

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED OCTOBER 31, 2000
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-6089

H&R BLOCK, INC.
 (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MISSOURI 44-0607856
 (STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER
 INCORPORATION OR ORGANIZATION) IDENTIFICATION NO.)

4400 MAIN STREET
 KANSAS CITY, MISSOURI 64111
 (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE)

(816) 753-6900
 (REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

The number of shares outstanding of the registrant's Common Stock, without par value, at December 1, 2000 was 91,283,332 shares.

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H&R BLOCK, INC.
CONSOLIDATED BALANCE SHEETS
AMOUNTS IN THOUSANDS, EXCEPT SHARE AMOUNTS

ASSETS	OCTOBER 31, 2000 ----	APRIL 30, 2000 ----
	(UNAUDITED)	(AUDITED)
CURRENT ASSETS		
Cash and cash equivalents	\$ 247,679	\$ 379,901
Marketable securities - available-for-sale	16,022	16,966
Marketable securities - trading	39,060	45,403
Receivables from customers, brokers, dealers and clearing organizations, less allowance for doubtful accounts of \$840 and \$759	2,640,656	2,857,379
Receivables, less allowance for doubtful accounts of \$46,075 and \$49,602	354,207	434,722
Prepaid expenses and other current assets	136,553	129,172
	-----	-----
TOTAL CURRENT ASSETS	3,434,177	3,863,543
INVESTMENTS AND OTHER ASSETS		
Investments in available-for-sale marketable securities	224,554	176,395
Excess of cost over fair value of net tangible assets acquired, net of amortization	1,070,051	1,095,074
Other	331,311	303,672
	-----	-----
	1,625,916	1,575,141
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation and amortization		
	248,407	260,666
	-----	-----
	\$ 5,308,500	\$ 5,699,350
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable	\$ 914,692	\$ 283,797
Accounts payable to customers, brokers and dealers	2,291,963	2,570,200
Accounts payable, accrued expenses and deposits	173,763	222,362
Accrued salaries, wages and payroll taxes	76,261	173,333
Accrued taxes on earnings	37,112	202,779
Current portion of long-term debt	43,308	67,978
	-----	-----
TOTAL CURRENT LIABILITIES	3,537,099	3,520,449
LONG-TERM DEBT	840,073	872,396
OTHER NONCURRENT LIABILITIES	96,800	87,916
STOCKHOLDERS' EQUITY		
Common stock, no par, stated value \$.01 per share	1,089	1,089
Additional paid-in capital	420,003	420,594
Retained earnings	1,122,159	1,277,324
Accumulated other comprehensive income (loss)	(34,029)	(26,241)
	-----	-----
	1,509,222	1,672,766
Less cost of 17,692,214 and 10,937,683 shares of common stock in treasury	674,694	454,177
	-----	-----
	834,528	1,218,589
	-----	-----
	\$ 5,308,500	\$ 5,699,350
	=====	=====

See Notes to Consolidated Financial Statements

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H&R BLOCK, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED, AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

	THREE MONTHS ENDED	
	OCTOBER 31,	
	2000	1999
	-----	-----
REVENUES		
Service revenues	\$ 265,934	\$ 152,699
Product revenues	54,310	50,049
Royalties	3,997	3,210
Other	13,233	3,988
	-----	-----
	337,474	209,946
	-----	-----
OPERATING EXPENSES		
Employee compensation and benefits	172,900	118,306
Occupancy and equipment	56,234	47,560
Interest	63,973	23,344
Depreciation and amortization	48,685	24,331
Marketing and advertising	14,728	14,635
Supplies, freight and postage	10,005	8,699
Bad debt	8,733	5,933
Other	51,123	41,932
	-----	-----
	426,381	284,740
	-----	-----
Operating loss	(88,907)	(74,794)
OTHER INCOME		
Investment income, net	2,536	2,402
Other, net	15	235
	-----	-----
	2,551	2,637
Loss before income tax benefit	(86,356)	(72,157)
Income tax benefit	(36,701)	(27,420)
	-----	-----
Net loss	\$ (49,655)	\$ (44,737)
	=====	=====
Weighted average number of common shares outstanding	91,403	97,814
	=====	=====
Basic and diluted net loss per share	\$ (.54)	\$ (.46)
	=====	=====
Dividends per share	\$.30	\$.275
	=====	=====

See Notes to Consolidated Financial Statements

	SIX MONTHS ENDED	
	OCTOBER 31,	
	2000	1999
	----	----
REVENUES		
Service revenues	\$ 506,098	\$ 226,202
Product revenues	108,069	94,241
Royalties	5,158	4,140
Other	22,259	6,923
	-----	-----
	641,584	331,506
	-----	-----
OPERATING EXPENSES		
Employee compensation and benefits	319,440	193,658
Occupancy and equipment	116,458	88,194
Interest	127,171	34,818
Depreciation and amortization	96,142	42,731
Marketing and advertising	24,502	19,855
Supplies, freight and postage	17,584	12,891
Bad debt	14,254	10,121
Other	107,634	66,495
	-----	-----
	823,185	468,763
	-----	-----
Operating loss	(181,601)	(137,257)
OTHER INCOME		
Investment income, net	5,255	5,053
Other, net	(3)	250
	-----	-----
	5,252	5,303
Loss before income tax benefit	(176,349)	(131,954)
Income tax benefit	(74,948)	(50,143)
	-----	-----
Net loss	\$ (101,401)	\$ (81,811)
	=====	=====
Weighted average number of common shares outstanding	92,332	97,764
	=====	=====
Basic and diluted net loss per share	\$ (1.10)	\$ (.84)
	=====	=====
Dividends per share	\$.575	\$.525
	=====	=====

See Notes to Consolidated Financial Statements

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	OCTOBER 31,	
	2000	1999
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (101,401)	\$ (81,811)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	96,142	42,731
Provision for bad debt	14,254	10,121
Accretion of acquisition liabilities	5,604	3,633
Changes in:		
Receivables from customers, brokers, dealers and clearing organizations	216,723	--
Receivables	9,904	14,032
Marketable securities - trading	6,343	--
Prepaid expenses and other current assets	(8,181)	(69,082)
Accounts payable to customers, brokers and dealers	(278,237)	--
Accounts payable, accrued expenses and deposits	(48,599)	(47,986)
Accrued salaries, wages and payroll taxes	(97,072)	(136,882)
Accrued taxes on earnings	(175,786)	(98,555)
Other, net	(1,169)	(7,040)
	-----	-----
NET CASH USED IN OPERATING ACTIVITIES	(361,475)	(370,839)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available-for-sale securities	(2,432)	(3,987)
Maturities of available-for-sale securities	10,090	25,112
Loan to affiliate	--	(62,627)
Purchases of property and equipment, net	(25,647)	(21,306)
Payments made for business acquisitions, net of cash acquired	(10,659)	(81,550)
Other, net	(34,395)	(1,421)
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(63,043)	(145,779)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of notes payable	(8,197,821)	(25,815,955)
Proceeds from issuance of notes payable	8,828,716	26,369,682
Payments on acquisition debt	(63,993)	(3,000)
Dividends paid	(53,764)	(51,564)
Payments to acquire treasury shares	(222,816)	(32,366)
Proceeds from stock options exercised	1,708	24,325
Other, net	266	438
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	292,296	491,560
	-----	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS	(132,222)	(25,058)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	379,901	193,240
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	\$ 247,679	\$ 168,182
	=====	=====
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Income taxes paid	\$ 88,836	\$ 48,956
Interest paid	118,715	38,373

See Notes to Consolidated Financial Statements

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H&R BLOCK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited, dollars in thousands, except share data

1. The Consolidated Balance Sheet as of October 31, 2000, the Consolidated Statements of Operations for the three and six months ended October 31, 2000 and 1999, and the Consolidated Statements of Cash Flows for the six

months ended October 31, 2000 and 1999 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at October 31, 2000 and for all periods presented have been made.

Reclassifications have been made to prior periods to conform with the current year presentation.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's April 30, 2000 Annual Report to Shareholders.

Operating revenues are seasonal in nature with peak revenues occurring in the months of January through April. Thus, the six-month results are not indicative of results to be expected for the year.

2. Receivables consist of the following:

	October 31, ----- 2000 ---- (Unaudited)	April 30, ----- 2000 ---- (Audited)
Mortgage loans held for sale	\$125,256	\$163,033
Business services accounts receivable	159,247	148,109
Participation in refund anticipation loans	35,764	47,581
Loans to franchisees	31,659	24,888
Other	48,356	100,713
	-----	-----
Allowance for doubtful accounts	400,282 46,075	484,324 49,602
	-----	-----
	\$354,207	\$434,722
	=====	=====

3. The Company files its Federal and state income tax returns on a calendar year basis. The Consolidated Statements of Operations reflect the Company's current estimates of the effective tax rates expected to be applicable for the respective full fiscal years.
4. Basic and diluted net loss per share is computed using the weighted average number of shares outstanding during each period. Diluted net loss per share excludes the impact of common stock options outstanding for 12,188,071 shares and the conversion of 608 shares of preferred stock to common stock, as they are antidilutive. The weighted average shares outstanding for

the six months ended October 31, 2000 decreased to 92,332,000 from 97,764,000 last year, due to the purchase of treasury shares by the Company primarily during the first three months of fiscal 2001.

5. During the six months ended October 31, 2000 and 1999, the Company issued 59,669 and 617,028 shares, respectively, pursuant to provisions for exercise of stock options under its stock option plans. In addition, the Company issued 475,443 shares of its common stock for an U.S. tax operations' major franchise acquisition in the second quarter of fiscal 2000. The issuance of common stock for the acquisition was treated as a noncash investing activity in the Consolidated Statement of Cash Flows for the six months ended October 31, 1999. During the six months ended October

31, 2000, the Company acquired 6,814,200 shares of its common stock at an aggregate cost of \$222,816. During the six months ended October 31, 1999, the Company acquired 721,800 shares of its common stock at an aggregate cost of \$32,366.

