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For Immediate Release

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ARBITRATION PANEL FINDS THAT BLOCK FRANCHISEES HARMED BY BLOCK'S INTERNET TAX PREPARATION ACTIVITIES MAY HAVE CLAIMS FOR DAMAGES AGAINST BLOCK

Jeffrey M. Goldstein, Managing Partner of The Goldstein Law Group, PC., a Washington, DC-based litigation boutique, today has issued the following Press Release:

On January 2, 2003, an Arbitration Panel in Minneapolis ruled that franchisees of H&R Block ("Block") may, in appropriate circumstances, sue Block for "encroaching" on their franchise territories through its provision of Internet-based tax preparation services. The Panel also held, however, that the Block franchisee in the arbitration had not, at this time, suffered "unreasonable" damages from Block's Internet encroachment. Further, although the Panel ruled that it was permissible for Block to withhold from franchisees advertising and other allowances that Block did not "deem necessary" based on the franchisees' decision not to use Block's proprietary tax preparation software ("TPS") system, it also recognized that Block was barred by the Franchise Agreement from forcing or otherwise requiring franchisees from using TPS.

Jeffrey M. Goldstein, Managing Partner of The Goldstein Law Group, PC, and counsel for Franklin (the Block franchisee that brought the case), stated that: "we are, of course, very disappointed that two of the three arbitrators failed to see the severe harm to Franklin caused by Block's encroachment through the Internet; however, we are very encouraged that the decision provides a firm legal basis for Franklin and other Block franchisees in the future to sue Block for unreasonable Internet encroachment."

Ironically, and contrary to Block's statements to the public regarding the impact of the arbitration decision, the Panel's decision may have "opened the floodgates" to further litigation by Block franchisees who have been injured by Block's Internet tax preparation business. The Panel specifically warned that: "Block should be aware, however, that, as it seeks to 'integrate' its clicks-and-mortar program with its franchisees, the rights of franchisees such as Franklin must be honored." And, under the Panel's decision, all Block franchisees have the right not to be "unreasonably" affected by Block's Internet tax preparation business.

With regard to a possible appeal of the arbitration decision, Goldstein stated that: "We are now reviewing all possible options, including an appeal to an appropriate United States District Court." In so noting, however, Goldstein reiterated the importance of the Arbitration Panel's having rejected Block's argument that it could continue to carry out its Internet program at the expense of

its franchisees. In that regard, Goldstein observed that “the Panel ruled that all Block franchisees, including Franklin himself, have a right to sue Block in the future for unreasonable Internet encroachment, and that Block cannot force franchisees like Franklin to use its proprietary (TPS) software.”