants agreed to settle the case. That way, they avoid the cost of a trial, and the people affected will get compensation. Block and the Plaintiffs had extensive negotiations over several years leading to the settlement, including a number of mediation sessions. Class Counsel believe that the proposed settlement is fair and reasonable and in the best interest of the Class because the settlement creates a \$2.5 million settlement fund and avoids the considerable risks and delays involved in continuing the case. Class Counsel believe the settlement is fair because they were not certain that the Class would win the lawsuit and even if they did win, they might not get any more money than the maximum of \$2.5 million that Block has agreed to pay to settle the case. From Block's perspective, settling now means that Block does not have to keep spending money, time, and effort on the lawsuit and its employees can concentrate on their jobs instead.

THE SETTLEMENT BENEFITS — WHAT YOU GET**5. What does the settlement provide and how much will I be paid?**

Block has agreed to create a \$2.5 million fund to settle the case. The expenses for notice and settlement administration and amounts approved by the Court for Class Counsel’s attorneys’ fees and expenses and for payments to the Class Representatives for their efforts on behalf of the Class will be paid from the fund.

After deductions for the cost of notice, settlement administration, Class Counsel’s attorneys’ fees and expenses, and payments to the Class Representatives, the remainder of the settlement fund will be available to pay Class Members who send in Claim Forms before the deadline of November 21, 2008 (“Claiming Class Members”). Claiming Class Members will be paid an amount for each time they were charged for e-filing returns at an H&R Block-branded company-owned Pennsylvania location. The amount each Claiming Class Member will receive depends on how many times the Claiming Class Member was charged for e-filing for returns prepared at an H&R Block-branded company-owned Pennsylvania location, and whether the Claiming Class Member also had a “bank product” (that is, a Refund Anticipation Check, Refund Anticipation Loan, or similar product) or not. For each time there were e-filing charges when tax returns were filed without a bank product, Claiming Class Members will receive \$3.00. For each time there were e-filing charges when tax returns were filed with a bank product, Claiming Class Members will receive \$1.50. To receive a payment, you must submit a Claim Form on time. Block will not pay, and has the right to a refund of, any unclaimed or unused amounts from the settlement fund. In determining Claiming Class Member’s payments, the Settlement Administrator will rely on Block’s records, so you don’t have to submit any other documents with your Claim Form. The amount paid to Class Members may be reduced depending on the number of claims filed so that Block will not pay out more than \$2.5 million.

Block will make one settlement payment per tax return. The amount of the payment will not increase if more than one person was on the tax return.

Claiming Class Members have the option to direct that their payments be sent to a non-profit charitable, educational, or consumer advocacy organization to be approved by the Court. The claim form has a check-off box if you want to do this.

6. How can I get a payment?

TO QUALIFY FOR PAYMENT, YOU MUST SEND IN A CLAIM FORM. A Claim Form is enclosed with this Notice. Read the instructions carefully, completely fill out the form, sign it, and mail it to:

H&R Block Settlement Administrator
c/o RSM McGladrey, Inc.
P.O. Box 1607
Blue Bell, PA 19422

It must be **postmarked no later than November 21, 2008**. You should keep a copy of the filled-out Claim Form, and if you want proof that you mailed it and that it was received, you should obtain a United States Postal Service delivery confirmation or return receipt. You cannot get a payment unless your Claim Form is actually received by the Settlement Administrator or you are able to prove that it was mailed on time and delivered to the Settlement Administrator.

7. When would I get my payment?

The Court will hold a hearing on September 22, 2008, to decide whether to approve the settlement. If the settlement is approved, it is possible there may be an appeal by someone. Please be patient.