6. CompuServe Corporation (CompuServe), certain current and former officers and directors of CompuServe and the Company have been named as defendants in six lawsuits pending before the state and Federal courts in Columbus, Ohio. All suits allege similar violations of the Securities Act of 1933 based on assertions of omissions and misstatements of fact in connection with CompuServe's public filings related to its initial public offering in April 1996. One state lawsuit brought by the Florida State Board of Administration also alleges certain oral omissions and misstatements in connection with such offering. Relief sought in the lawsuits is unspecified, but includes pleas for rescission and damages. One Federal lawsuit names the lead underwriters of CompuServe's initial public offering as additional defendants and as representatives of a defendant class consisting of all underwriters who participated in such offering. The Federal suits were consolidated, the defendants filed a motion to dismiss the consolidated suits, the district court stayed all proceedings pending the outcome of the state court suits, and the United States Court of Appeals for the Sixth Circuit affirmed such stay. The four state court lawsuits also allege violations of various state statutes and common law of negligent misrepresentation in addition to the 1933 Act claims. The state lawsuits were consolidated for discovery purposes and defendants filed a motion for summary judgment covering all four state lawsuits. In July 1998, the state court certified a plaintiff class of all persons and entities who purchased shares of common stock of CompuServe between April 18, 1996 and July 16, 1996 pursuant to the initial public offering or on the open market, and who were damaged thereby, excluding the named defendants and their affiliates. The named plaintiffs in three of the state court cases were designated class representatives.

In July 2000, the class representatives and the defendants in the class action pending in state court, by their authorized counsel, entered into a Stipulation of Settlement, pursuant to which the defendants will pay a gross settlement amount of \$9,500 in exchange for dismissal of the class action suit and a release of all claims. The court preliminarily approved the settlement in August 2000 and notices to the class were mailed and published. The fairness hearing relating to the settlement was held on November 30, 2000, but the court has not yet issued its ruling. Payment of plaintiffs' attorneys' fees and expenses are to be paid out of the gross settlement fund. The gross settlement fund will be paid in its entirety by the Company's

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insurance carrier. The Stipulation is not an admission of the validity of any claim or any fact alleged by the plaintiffs and defendants continue to deny any wrongdoing and any liability. The Stipulation states that the defendants consider it desirable to settle to avoid further expense, inconvenience, and delay, and put to rest all controversy concerning all claims.

The Florida State Board of Administration has opted out of the settlement and that litigation continues separately from the state court class action.

As a part of the sale of its interest in CompuServe, the Company agreed to indemnify WorldCom, Inc. and CompuServe against 80.1% of any losses and expenses incurred by them with respect to these lawsuits. In the opinion of management, the ultimate resolution of these suits through the agreed upon settlement or otherwise will not have a material adverse impact on the Company's consolidated financial position or results of operations.

7. Summarized financial information for Block Financial Corporation, an indirect, wholly owned subsidiary of the Company, is presented below.

	----- 2000 ----- (Unaudited)	----- 2000 ----- (Audited)
Condensed balance sheets:		
Cash and cash equivalents	\$ 179,972	\$ 256,823
Finance receivables, net	2,796,172	3,054,792
Other assets	1,371,893	1,247,710
	-----	-----
Total assets	\$4,348,037	\$4,559,325
	=====	=====
Notes payable	\$ 914,692	\$ 283,797
Long-term debt	745,925	745,600
Other liabilities	2,467,389	3,304,740
Stockholder's equity	220,031	225,188
	-----	-----
Total liabilities and stockholder's equity	\$4,348,037	\$4,559,325
	=====	=====

	----- Three months ended ----- October 31, -----		----- Six months ended ----- October 31, -----	
	2000	1999	2000	1999
	-----	-----	-----	-----
Condensed statements of operations:				
Revenues	\$218,964	\$ 93,106	\$ 431,291	\$ 173,824
Earnings before income taxes	3,708	13,549	9,762	25,290
Net earnings (loss)	(2,244)	12,945	(3,208)	15,136

8. The Company sells short FNMA mortgage-backed securities to certain broker-dealer counterparties. The position on certain or all of the fixed rate mortgages is closed, on standard Public Securities Association (PSA) settlement dates, when the Company enters into a forward commitment to sell those mortgages or decides to securitize the mortgages. The Company in the past had applied hedge accounting treatment to the shorting of FNMA mortgage-backed securities; however, these instruments no longer qualify for hedge accounting treatment because the Company does not hold the mortgage loans on its balance

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sheet (the asset that was being hedged). These instruments are now carried at fair market value and changes in the fair market value are recorded in revenues on the income statement instead of being deferred. There are no FNMA securities instruments open at October 31, 2000. The contract value and market value of the forward commitment at October 31, 2000 were \$126,000 and \$126,082, respectively.

9. The Company's comprehensive income is comprised of net earnings (loss), foreign currency translation adjustments and the change in the net unrealized gain or loss on marketable securities. The components of comprehensive income (loss) during the three and six months ended October 31, 2000 and 1999 were:

	----- Three months ended ----- October 31, -----		----- Six months ended ----- October 31, -----	
	2000	1999	2000	1999
	-----	-----	-----	-----
Net loss	\$ (49,655)	\$ (44,737)	\$ (101,401)	\$ (81,811)
Change in net unrealized gain (loss) on mkt. securities	(5,670)	4,680	(1,613)	5,257
Change in foreign currency translation adjustments	(5,017)	3,122	(6,175)	1,830
	-----	-----	-----	-----

Comprehensive income (loss)	\$ (60,342)	\$ (36,935)	\$ (109,189)	\$ (74,724)
	=====	=====	=====	=====

10. In September 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 140). SFAS 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001 and is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. SFAS 140 is a replacement of Statement of Financial Accounting Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 125). SFAS 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain new disclosures, but carries over most of SFAS 125's provisions without reconsideration. The Company has not concluded its analysis to determine the effect of SFAS 140 on the consolidated financial statements.

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11. Information concerning the Company's operations by reportable operating segments for the three and six months ended October 31, 2000 and 1999 is as follows:

	Three months ended		Six months ended	
	October 31,		October 31,	
	2000	1999	2000	1999
	----	----	----	----
Revenues:				
U.S. tax operations	\$ 26,403	\$ 19,723	\$ 37,753	\$ 32,798
International tax operations	14,899	14,713	19,798	18,781
Financial services	216,263	91,503	427,530	170,957
Business services	78,267	83,180	154,364	107,359
Unallocated corporate	1,642	827	2,139	1,611
	-----	-----	-----	-----
	\$ 337,474	\$ 209,946	\$ 641,584	\$ 331,506
	=====	=====	=====	=====
Earnings (loss) from:				
U.S. tax operations	\$ (87,203)	\$ (83,663)	\$ (175,073)	\$ (154,733)
International tax operations	(467)	(1,644)	(6,390)	(8,165)
Financial services	32,426	20,931	67,366	39,757
Business services	(781)	(1,152)	(3,794)	(1,340)
Unallocated corporate	(6,727)	(3,428)	(11,340)	(6,777)
Interest exp. acquisition debt	(24,484)	(8,027)	(51,772)	(12,465)
	-----	-----	-----	-----
	(87,236)	(76,983)	(181,003)	(143,723)
Investment income, net	2,536	2,402	5,255	5,053
Intercompany interest	(1,656)	2,424	(601)	6,716
	-----	-----	-----	-----
Loss before income tax benefit	\$ (86,356)	\$ (72,157)	\$ (176,349)	\$ (131,954)
	=====	=====	=====	=====

Intercompany interest represents net interest expense charged to financial related businesses for corporate cash that was borrowed to fund their operating activities and, in fiscal 2001, it also includes net unallocated interest expense attributable to commitment fees on the unused portion of the Company's \$1.89 billion credit facility.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE INFORMATION CONTAINED IN THIS FORM 10-Q AND THE EXHIBITS HERETO MAY CONTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933 AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934. SUCH STATEMENTS ARE BASED UPON CURRENT INFORMATION, EXPECTATIONS, ESTIMATES AND PROJECTIONS REGARDING THE COMPANY, THE INDUSTRIES AND MARKETS IN WHICH THE COMPANY OPERATES, AND MANAGEMENT'S ASSUMPTIONS AND BELIEFS RELATING THERETO. WORDS SUCH AS "WILL," "PLAN," "EXPECT," "REMAIN," "INTEND," "ANTICIPATE," "ESTIMATE," "APPROXIMATE," AND VARIATIONS THEREOF AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY SUCH FORWARD-LOOKING STATEMENTS. THESE STATEMENTS SPEAK ONLY AS OF THE DATE ON WHICH THEY ARE MADE, ARE NOT GUARANTEES OF FUTURE PERFORMANCE, AND INVOLVE CERTAIN RISKS, UNCERTAINTIES AND ASSUMPTIONS THAT ARE DIFFICULT TO PREDICT. THEREFORE, ACTUAL OUTCOMES AND RESULTS COULD MATERIALLY DIFFER FROM WHAT IS EXPRESSED, IMPLIED OR FORECAST IN SUCH FORWARD-LOOKING STATEMENTS. SUCH DIFFERENCES COULD BE CAUSED BY A NUMBER OF FACTORS INCLUDING, BUT NOT LIMITED TO, THE UNCERTAINTY OF LAWS, LEGISLATION, REGULATIONS, SUPERVISION AND LICENSING BY FEDERAL, STATE AND LOCAL AUTHORITIES AND THEIR IMPACT ON ANY PROPOSED OR POSSIBLE TRANSACTION AND THE LINES OF BUSINESS IN WHICH THE COMPANY'S SUBSIDIARIES ARE INVOLVED; UNFORESEEN COMPLIANCE COSTS; CHANGES IN ECONOMIC, POLITICAL OR REGULATORY ENVIRONMENTS; CHANGES IN COMPETITION AND THE EFFECTS OF SUCH CHANGES; THE INABILITY TO IMPLEMENT THE COMPANY'S STRATEGIES; CHANGES IN MANAGEMENT AND MANAGEMENT STRATEGIES; THE COMPANY'S INABILITY TO SUCCESSFULLY DESIGN, CREATE, MODIFY AND OPERATE ITS COMPUTER SYSTEMS AND NETWORKS; LITIGATION INVOLVING THE COMPANY; THE UNCERTAINTY OF THE IMPACT OF SHARE REPURCHASES ON EARNINGS PER SHARE; AND RISKS DESCRIBED FROM TIME TO TIME IN REPORTS AND REGISTRATION STATEMENTS FILED BY THE COMPANY AND ITS SUBSIDIARIES WITH THE SECURITIES AND EXCHANGE COMMISSION. READERS SHOULD TAKE THESE FACTORS INTO ACCOUNT IN EVALUATING ANY SUCH FORWARD-LOOKING STATEMENTS. THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE PUBLICLY OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

FINANCIAL CONDITION

These comments should be read in conjunction with the Consolidated Balance Sheets and Consolidated Statements of Cash Flows found on pages 1 and 4, respectively.

Working capital decreased to a negative \$102.9 million at October 31, 2000 from \$343.1 million at April 30, 2000. The working capital ratio at October 31, 2000 is .97 to 1, compared to 1.10 to 1 at April 30, 2000. The decrease in working capital and the working capital ratio is primarily due to the increase in short-term borrowings due to the seasonal nature of the Company's U.S. tax operations segment, payments on Business services acquisitions, the share repurchase program, interest, tax and dividend payments. Tax return preparation occurs almost entirely in the fourth quarter and has the effect of increasing certain assets and liabilities during the fourth quarter, including cash and cash equivalents, receivables, accrued salaries, wages and payroll taxes and accrued taxes on earnings.

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In the U.S., the Company incurs short-term borrowings throughout the year primarily to fund receivables associated with its mortgage loans held for sale and Business services and seasonal working capital needs. These short-term borrowings in the U.S. are supported by a \$1.89 billion back-up credit facility through October 2000. On October 30, 2000, the credit facility was renewed at \$1.86 billion through October 2001.

The Company annually obtains a seasonal line of credit to support a short-term borrowing facility in Canada. The credit limit of this line fluctuates in accordance with the seasonal need for short-term borrowings outstanding during the year.

In April 2000, the Company entered into third party off-balance sheet financing arrangements and whole-loan sale arrangements for Option One Mortgage Corporation (Option One). This financing, which is not guaranteed by H&R Block, freed up excess cash and short-term borrowing capacity (\$408.4 million at October 31, 2000), improved liquidity and flexibility, and reduced balance sheet risk, while providing stability in dealing with the secondary market for mortgage loans. Management anticipates that the negative fiscal year earnings per share impact of the off-balance sheet financing will be more than offset by the increases in earnings per share resulting from share repurchases made during the first six months of this year.

At October 31, 2000, short-term borrowings increased to \$914.7 million from \$283.8 million at April 30, 2000. The Company's capital expenditures, dividend payments, share repurchase program, Business services acquisition payments and normal operating activities during the first six months were funded through both internally-generated funds and short-term borrowings.

For the six months ended October 31, 2000 and 1999, interest expense was \$127.2 million and \$34.8 million, respectively. The increase in interest expense is due to the first-time inclusion of operating interest expense to external parties at OLDE Financial Corporation (OLDE) of \$66.4 million and acquisition interest expense of \$37.3 million related to the OLDE acquisition in December 1999.

In March 2000, the Company's Board of Directors approved a plan to repurchase up to 12 million shares of its common stock. At October 31, 2000, 7.2 million shares had been repurchased under this plan. The Company plans to continue to purchase its shares on the open market in accordance with this authorization, subject to various factors including the price of the stock, availability of excess cash, the ability to maintain liquidity and financial flexibility, securities laws restrictions and other investment opportunities available. However, the Company does not anticipate being as aggressive in its share repurchase program for the remainder of the fiscal year.

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RESULTS OF OPERATIONS

Interest income and interest expense related to certain mortgage loans in fiscal year 2001 were previously reported in the Company's press release dated November 28, 2000 on a gross basis in Service revenues and Interest expense, respectively. The Company is now reporting in Service revenues on the Consolidated Statements of Operations the interest income from such mortgages net of the related interest expense of \$41.6 million for the six months ended October 31, 2000 in accordance with Statement of Financial Accounting Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This revision has no impact on the net loss previously reported.

FISCAL 2001 COMPARED TO FISCAL 2000

The analysis that follows should be read in conjunction with the tables below and the Consolidated Statements of Operations found on pages 2 and 3.

THREE MONTHS ENDED OCTOBER 31, 2000 COMPARED TO THREE MONTHS ENDED OCTOBER 31, 1999 (AMOUNTS IN THOUSANDS)

	Revenues		Earnings (loss)	
	2000	1999	2000	1999
U.S. tax operations	\$ 26,403	\$ 19,723	\$ (87,203)	\$ (83,663)
International tax operations	14,899	14,713	(467)	(1,644)

Financial services	216,263	91,503	32,426	20,931
Business services	78,267	83,180	(781)	(1,152)
Unallocated corporate	1,642	827	(6,727)	(3,428)
Interest expense on acquisition debt	--	--	(24,484)	(8,027)
	-----	-----	-----	-----
	\$ 337,474	\$ 209,946	(87,236)	(76,983)
	=====	=====		
Investment income, net			2,536	2,402
Intercompany interest			(1,656)	2,424
			-----	-----
			(86,356)	(72,157)
Income tax benefit			(36,701)	(27,420)
			-----	-----
Net loss			\$ (49,655)	\$ (44,737)
			=====	=====

Consolidated revenues for the three months ended October 31, 2000 increased 60.7% to \$337.5 million from \$209.9 million reported last year. The increase is primarily due to revenues from Financial services of \$216.3 million, a 136.3% increase over the prior year, due to the first time inclusion of OLDE.

The consolidated pretax loss for the second quarter of fiscal 2001 increased to \$86.4 million from \$72.2 million in the second quarter of last year. The increase is attributable to the interest expense on the OLDE acquisition debt and increased losses from U.S. tax operations and Unallocated corporate, which was offset by improved results from Financial services.

The Company's performance as measured by earnings before interest (including interest expense on acquisition debt, investment income and interest allocated to operating business units), taxes, depreciation and amortization (EBITDA) improved 68.5% to a negative \$14.1 million compared to a negative \$44.6 million in the prior year's second quarter.

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The net loss was \$49.7 million, or \$.54 per share, compared to \$44.7 million, or \$.46 per share, for the same period last year. The per share loss this year was increased by approximately \$.06 per share due to the Company's share repurchase program that resulted in lower investment income and fewer shares outstanding for the quarter. The effective income tax rate increased from 38.0% last year to 42.5% this year as a result of the non-deductible intangible amortization resulting from the OLDE acquisition, and helped reduce this quarter's net loss.

An analysis of operations by reportable operating segments follows.

U.S. TAX OPERATIONS

Revenues increased 33.9% to \$26.4 million from \$19.7 million last year, resulting primarily from higher revenues from the Company's Peace of Mind program.

The pretax loss increased 4.2% to \$87.2 million from \$83.7 million in the second quarter of last year due primarily to normal operating increases in depreciation, amortization and rent expenses, as well as costs associated with the development of new online services for the upcoming tax season. The higher depreciation and rent expense is a result of office expansion efforts in the prior year. Also contributing to the increase in amortization expense are franchise acquisitions that occurred in the prior year. Due to the nature of this segment's business, second quarter operating results are not indicative of expected results for the entire fiscal year.

INTERNATIONAL TAX OPERATIONS

Revenues increased 1.3% to \$14.9 million compared to \$14.7 million in the prior year's second quarter. The increase is attributable to Canadian operations. The increase in Canadian revenues is due to higher discounted return fees, which is the result of a 69.2% increase in the number of discounted returns prepared over the same period last year. The increase was partially offset by lower revenues in the United Kingdom.

The pretax loss decreased 71.6% to \$467 thousand from \$1.6 million last year. The decrease is primarily due to improved performance in Canada. This improved performance is a result of lower employee compensation and marketing and advertising expenses. Australian operations also contributed positive results over the prior year. Due to the nature of this segment's business, second quarter operating results are not indicative of expected results for the entire fiscal year.

FINANCIAL SERVICES

Revenues increased 136.3% to \$216.3 million from \$91.5 million in the same period last year. The increase is primarily attributable to OLDE, which was acquired December 1, 1999. OLDE is the parent company of H&R Block Financial Advisors, Inc. (formally OLDE Discount Corporation) which contributed revenues of \$128.9 million for the quarter. For the three months ended October 31, 2000, H&R Block Financial Advisors' average commission per trade was \$70.52 with daily average trades of 9,788. Option One, which includes H&R Block Mortgage Corporation, also contributed \$81.0 million in revenues an increase of 5.5% over the same period last year. The increase in revenues is primarily due to Option One's servicing portfolio of \$16.6 billion and 162,200 loans compared to last year's October 31 portfolio of \$8.8 billion and 87,900 loans. Option One originated and sold or securitized \$1.5 billion during the second quarter of

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fiscal 2001, compared to \$1.5 billion originated and \$1.6 billion sold in the second quarter last year.

Financial services pretax earnings of \$32.4 million improved 54.9% this year compared with earnings of \$20.9 million during the second quarter of fiscal 2000. The increase is mainly due to OLDE contributing earnings of \$12.4 million, which includes goodwill amortization of \$11.3 million. Additionally, Option One contributed \$21.2 million in pretax earnings compared to \$19.9 million in the prior year, which includes goodwill amortization of \$3.4 million in both years. The increases at OLDE and Option One were somewhat offset by costs associated with the winding down of certain mortgage activities.