8. What am I giving up to get a payment or stay in the Class?

If you do not exclude yourself from the Class, you will release claims against the “Released Parties,” which include the Settling Defendants and their Affiliates (as defined in the Settlement Agreement). If you have a pending claim or lawsuit against Block or any Settling Defendant or Affiliate, you should consult with your own attorney about the release and about the settlement, for example whether you want to exclude yourself from the Class. “Released Claims” include any claims, unknown claims, rights, demands, obligations, actions, causes of action, suits, cross-claims, matters, issues, liens, contracts, liabilities, agreements, costs, or expenses of any nature by the Plaintiffs and Class Members against the Released Parties arising out of, in connection with, or in any way related to any tax return filing transaction during the Class Period. This includes any activity engaged in or any services performed directly or indirectly in connection with filing any tax return, including but not limited to tax preparation, electronic filing, tax return document preparation or related services such as purchase of a Bank Product, tax return contractual commitments, tax return advertisements or tax return solicitations, tax return disclosures, money collected in connection with a tax return, tax return related fees, tax return license fees, tax return participation interest revenue, and the tax return waiver fee, or other policies or procedures relating to any tax return prepared or filed within the Class Period, whether for damages, fines, punitive damages, exemplary damages, penalties, restitution, disgorgement, or any declaratory, injunctive or any other equitable relief of any kind, whether based on any federal or state statute, regulation or common law theory (specifically including but not limited to claims for fraudulent misrepresentation or omission, state consumer protection or fraud laws, TILA, RICO, credit service organization statutes, breach of fiduciary duty, agency, loan broker, unjust enrichment and/or breach of contract). “Excluded Claims” are not being released. “Excluded Claims” means, collectively, (a) all claims, including claims made pursuant to authorizations to amend the operative complaints, asserted in *Marshall v. H&R Block, Inc.*, No. 02-L-04 (Circuit Court for the Third Judicial Circuit, Madison County, Illinois) and *Soliz v. H&R*

Block Inc., Cause No. 03-032-D (District Court for Kleberg County, Texas) arising from or related to the Settling Defendants’ “Peace of Mind” product; (b) all claims pending in *Basile v. H&R Block, Inc.*, Case No. 93043245 (Court of Common Pleas for Philadelphia County) as of the date of the Settlement Agreement; (c) claims under state or federal law based solely on allegations that a tax preparer failed (i) to properly prepare a tax return or (ii) to maintain the confidentiality of taxpayer information resulting in injury based on “stolen identity” or similar misuse of taxpayer information or theft or misuse of a tax refund or loan check; and (d) any and all claims to enforce the terms and conditions of this Agreement.

EXCLUDING YOURSELF FROM THE SETTLEMENT CLASS

If you don’t want a payment from this settlement, and instead want to keep the right to sue H&R Block on your own about the issues in this case, then you must take steps to get out of the Class. This is called excluding yourself from – or opting out of – the settlement Class.

9. How do I get out of the settlement Class?

To exclude yourself from the settlement Class, you must send a letter by mail saying that you want to be excluded from *McNulty and Erzar v. H&R Block, Inc.*, et al., No. 02-cv-4654. Be sure to include your name, address, and Social Security number. You must sign the letter, and if there is more than one person on the tax return, each joint filer must personally sign the letter. To be valid, an exclusion request must be **postmarked no later than September 10, 2008** to:

H&R Block Settlement Administrator
 c/o RSM McGladrey, Inc.
 P.O. Box 1607
 Blue Bell, PA 19422

You cannot exclude yourself by phone or by e-mail.

If you ask to be excluded from the settlement Class, you will not get any settlement payment, and you cannot object to the settlement. If you exclude yourself, you will not be legally bound by anything that happens in this lawsuit, and you may be able to sue Block in the future regarding the issues in this case.

10. Do I have a lawyer in this case?

The law firms that brought the case have been representing you and the other Class Members. These lawyers are called Class Counsel. You can contact these lawyers at: Caputo & Mariotti, PC, 730 Main Street, Moosic, PA 18507, (570) 342-9999; The Winebrake Law Firm, LLC, Twining Office Center, Suite 114, 715 Twining Road, Dresher, PA 19025, (215) 884-2491; O’Malley & Langan, PC, Mulberry Professional Plaza, 426 Mulberry Street, Scranton, PA 18503, (570) 344-2667; Trujillo Rodriguez & Richards, LLC, 1717 Arch Street, Philadelphia, PA 19103, (215) 731-9004; Boni & Zack LLC, 15 St. Asaphs Road, Bala Cynwyd, PA 19004, (610) 822-0201; and Shepherd, Finkelman, Miller & Shah, LLP, 35 East State Street, Media, PA 19063, (610) 891-9880. You also have the right to get your own lawyer at your own expense.