BUSINESS SERVICES

Business services revenues of \$78.3 million decreased 5.9% from \$83.2 million in the prior year. As of October 31, 2000, the operations of all but two of the original seven regional accounting firms acquired have been merged into RSM McGladrey, the national accounting firm that was acquired on August 2, 1999. Prior to the mergers, for the regional accounting firms, the Company was required to consolidate revenues and expenses from the non-attest business that the Company owned and the attest business of five firms located in Kansas City, Chicago, Indianapolis, Baltimore and Philadelphia that the Company did not own, but for whom it performed management services. Revenues are no longer consolidated as a result of the change in organizational structure. The revenue decline is attributable in part to the change in consolidation, as well as, to lower technology consulting fees associated with Y2K engagements last year. RSM McGladrey and McGladrey and Pullen, LLP have a number of common clients and their combined revenues, including those of the regional accounting firms not merged and the attest firms for whom they provide management services, for the three months ended October 31, 2000 increased 12.1% over the same period in the prior year.

The pretax loss was \$781 thousand compared to \$1.2 million in the prior year, which includes goodwill amortization of \$7.8 million and \$5.2 million, respectively. The improved results are due to better staff utilization during

the quarter. The change in organizational structure described above does not impact the pretax earnings or losses of the segment. Due to the nature of this segment's business, revenues are seasonal, while expenses are relatively fixed throughout the year. Results for the second quarter are not indicative of the expected results for the entire fiscal year.

UNALLOCATED CORPORATE

The Unallocated corporate pretax loss for the second quarter increased 96.2% to \$6.7 million from \$3.4 million in the comparable period last year. The increase is primarily a result of interest expense related to borrowings for funding of operations.

Interest expense on acquisition debt increased \$16.5 million to \$24.5 million from \$8.0 million in the three months ended October 31, 1999. The increase is attributable to the acquisition of OLDE in December 1999 which is somewhat offset by lower interest expense related to the acquisition of the non-attest assets of McGladrey & Pullen, LLP due to payment of a portion of the acquisition debt in August 2000.

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THREE MONTHS ENDED OCTOBER 31, 2000 (SECOND QUARTER) COMPARED TO
THREE MONTHS ENDED JULY 31, 2000 (FIRST QUARTER)
(AMOUNTS IN THOUSANDS)

	Revenues		Earnings (loss)	
	2nd Qtr	1st Qtr	2nd Qtr	1st Qtr
U.S. tax operations	\$ 26,403	\$ 11,350	\$ (87,203)	\$ (87,870)
International tax operations	14,899	4,899	(467)	(5,923)
Financial services	216,263	211,267	32,426	34,940
Business services	78,267	76,097	(781)	(3,013)
Unallocated corporate	1,642	497	(6,727)	(4,613)
Interest expense on acquisition debt	--	--	(24,484)	(27,288)
	<u>\$ 337,474</u>	<u>\$ 304,110</u>	<u>(87,236)</u>	<u>(93,767)</u>
Investment income, net			2,536	2,719
Intercompany interest			(1,656)	1,055
			(86,356)	(89,993)
Income tax benefit			(36,701)	(38,247)
Net loss			<u>\$ (49,655)</u>	<u>\$ (51,746)</u>

Consolidated revenues for the three months ended October 31, 2000 increased 11.0% to \$337.5 million from \$304.1 million reported in the first quarter of fiscal 2001. Revenues increased for all segments, however, the increase is primarily due to U.S. tax operations and International tax operations.

The consolidated pretax loss for the second quarter of fiscal 2001 decreased to \$86.4 million from \$90.0 million in the first quarter of this year. The decreased loss is primarily attributable to improved performance from

International tax operations.

The net loss was \$49.7 million, or \$.54 per share, compared to \$51.7 million, or \$.55 per share, for the first quarter.

An analysis of operations by reportable operating segments follows.

U.S. TAX OPERATIONS

Revenues increased 132.6% to \$26.4 million from \$11.4 million in the first quarter. The pretax loss decreased 0.8% to \$87.2 million from \$87.9 million in the three months ended July 31, 2000. The improved performance in revenues is a result of higher revenues from tuition tax school fees, which are seasonal, and the Peace of Mind program, contributing \$5.6 million and \$5.4 million, respectively. The decreased loss is primarily due to the increase in revenues from

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the Peace of Mind program, which was partially offset by increased costs associated with the development of new online services for the upcoming tax season.

INTERNATIONAL TAX OPERATIONS

Revenues increased 204.1% to \$14.9 million compared to first quarter revenues of \$4.9 million. The increase is entirely due to the onset of the tax season in Australia, which contributed \$11.8 million in revenues. The increase was partially offset by a decline in tax preparation and discounted return fees in Canada due to a decrease in the number of returns prepared and lower revenues from the United Kingdom.

The pretax loss declined 92.1% to \$467 thousand from \$5.9 million in the first quarter. The improved results are attributable to the Australian tax-filing season, which contributed earnings of \$4.9 million compared to a pretax loss of \$1.4 million in the quarter ended July 31, 2000. The improved results were reduced by increased losses in Canada and the United Kingdom.

FINANCIAL SERVICES

Revenues increased 2.4% to \$216.3 million from \$211.3 million in the prior quarter. The increase is primarily due to higher servicing income that is attributable to a larger servicing portfolio.

Pretax earnings decreased 7.2% to \$32.4 million from \$34.9 million in the three months ended July 31, 2000. The decrease is due to lower daily trading volumes. Customer daily average trades decreased 4.6% from 10,262 to 9,788. In addition, Option One added to the decline due to higher compensation and benefits and bad debt expense. However, the Company's retail mortgage operations did show improvement from the first quarter by reducing its losses by \$5.6 million.

BUSINESS SERVICES

Revenues increased 2.9% to \$78.3 million from \$76.1 million in the three months ended July 31, 2000 due primarily to acquisitions. The pretax loss decreased 74.1% to \$781 thousand from \$3.0 million in the first quarter due to the increase in revenues from acquisitions.

UNALLOCATED CORPORATE

The Unallocated corporate pretax loss for the second quarter increased 45.8% to \$6.7 million. The increase is primarily due to interest expense related to borrowings for funding of operations.

Interest expense on acquisition debt decreased from \$27.3 million to \$24.5 million in the current quarter. The decrease is attributable to payment of a portion of the long-term debt related to the acquisition of the non-attest assets of McGladrey & Pullen LLP in August 2000 and, with cash generated from OLDE, the Company's payment of a portion of the short-term debt related to the

OLDE acquisition.

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SIX MONTHS ENDED OCTOBER 31, 2000 COMPARED TO
SIX MONTHS ENDED OCTOBER 31, 1999
(AMOUNTS IN THOUSANDS)

	Revenues		Earnings (loss)	
	2000	1999	2000	1999
U.S. tax operations	\$ 37,753	\$ 32,798	\$(175,073)	\$(154,733)
International tax operations	19,798	18,781	(6,390)	(8,165)
Financial services	427,530	170,957	67,366	39,757
Business services	154,364	107,359	(3,794)	(1,340)
Unallocated corporate	2,139	1,611	(11,340)	(6,777)
Interest expense on acquisition debt	--	--	(51,772)	(12,465)
	<u>\$ 641,584</u>	<u>\$ 331,506</u>	(181,003)	(143,723)
Investment income, net			5,255	5,053
Intercompany interest			(601)	6,716
			(176,349)	(131,954)
Income tax benefit			(74,948)	(50,143)
Net loss			<u>\$(101,401)</u>	<u>\$ (81,811)</u>

Consolidated revenues for the six months ended October 31, 2000 increased 93.5% to \$641.6 million from \$331.5 million reported last year. The increase is due almost entirely to the first time inclusion of OLDE, acquired December 1, 1999.

The consolidated pretax loss for the first six months of fiscal 2001 increased to \$176.3 million from \$132.0 million last year. The higher loss is largely attributable to interest expense on the OLDE acquisition debt of \$37.3 million and increased losses from U.S. tax operations.

The net loss was \$101.4 million, or \$1.10 per share, compared to \$81.8 million, or \$.84 per share, for the same period last year. The per share loss this year was increased by approximately \$.10 per share due to the Company's share repurchase program that resulted in lower investment income and fewer shares outstanding for the six months ended October 31, 2000. The effective income tax rate increased from 38.0% last year to 42.5% this year as a result of the non-deductible intangible amortization resulting from the OLDE acquisition, and helped reduce the loss for the six-month period.

An analysis of operations by reportable operating segments follows.

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U.S. TAX OPERATIONS

Revenues increased 15.1% to \$37.8 million from \$32.8 million last year, resulting primarily from higher revenues from the Company's Peace of Mind program.

The pretax loss increased 13.1% to \$175.1 million from \$154.7 million in the comparable period last year due to normal operational increases in depreciation, amortization, compensation and rent expenses. The higher depreciation and rent expense is a result of our office expansion efforts in the prior year. Also contributing to the increase in amortization expense are franchise acquisitions that occurred in the prior year. Due to the nature of this segment's business, the six-month operating results are not indicative of expected results for the entire fiscal year.

INTERNATIONAL TAX OPERATIONS

Revenues increased 5.4% to \$19.8 million compared to \$18.8 million the prior year. The increase is primarily attributable to Canadian operations. The increase in Canadian revenues is due to higher discounted return fees, which is the result of a 25.4% increase in the number of discounted returns prepared over the same period last year. Also contributing to the increase in revenues were higher tax preparation fees in Australia and the United Kingdom.

The pretax loss decreased 21.7% to \$6.4 million compared to \$8.2 million last year. The decrease is due to improved results in Canada resulting from lower employee costs, consulting and marketing and advertising expenses. Australia and the United Kingdom also contributed to the improvement. Due to the nature of this segment's business, the six-month operating results are not indicative of expected results for the entire fiscal year.

FINANCIAL SERVICES

Revenues increased 150.1% to \$427.5 million from \$171.0 million in the same period last year. The increase is essentially attributable to OLDE, which contributed revenues of \$257.2 million for the six months ended October 31, 2000. For the first six months of fiscal 2001, OLDE's average commission per trade was \$66.86 with daily average trades of 10,023. Option One, which includes H&R Block Mortgage, contributed \$10.6 million of the increase. The higher revenues are driven by the growth in the Company's servicing portfolio. Option One's servicing portfolio at October 31, 2000 was \$16.6 billion compared to \$8.8 billion last October. Option One and H&R Block Mortgage originated and sold or securitized \$2.9 billion in loans during the first six months of fiscal 2001, compared to \$2.8 billion in the same period last year. These increases were slightly offset by lower revenues at the Company's other mortgage operations.

Pretax earnings increased 69.4% to \$67.4 million from \$39.8 million in the prior year. The increase is primarily due to OLDE contributing earnings of \$26.3 million, which includes \$22.9 million in goodwill amortization. This increase was partially offset by costs associated with the winding down of certain mortgage activities.

BUSINESS SERVICES

Business services revenues increased 43.8% to \$154.4 million compared to \$107.4 million for the six months ended October 31, 1999. The pretax loss increased 183.1% to \$3.8 million from \$1.3 million for the same period last year, which includes goodwill amortization of \$14.8 million and \$7.0 million, respectively. The increase in revenues and pretax loss are primarily due to the

inclusion of RSM McGladrey for six months in fiscal 2001 compared to three months in fiscal 2000.

As of October 31, 2000, the operations of all but two of the original seven regional accounting firms acquired have been merged into RSM McGladrey, the national accounting firm that was acquired on August 2, 1999. Prior to the

mergers, for the regional accounting firms, the Company was required to consolidate revenues and expenses from the non-attest business that the Company owned and the attest business of five firms located in Kansas City, Chicago, Indianapolis, Baltimore and Philadelphia that the Company did not own, but for whom it performed management services. Revenues are no longer consolidated as a result of the change in organizational structure. The revenue decline is attributable in part to the change in consolidation, as well as, to lower technology consulting fees associated with Y2K engagements last year. RSM McGladrey and McGladrey and Pullen, LLP have a number of common clients and their combined revenues, including those of the regional accounting firms not merged and the attest firms for whom they provide management services, for the six months ended October 31, 2000 increased 71.2% over the same period in the prior year. The change in organizational structure described above does not impact the pretax earnings or losses of the segment. Due to the nature of this segment's business, revenues are seasonal, while expenses are relatively fixed throughout the year. Results for the six months are not indicative of the expected results for the entire fiscal year.

UNALLOCATED CORPORATE

The Unallocated corporate pretax loss for the six months increased 67.3% to \$11.3 million from \$6.8 million in the comparable period last year. The increase is a result of interest expense related to borrowings for funding of operations.

Interest expense on acquisition debt increased to \$51.8 million from \$12.5 million in the six months ended October 31, 1999. The increase is primarily attributable to the acquisition OLDE in December 1999, and to a lesser extent, the acquisition of the non-attest assets of McGladrey & Pullen, LLP in August 1999.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from those reported at April 30, 2000.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

CompuServe Corporation (CompuServe), certain current and former officers and directors of CompuServe and the Company have been named as defendants in six lawsuits pending before the state and Federal courts in Columbus, Ohio. All suits allege similar violations of the Securities Act of 1933 based on assertions of omissions and misstatements of fact in connection with CompuServe's public filings related to its initial public offering in April 1996. One state lawsuit brought by the Florida State Board of Administration also alleges certain oral omissions and misstatements in connection with such offering. Relief sought in the lawsuits is unspecified, but includes pleas for rescission and damages. One Federal lawsuit names the lead underwriters of CompuServe's initial public offering as additional defendants and as representatives of a defendant class consisting of all underwriters who participated in such offering. The Federal suits were consolidated, the defendants filed a motion to dismiss the consolidated suits, the district court stayed all proceedings pending the outcome of the state court suits, and the United States Court of Appeals for the Sixth Circuit affirmed such stay. The four state court lawsuits also allege violations of various state statutes and common law of negligent misrepresentation in addition to the 1933 Act claims. The state lawsuits were consolidated for discovery purposes and defendants filed a motion for summary judgment covering all four state lawsuits. In July 1998, the state court certified a plaintiff class of all persons and entities who purchased shares of common stock of CompuServe between April 18, 1996 and July 16, 1996 pursuant to the initial public offering or on the open market, and who were damaged thereby, excluding the named defendants and their affiliates. The named plaintiffs in three of the state court cases were designated class representatives.

In July 2000, the class representatives and the defendants in the class action pending in state court, by their authorized counsel, entered into a Stipulation of Settlement, pursuant to which the defendants will pay a gross settlement amount of \$9.5 million in exchange for dismissal of the class action suit and a release of all claims. The court preliminarily approved the settlement in August 2000 and notices to the class were mailed and published. The fairness hearing relating to the settlement was held on November 30, 2000, but the court has not yet issued its ruling. Payment of plaintiffs' attorneys' fees and expenses are to be paid out of the gross settlement fund. The gross settlement fund will be paid in its entirety by the Company's insurance carrier. The Stipulation is not an admission of the validity of any claim or any fact alleged by the plaintiffs and defendants continue to deny any wrongdoing and any liability. The Stipulation states that the defendants consider it desirable to settle to avoid further expense, inconvenience, and delay, and put to rest all controversy concerning all claims.

The Florida State Board of Administration has opted out of the settlement and that litigation continues separately from the state court class action.

As a part of the sale of its interest in CompuServe, the Company agreed to indemnify WorldCom, Inc. and CompuServe against 80.1% of any losses and expenses incurred by them with respect to these lawsuits. In the opinion of management, the ultimate resolution of these suits through the agreed upon settlement or otherwise will not have a material adverse impact on the Company's consolidated financial position or results of operations. The lawsuits discussed

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herein were previously reported in Forms 10-K and 10-Q filed by the Company, including the Form 10-Q for the quarterly period ended July 31, 2000.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of shareholders of the registrant was held on September 13, 2000. At such meeting, four Class II directors were elected to serve three-year terms, one Class I director was elected to serve a two-year term, and one Class III director was elected to serve a one-year term. In addition, the resolutions set forth below were submitted to a vote of shareholders. With respect to the election of directors and the adoption of each resolution, the number of votes cast for, against or withheld, and the number of abstentions were as follows:

Election of Class II Directors:

Nominee -----	Votes FOR -----	Votes WITHHELD -----
G. Kenneth Baum	79,118,627	1,021,492
Mark A. Ernst	79,193,284	946,835
Henry F. Frigon	79,171,416	968,703
Roger W. Hale	79,212,834	927,285

Election of Class I Director:

Nominee -----	Votes FOR -----	Votes WITHHELD -----
Thomas M. Bloch	79,162,877	977,242

Election of Class III Director:

Nominee -----	Votes FOR -----	Votes WITHHELD -----
Rayford Wilkins, Jr.	79,018,502	1,121,617

Approval of the H&R Block, Inc. 2000 Employee Stock Purchase Plan:

The following resolution was adopted by a vote of 77,020,390 shares in favor of such resolution, 2,523,509 shares against such resolution, and 596,018 shares abstaining. The resolution states:

"RESOLVED, That the H&R Block, Inc. 2000 Employee Stock Purchase Plan, included as Appendix B to the proxy statement relating to this meeting, is hereby adopted and approved."

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Approval of the H&R Block, Inc. Short-Term Incentive Plan, as amended:

The following resolution was adopted by a vote of 76,435,653 shares in favor of such resolution, 2,955,058 shares against such resolution, and 749,407 shares abstaining. The resolution states:

"RESOLVED, That the H&R Block Short-Term Incentive Plan, as amended, included in Appendix C to the proxy statement relating to this meeting, is hereby adopted and approved."

Appointment of Auditors

The following resolution was adopted by a vote of 79,545,640 shares in favor of such resolution, 191,849 shares against such resolution and 402,630 shares abstaining:

"RESOLVED, That the appointment of PricewaterhouseCoopers LLP as the independent auditors for H&R Block, Inc., and its subsidiaries for the year ending April 30, 2001 is hereby ratified, approved and confirmed."

At the close of business on July 10, 2000, the record date for the annual meeting of shareholders, there were 92,297,566 shares of Common Stock of the registrant outstanding and entitled to vote at the meeting. There were 80,140,119 shares represented at the annual meeting of shareholders held on September 13, 2000.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

a) Exhibits

- 10.1 The H&R Block Short-Term Incentive Plan, as amended September 13, 2000.
- 10.2 Amendment No. 7 to the H&R Block Deferred Compensation Plan for Directors.
- 10.3 Amendment No. 5 to the H&R Block Deferred Compensation Plan for Executives, as Amended and Restated.
- 10.4 H&R Block, Inc. Executive Survivor Plan (As Amended and Restated).
- 27 Financial Data Schedule

b) Reports on Form 8-K

The registrant did not file any reports on Form 8-K during the second quarter of fiscal 2001.

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SIGNATURES

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

H&R BLOCK, INC.

(Registrant)

DATE 12/15/00

BY /s/ Frank J. Cotroneo

Frank J. Cotroneo
Senior Vice President and
Chief Financial Officer

DATE 12/15/00

BY /s/ Cheryl L. Givens

Cheryl L. Givens
Vice President and Corporate Controller

H&R BLOCK SHORT-TERM INCENTIVE PLAN
(AS AMENDED)

ARTICLE I

GENERAL

Section 1.1 Purpose.

The purpose of the H&R Block Short-Term Incentive Plan (the "Plan") is to attract and retain highly qualified individuals as executive officers; to obtain from each the best possible performance in order to achieve particular business objectives established for H&R Block, Inc. (the "Company") and its subsidiaries; and to include in their compensation package a bonus component intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), which compensation would be deductible by the Company under the Code.