Class Counsel have worked on this case for more than five years, without receiving any payments at all for their work on the case or their out-of-pocket expenses. They will ask the Court for attorneys’ fees up to 30% of the settlement fund, plus costs and expenses, for all of the lawyers who have worked on these lawsuits. This is less than what the lawyers would have earned if they had billed clients for all of their time and expenses so far. Class Counsel also will ask the Court to award payments of \$1,500 each to the Class Representatives for their efforts in maintaining these lawsuits. Block has agreed not to oppose these requests. The Court may award less than the amounts requested. The payments will come out of the \$2.5 million settlement fund.

OBJECTING TO THE SETTLEMENT

If you object to the settlement, you can tell the Court.

11. How do I tell the Court that I don’t like the settlement?

If you’re a Class Member, you can object to the settlement if you don’t like any part of it. You can give reasons why you think the Court should not approve it. The Court will consider your views. To object, you must send a letter saying that you object to the settlement in *McNulty and Erzar v. H&R Block, et al.*, No. 02-cv-4654. Be sure to include your name, address, telephone number, your signature, and the reasons you object to the settlement. Also, if you have objected in other class actions in the last five years, you should identify those cases and state the disposition of those objections. The court may require you to provide additional information about your objection. Mail the objection, **so that it is RECEIVED no later than September 10, 2008, to these three different places:**

Court	Liaison Class Counsel for Plaintiffs	Counsel for Block
Lackawanna County Court of Common Pleas Courthouse 200 Adams Avenue Scranton, PA 18503	Joseph E. Mariotti, Esquire Caputo & Mariotti, PC 730 Main Street Moosic, PA 18507	Geff Blake, Esquire WRIGHT & REIHNER 148 Adams Avenue Scranton, PA 18503

THE COURT'S FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the settlement. You do not need to attend that hearing, but are welcome to attend if you so desire.

12. When and where will the Court decide whether to approve the settlement?

The Court will hold a Fairness Hearing at 1:00 p.m. on September 22, 2008, in Courtroom 2D, at Lackawanna County Court of Common Pleas, 200 Adams Avenue, Scranton, PA 18503. At this hearing the Court will consider whether the settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will listen to people who have made a written request to speak at the hearing. After the hearing, the Court will decide whether to approve the settlement, and how much to pay to Class Counsel and the Class Representatives. We do not know how long these decisions will take.

13. May I speak at the hearing?

In order to speak at the hearing, you need to send a letter saying that it is your "Notice of Intention to Appear" in *McNulty and Erzar v. H&R Block, et al.*, No. 02-cv-4654. Be sure to include your name, address, telephone number, and your signature. Your Notice of Intention to Appear must be **RECEIVED no later than September 10, 2008** and be sent to the Clerk of the Court, Plaintiffs' Liaison Counsel, and Block's Counsel, at the three addresses shown above in paragraph 11. You cannot speak at the hearing if you excluded yourself from the class.

IF YOU DO NOTHING

14. What happens if I do nothing at all?

If you do nothing, you'll get no money from this settlement. Also, if you do nothing, you will be bound by the settlement and will not be able to sue H&R Block regarding the issues in this case.

GETTING MORE INFORMATION

15. Are there more details about the settlement?

This Notice summarizes the most important aspects of the proposed settlement. You can get a copy of the entire Settlement Agreement by contacting Class Counsel.

You also may read the Complaint and other pleadings in the lawsuit, including the Settlement Agreement, during regular office hours at the Office of the Clerk of the Court, 200 Adams Avenue, Scranton, PA 18503.

PLEASE DO NOT CALL THE COURT, THE CLERK, OR BLOCK ABOUT THIS SETTLEMENT.

Date: July 25, 2008

BY: THE HONORABLE TRISH CORBETT
Judge, Lackawanna County Court of Common Pleas