Section 1.2 Administration.

The Plan shall be administered by the Compensation Committee of the Company's Board of Directors (the "Committee") consisting of at least two members, each of which shall be an "outside director" within the meaning of Section 162(m) of the Code. The Committee shall adopt such rules and guidelines as it may deem appropriate in order to carry out the purpose of the Plan. All questions of interpretation, administration and application of the Plan shall be determined by a majority of the members of the Committee then in office, except that the Committee may authorize any one or more of its members, or any officer of the Company, to execute and deliver documents on behalf of the Committee. The determination of the majority shall be final and binding in all matters relating to the Plan. The Committee shall have authority to determine the terms and conditions of the Awards granted to eligible persons specified in Section 1.3 below.

Section 1.3 Eligibility.

Awards may be granted only to employees of the Company or any of its subsidiaries who are at the level of Assistant Vice President or at a more senior level and who are selected for participation in the Plan by the Committee. A qualifying employee so selected shall be a "Participant" in the Plan.

ARTICLE II

AWARDS

Section 2.1 Awards.

The Committee may grant annual performance-based awards ("Awards") to Participants with respect to each fiscal year of the Company, or a portion thereof (each such fiscal year or a portion thereof to constitute a "Performance Period"), subject to the terms and conditions of the Plan. Awards shall be in the form of cash compensation. Within 90 days after the beginning of a Performance Period, the Committee shall establish (a) performance goals and objectives ("Performance Targets") for the Company and the subsidiaries and divisions thereof for such

Performance Period, (b) target awards ("Target Awards") for each Participant, which shall be a specified dollar amount, and (c) schedules or other objective methods for determining the applicable performance percentage ("Performance Percentage") to be multiplied by each portion of the Target Award to which a

Performance Target relates in arriving at the actual Award payout amount pursuant to Section 2.4 ("Performance Schedules"). The Committee shall specify the Performance Targets applicable to each Participant for each Performance Period and shall further specify the portion of the Target Award to which each Performance Target shall apply. In no event shall a Performance Schedule include a Performance Percentage in excess of 200%.

Section 2.2 Performance Targets.

Performance Targets established by the Committee each year shall be based on one or more of the following business criteria: (a) earnings, (b) revenues, (c) sales of products, services or accounts, (d) numbers of income tax returns prepared, (e) margins, (f) earnings per share, (g) return on equity, (h) return on capital, and (i) total shareholder return. For any Performance Period, Performance Targets may be measured on an absolute basis or relative to internal goals, or relative to levels attained in fiscal years prior to the Performance Period.

Section 2.3 Employment Requirement.

To be eligible to receive payment of an Award, the Participant must have remained in the continuous employ of the Company or its subsidiaries through the end of the applicable Performance Period, provided that, in the event that the Participant's employment terminates during the Performance Period due to death, disability or retirement, the Committee may, at its sole discretion, authorize the Company or the applicable subsidiary to pay in full or on a prorated basis an Award determined in accordance with Sections 2.4 and 2.5. For purposes of this Section 2.3, (a) "disability" shall be as defined in the employment practices or policies of the applicable subsidiary of the Company in effect at the time of termination of employment, and (b) "retirement" shall mean termination of employment with all subsidiaries of the Company by the Participant after either attainment of age 65 or attainment of age 55 and the completion of at least ten (10) years of employment with the Company or its subsidiaries.

Section 2.4 Determination of Awards.

In the manner required by Section 162(m) of the Code, the Committee shall, promptly after the date on which the necessary financial or other information for a particular Performance Period becomes available, certify the extent to which Performance Targets have been achieved. Using the Performance Schedules, the Committee shall determine the Performance Percentage applicable to each Performance Target and multiply the portion of the Target Award to which the Performance Target relates by such Performance Percentage in order to arrive at the actual Award payout for such portion.

At the time that Target Awards are determined, the Committee may specify that the Performance Percentage attributable to any one or more portions of a Participant's Target Award may not exceed the Performance Percentage attributable to any other portion of the Participant's Target Award. In the event such specification is made, actual Award payouts shall be determined accordingly.

Section 2.5 Limitations on Awards.

The aggregate amount of all Awards under the Plan to any Participant for any Performance Period shall not exceed \$1,000,000.

Section 2.6 Payment of Awards.

Payment of Awards shall be made by the Company or the applicable employer subsidiary as soon as administratively practical following the certification by the Committee of the extent to which the applicable Performance Targets have been achieved and the determination of the actual Awards in accordance with Sections 2.4 and 2.5. All Awards under the Plan are subject to withholding, where applicable, for federal, state and local taxes.

Section 2.7 Adjustment of Awards.

In the event of the occurrence during the Performance Period of any recapitalization, reorganization, merger, acquisition, divestiture, consolidation, spin-off, split-off, combination, liquidation, dissolution, sale of assets, other similar corporate transaction or event, any changes in applicable tax laws or accounting principles, or any unusual, extraordinary or nonrecurring events involving the Company which distorts the performance criteria applicable to any Performance Target, the Committee shall adjust the calculation of the performance criteria, and the applicable Performance Targets as is necessary to prevent reduction or enlargement of Participants' Awards under the Plan for such Performance Period attributable to such transaction or event. Such adjustments shall be conclusive and binding for all purposes.

ARTICLE III

MISCELLANEOUS

Section 3.1 No Rights to Awards or Continued Employment.

No employee of the Company or any of its subsidiaries shall have any claim or right to receive Awards under the Plan. Neither the Plan nor any action taken under the Plan shall be construed as giving any employee any right to be retained by the Company or any subsidiary of the Company.

Section 3.2 No Limits on Other Awards and Plans.

Nothing contained in this Plan shall prohibit the Company or any of its subsidiaries from establishing other special awards or incentive compensation plans providing for the payment of incentive compensation to employees of the Company and its subsidiaries, including any Participants.

Section 3.3 Restriction on Transfer.

The rights of a Participant with respect to Awards under the Plan shall not be transferable by the Participant otherwise than by will or the laws of descent and distribution.

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Section 3.4 Source of Payments.

The Company and its subsidiaries shall not have any obligation to establish any separate fund or trust or other segregation of assets to provide for payments under the Plan. To the extent any person acquires any rights to receive payments hereunder from the Company or any of its subsidiaries, such rights shall be no greater than those of an unsecured creditor.

Section 3.5 Effective Date; Term; Amendment.

The Plan is effective as of June 19, 1996, subject to approval by the Company's shareholders at the Company's 1996 annual meeting of shareholders, and shall remain in effect until such time as it shall be terminated by the Board of Directors of the Company. If approval of the Plan meeting the requirements of Section 162(m) of the Code is not obtained at the 1996 annual meeting of shareholders of the Company, then the Plan shall not be effective and any Award made on or after June 19, 1996, shall be void ab initio. The Board of Directors may at any time and from time to time alter, amend, suspend or terminate the Plan in whole or in part.

Section 3.6 Prohibited or Unenforceable Provisions.

Any provision of the Plan that is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of the Plan.

Section 3.7 Section 162(m) Provisions.

Any Awards under the Plan shall be subject to the applicable restrictions imposed by Code Section 162(m) and the Treasury Regulations promulgated

thereunder, notwithstanding any other provisions of the Plan to the contrary.

Section 3.8 Governing Law.

The Plan and all rights and Awards hereunder shall be construed in accordance with and governed by the laws of the State of Missouri.

AMENDMENT NO. 7
TO THE
H&R BLOCK DEFERRED COMPENSATION PLAN FOR DIRECTORS

H&R BLOCK, INC. (the "Company") adopted the H&R Block Deferred Compensation Plan for Directors (the "Plan") effective as of August 1, 1987. The Company amended said Plan by Amendment No. 1 effective May 1, 1995; by Amendment No. 2 effective December 11, 1996; by Amendment No. 3 effective May 1, 1997; by Amendment No. 4 effective January 1, 1998; by Amendment No. 5 effective in part on March 1, 1998 and in part on April 1, 1998; and by Amendment No. 6 effective December 8, 1999. The Company continues to retain the right to amend the Plan pursuant to action by the Company's Board of Directors. The Company hereby exercises that right. This Amendment No. 7 is effective as of January 1, 2001.

AMENDMENT

1. Section 2.1.15 of the Plan, as previously amended, is further amended by: (a) inserting the punctuation and words ", each of which is an Affiliate" immediately after the words "of the Company" and immediately before the punctuation ":"; (b) deleting the words "H&R Block Tax Services, Inc." and replacing them with the words "H&R Block Services, Inc."; and (c) deleting the words "Option One Mortgage Corporation" and replacing them with the words "HRB Business Services, Inc."

2. Section 4.2 of the Plan, as previously amended, is further amended by (a) inserting the words "on a daily basis" immediately after the words "posted to the Account" and immediately before the words "in accordance with" in the first sentence of the first paragraph thereof; and (b) deleting the fifth sentence of said section and replacing it with the following new sentence:

"Participants may elect to reallocate all or any portion of their Account balances, including their entire balance in a Fixed 120 Account, among the available investment options, including those funds selected by the Company for the variable rate investment option, provided said reallocations are in at least one percent (1%) increments."

3. Section 4.2.2 of the Plan, as previously amended, is further amended by deleting the third and fourth sentences of said section and replacing them with the following new sentence:

"Participants may elect to have their Accounts treated as if they were invested in one or more of the funds selected, provided the election is in at least one percent (1%) increments of the Account."

4. Section 6.4.2 of the Plan is deleted and replaced with the following new Section 6.4.2:

"6.4.2. Death Prior to Benefit Commencement. In the event a Participant dies prior to the time benefits commence, the Company shall pay a pre-retirement death benefit to the Participant's Beneficiary in the form of a lump sum payment, semimonthly payments over a five-year period, or semimonthly payments over a ten-year period, as selected by the Participant on a form and in a manner prescribed by the Committee. A Participant may change such election once each Plan Year. If the form of payment selected by the Participant is a lump sum, the amount of the pre-retirement death benefit shall be equal to the Participant's Account as of the date of the Participant's death. If the form of payment selected by the Participant is semimonthly payments over a five or

ten-year period, the amount of the pre-retirement death benefit shall be equal to the Participant's Account as of the date of the Participant's death, annuitized over a five-year or ten-year period, respectively, at an interest rate equal to the rate of one-year United States Treasury notes in effect as of September 30 of the Plan Year immediately prior to the Plan Year in which payment of the pre-retirement death benefit commences, as published by Salomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company. If a Participant fails to select the form of the pre-retirement death benefit, the pre-retirement death benefit shall be paid in the form of semimonthly payments over a ten-year period."

5. Section 6.4.4 of the Plan is amended by adding the following new sentence after the third sentence of said section:

"In the event a Participant is married at the time he or she designates a beneficiary other than his or her spouse, such designation will not be valid unless the Participant's spouse consents in writing to such designation."

6. Except as modified in this Amendment No. 7, the Plan, as previously amended, shall remain in full force and effect, including the Company's right to amend or terminate the Plan as set forth in Article 9 of the Plan.

H&R BLOCK, INC.

By: _____

Name: _____

Title: _____

AMENDMENT NO. 5
TO THE
H&R BLOCK DEFERRED COMPENSATION PLAN
FOR EXECUTIVES, AS AMENDED AND RESTATED

H&R Block, Inc. (the "Company") adopted the H&R Block Deferred Compensation Plan for Executives, as Amended and Restated (the "Plan"), effective as of January 1, 1999. The Company amended said Plan by Amendment No. 1 effective as of January 1, 1999, by Amendment No. 2 effective as of January 1, 2000, by Amendment No. 3 effective as of September 8, 1999, and by Amendment No. 4 effective as of December 31, 1999. The Company continues to retain the right to amend the Plan pursuant to action by the Company's Board of Directors. The Company hereby exercises that right. This Amendment No. 5 is effective as of January 1, 2001.

AMENDMENT

1. Section 2.1.7 of the Plan, as previously amended, is further amended by: (a) deleting clause (a) in the second sentence thereof, and replacing it with the following new clause (a):

"(a) not greater than fifty percent (50%) for Permissible Deferrals of persons eligible to participate in the Plan prior to January 1, 2000 and are Participants as of January 1, 2001, and who continuously remain eligible to make Permissible Deferrals in Plan Years commencing on or after January 1, 2000, or";

and (b) deleting clause (A) in the third sentence thereof, and replacing it with the following new clause (A):

"(A) not greater than fifty percent (50%), expressed in five percent (5%) increments, for Permissible Deferrals of persons eligible to participate in the Plan prior to January 1, 2000 and are Participants as of January 1, 2001, and who continuously remain eligible to make Permissible Deferrals in Plan Years commencing on or after January 1, 2000, or".

2. Section 2.1.22 of the Plan is amended by deleting the words "long term group" and replacing them with the words "group long-term".

3. Section 2.1.31 of the Plan is amended by deleting the words "then existing H&R Block Employee Profit Sharing Retirement" and replacing them with the word "Qualified".

4. Section 2.1.37 of the Plan is amended by deleting the words "H&R Block Tax Services, Inc." and replacing them with the words "H&R Block Services, Inc."

5. Section 2.1.38 of the Plan is amended by deleting the fourth paragraph thereof.

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6. The following new Section 2.1.40a is added after Section 2.1.40 of the Plan:

"2.1.40a 'Qualified Plan' means the H&R Block Profit Sharing Retirement Plan or any successor plan that is intended to satisfy the requirements of section 401 of the Code."

7. Section 3.1.1 of the Plan is amended by deleting clause (ii) and replacing it with the following new clause (ii):

"(ii) who was eligible to participate in the DCP as a 'Group A Participant' as of December 31, 1998, as such term was defined in the DCP as of such date, and was a participant in the DCP or Plan on or before January 1, 2001."

8. Section 4.1.2 of the Plan, as previously amended, is further amended by: (a) inserting the words and punctuation "and is a Participant as of January 1, 2001" immediately after the words and punctuation "who was eligible to

participate in the Plan prior to January 1, 2000" and immediately before the punctuation and words ", the Company shall post" in the second sentence of the first paragraph thereof; and (b) inserting the words and punctuation "and for Participants who first became eligible to participate in the Plan prior to January 1, 2000 but did not become Participants until after January 1, 2001" immediately after the words and punctuation "commencing on January 1, 2000 or thereafter" and immediately before the punctuation and words ", no Matching Contributions" in the third sentence of the first paragraph thereof.

9. Section 4.1.3 of the Plan is amended by deleting the first paragraph in its entirety and replacing it with the following new paragraph:

"The Company shall also post once each Plan Year to the Account of each Participant who is also a participant in the Qualified Plan the difference, if any, between (a) the amount for that Plan Year which would have been contributed on behalf of the Participant to the Qualified Plan as an employer discretionary profit sharing contribution if the Participant had not made a Permissible Deferral election under the Plan; and (b) the actual amount for that Plan Year that was contributed on behalf of the Participant to the Qualified Plan as an employer discretionary profit sharing contribution."

10. Section 4.2 of the Plan is amended by: (a) adding the words "on a daily basis" immediately after the words "posted to the Account" and immediately before the words "in accordance with" in the first sentence of the first paragraph thereof; and (b) deleting the words "at least ten percent (10%)" and replacing them with the words "whole number" in the fourth sentence of the first paragraph thereof.

11. Section 4.2.2 of the Plan is amended by deleting the words "at least ten percent (10%)" and replacing them with the words "whole number" in the last sentence thereof.

12. Section 6.1 of the Plan is deleted in its entirety and replaced with the following new Section 6.1:

"Section 6.1 Payments After Termination of Employment. Generally, payments of benefits to a Participant shall be made by the Company only upon termination, voluntary or involuntary, of the Participant's employment with all Affiliates, except where, (i) the provisions of Section 6.1.1 or Section 6.1.2, below,

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apply, (ii) a Participant is disabled, (iii) the provisions of Section 6.2.2 apply, or (iv) the provisions of Section 6.7 apply.

6.1.1 Immediate Lump-Sum Payment. Prior to termination, voluntary or involuntary, of a Participant's employment with all Affiliates, the Participant may elect, on a form provided by the Committee and delivered by the Participant to the Company, to receive an immediate lump-sum payment of all or a portion of the one hundred percent (100%) vested balance of said Participant's Account valued as of the day immediately prior to the day such election is approved, reduced by a penalty equal to ten percent (10%) of the elected payment amount, which penalty shall be forfeited to the Company. If a Participant elects to receive a payment under this Section 6.1.1, the Participant's deferrals of Base Salary and Bonus will cease immediately and the Participant may not defer Base Salary or Bonus under the Plan until the beginning of the second Plan Year following the Plan Year in which such election was made. Any payment elected under this Section 6.1.1 will be made to the Participant in cash as soon as administratively practicable.

6.1.2 Future Payments. A Participant as of January 1, 2001 may elect during the Enrollment Period for the 2001 Plan Year, and an individual who becomes a Participant as of any date after January 1, 2001 may elect during the Enrollment Period immediately prior to such individual's first day of participation in the Plan, to receive payment on one or more selected future dates of all or a portion (stated in whole number percentages) of the one hundred percent (100%) vested balance of such Participant's Account attributable to deferrals and Matching Contributions made after January 1, 2001. A Participant may make an election under this Section 6.1.2 only on a

form provided by the Committee and delivered by the Participant to the Company. Any such future payment(s) may begin no earlier than during the fourth Plan Year after the Plan Year during which the election was made, and only one such payment may be made in any Plan Year. A Participant may cancel or extend a scheduled payment elected under this Section 6.1.2 provided that such cancellation or extension is made on a form provided by the Committee and delivered by the Participant to the Company and is made no later than the end of the second Plan Year prior to the Plan Year during which such payment is scheduled to be made. The actual distribution amount of any payment under this Section 6.1.2 shall be determined as of the first day of the month preceding or coincident with the applicable payment date and shall be paid to the Participant in cash as soon as administratively practicable after such determination. The actual distribution amount of a payment elected under this Section 6.1.2 may be less than the amount elected. An election under this Section 6.1.2 shall only be honored by the Committee while the Participant is an active employee of the Company or its Affiliates."

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13. Section 6.6.1 of the Plan is amended by: (a) deleting the comma immediately before clause (b) in the last sentence thereof; (b) adding the word "or" immediately before clause (b) in the last sentence thereof; and (c) deleting the punctuation and words ", or (c) fifteen (15) years from the date benefits commenced or would have commenced to the Participant" in the last sentence thereof.

14. Section 6.6.2 of the Plan is amended by: (a) deleting the second and third sentences thereof and replacing them with the following new sentences:

"As elected by the Participant on a form and in a manner prescribed by the Committee, the pre-retirement death benefit may be in the form of a lump sum payment, semimonthly payments for a five-year period, or semimonthly payments for a ten-year period. If the Participant selects a lump sum payment, the amount of such pre-retirement death benefit will be the greater of (a) the Participant's Account as of the date of the Participant's death or (b) twenty-five percent (25%) of the total deferrals and Company Contributions made as of the date of the Participant's death. If the Participant selects semimonthly payments for a five or ten-year period, the amount of such pre-retirement death benefit will be the greater of:

(y) the Participant's Account as of the date of the Participant's death annuitized over a five or ten-year period, as the case may be, at an interest rate equal to the rate of one-year United States Treasury notes in effect as of September 30 of the Plan Year immediately prior to the Plan Year in which payment of the pre-retirement death benefit commences, as published by Salomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company; or

(z) An annual benefit of twenty-five percent (25%) of the total deferrals and Company Contributions made as of the date of the Participant's death.

A Participant may change an election under this Section 6.6.2 once per Plan Year on a form acceptable to the Committee and shall only be effective upon delivery to the Company. If the Participant fails to select the form of the pre-retirement death benefit, the pre-retirement death benefit will be paid in the form of semimonthly payments over a ten-year period.";

and (b) deleting the reference to "Section 6.6.2(a)" and replacing it with a reference to "Section 6.6.2(y)" in the fifth sentence thereof.

15. Section 6.6.4 of the Plan is amended by adding the following new sentence after the third sentence thereof:

"In the event a Participant is married at the time he or she designates a beneficiary other than his or her spouse, such designation will not be valid unless the Participant's spouse consents in writing to such designation."

16. Section 11.2 of the Plan is amended by deleting the words "then current H&R Block Profit Sharing Retirement" and replacing them with the word "Qualified".

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17. Except as modified in this Amendment No. 5, the Plan shall remain in full force and effect, including the Company's right to amend or terminate the Plan as set forth in Article 9 of the Plan.

H&R BLOCK, INC.

By: _____

Its: _____

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H&R BLOCK, INC.
EXECUTIVE SURVIVOR PLAN

AMENDED AND RESTATED JANUARY 1, 2001

H&R BLOCK, INC.
EXECUTIVE SURVIVOR PLAN

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APPENDIX A IRREVOCABLE ASSIGNMENT OF BENEFITS UNDER THE H&R BLOCK, INC. EXECUTIVE SURVIVOR PLAN A-1

H&R BLOCK, INC.
EXECUTIVE SURVIVOR PLAN

The H&R Block, Inc. Executive Survivor Plan as amended and restated herein is made and entered into as of this ___ day of _____, 2000, by the Company.

WHEREAS, effective June 1, 1990, the Company adopted the H&R Block, Inc. Executive Survivor Plan;

WHEREAS, effective January 1, 2000, the Company adopted an amendment to the Plan; and

WHEREAS, the Company wishes to amend and restate the Plan, pursuant to the rights retained by it in Section 9.2 of the Plan to amend the Plan by written instrument signed by the Company.

NOW, THEREFORE, in consideration of the premises, the Company hereby amends and restates the Plan to read as follows:

ARTICLE 1

DEFINITIONS

Except as may otherwise be provided in the Policies, the following terms shall have the meaning hereinafter indicated whenever used in this Plan with initial capital letters:

AFFILIATE. "Affiliate" means any of the following entities: HRB Management, Inc.; H&R Block Services, Inc.; H&R Block Enterprises, Inc.; H&R Block Eastern Enterprises, Inc.; H&R Block Texas Enterprises, L.P.; H&R Block Canada, Inc.; H&R Block Limited; Block Financial Corporation; H&R Block Financial Advisors, Inc.; Option One Mortgage Corporation; H&R Block Mortgage Corporation, a Massachusetts corporation; H&R Block Mortgage Corporation, an Ontario corporation, or their respective successors in interest; and such other entities as may be designated by the Company from time to time.

COMPANY. "Company" means H&R Block, Inc., or any successor in interest.

COMPANY'S CASH VALUE INTEREST. "Company's Cash Value Interest" means, with respect to each Policy, as of the date of determination, the amount of the

premiums on such Policy paid by the Company or the Designated Subsidiary for the Participant's Basic Survivor Benefit under this Plan, less any outstanding indebtedness incurred by the Company or the Designated Subsidiary and secured by such Policy, including any unpaid interest on such indebtedness.

CASH SURRENDER VALUE. "Cash Surrender Value," with respect to each Policy, shall have the meaning stated in the Policy.

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DESIGNATED SUBSIDIARY. "Designated Subsidiary" means a direct or indirect majority-owned subsidiary of the Company designated by the Compensation Committee of the Board of Directors of the Company to designate the Insurer, purchase Policies, own Policies, pay premiums, furnish income statements to Participants, recover the Company's Cash Value Interest in a Policy, perform other obligations of the Company under the Plan or exercise the rights of the Company under the Plan. Until otherwise designated by the Compensation Committee of the Board of Directors of the Company, the Designated Subsidiary shall be HRB Management, Inc.

ENTRY DATE. "Entry Date," with respect to a Participant, means the January 1, or such other date as approved by the Compensation Committee of the Board of Directors of the Company, coincident with or immediately following the date an individual satisfies the definition of a Participant.

INSURER. "Insurer" means Nationwide Life Insurance Company and/or one or more insurance companies as may be designated by the Company or the Designated Subsidiary from time to time.

PARTICIPANT. "Participant" means an individual employed by an Affiliate who (a) is (i) a Vice President or more senior officer of the Company or the Affiliate; or (ii) was employed by a Tax Subsidiary as a Regional Director, Regional Franchise Director or Assistant Regional Director as of October 26, 1999, for so long as he or she continues in such position or in a more senior level position; or (iii) is employed by a Tax Subsidiary as a Regional Director or Regional Franchise Director after October 26, 1999, for so long as he or she continues in such position or in a more senior level position; or (iv) was eligible to participate in the Plan during the 1999 Plan Year, for so long as he or she would continue to be eligible under the eligibility requirements applicable to the 1999 Plan Year; or (v) has been selected by the Compensation Committee of the Company's Board of Directors as eligible to participate in the Plan, and (b) has elected to participate in the Plan.

PARTICIPANT'S CURRENT ANNUAL COMPENSATION. For a Participant who derives a majority of his or her compensation from salary and other forms of compensation other than commissions, "Participant's Current Annual Compensation" means the total annual base salary payable to the Participant at the salary rate in effect on the first day of the Plan Year with respect to which the Participant's Current Annual Compensation is being calculated, including the amount of any salary reduction contributions to any 401(k) Plan sponsored by the applicable Affiliate or in which the applicable Affiliate participates, the H&R Block Deferred Compensation Plan for Executives, as Amended and Restated, and/or any Internal Revenue Code Section 125 Plan sponsored by the applicable Affiliate or in which the applicable Affiliate participates. For a Participant who derives a majority of his or her compensation from commissions, "Participant's Current Annual Compensation" means the average of the commissions earned by such Participant during each of the two calendar years immediately preceding the Plan Year with respect to which the Participant's Current Annual Compensation is being calculated, including the amount of any salary reduction contributions to any 401(k) Plan sponsored by the applicable Affiliate or in which the applicable Affiliate participates, the H&R Block Deferred Compensation Plan for Executives, as Amended and Restated, and/or

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any Internal Revenue Code Section 125 Plan sponsored by the applicable Affiliate or in which the applicable Affiliate participates.

PARTICIPANT'S BASIC SURVIVOR BENEFIT. "Participant's Basic Survivor Benefit" means three times the Participant's Current Annual Compensation.

PARTICIPANT'S SUPPLEMENTAL SURVIVOR BENEFIT. "Participant's Supplemental Survivor Benefit," if elected by the Participant on a form provided by the Company, means that multiple (one or two) of the Participant's Current Annual Compensation, selected by the Participant on the form provided by the Company, but in no event may the Participant elect to receive a Supplemental Survivor Benefit of less than \$50,000.

PLAN. "Plan" means the H&R Block, Inc. Executive Survivor Plan.

PLAN BENEFICIARY DESIGNATION. "Plan Beneficiary Designation" means a written agreement in a form approved by the Company and executed by a Participant pursuant to which the Participant designates the beneficiary or beneficiaries to receive the amounts to which the Participant is entitled upon the Participant's death, as provided in the Plan.

PLAN YEAR. "Plan Year" means a calendar year.

POLICIES/POLICY. "Policies" means the policies of life insurance on the Participants' lives acquired from the Insurer to provide the life insurance benefits under the Plan. "Policy" means one of the Policies.

POLICY ANNIVERSARY DATE. "Policy Anniversary Date," with respect to each Policy, shall have the meaning stated in such Policy.

PREMIUM. "Premium," with respect to a Policy, shall have the meaning stated in the Policy.

RETIREMENT/RETIRED. "Retirement" means the termination of the Participant's employment with the Company or an Affiliate in the case where (a) the Participant has completed a minimum of 10 years of service as a full-time employee with the Company or an Affiliate and has attained age 55; or (b) the Participant has attained age 65. A Participant is "Retired" following his or her Retirement.

SEPARATE ACCOUNT. "Separate Account," with respect to each Policy, shall have the meaning stated in the Policy.

TAX SUBSIDIARY. "Tax Subsidiary" means H&R Block Enterprises, Inc., H&R Block Eastern Enterprises, Inc., or H&R Block Texas Enterprises, L.P.

TOTAL DISABILITY/TOTALLY DISABLED. "Total Disability" and "Totally Disabled" shall be defined for purposes of this Plan as defined under the group long-term disability plan then in existence for the Affiliate that is then (or most recently was) the employer of the Participant.

ARTICLE 2

POLICY RIGHTS AND OBLIGATIONS

2.1 PURCHASE OF POLICIES. The Company or the Designated Subsidiary shall purchase the Policies from the Insurer. The Company shall take all necessary action to cause the Insurer to issue the Policies or which may be necessary to cause the Policies to conform to the provisions of the Plan. Each Participant shall take any action required to cause the Insurer to issue the Policy insuring his or her life or to cause such Policy to conform to the provisions of the Plan. The Policies will be subject to the terms and conditions of the Plan and of the beneficiary designations of the Policies filed with the Insurer.

2.2 OWNERSHIP OF POLICIES. The Company or the Designated Subsidiary shall be the sole and absolute owner of the Policies, and may exercise all ownership rights granted to the owner thereof by the terms of the Policies, including, but not limited to, the right to elect and to change the Death Benefit Option, the Face Amount of Insurance, and the allocation of the Separate Account among the various investment options from time to time available under the Policy, except as may otherwise be provided in this Plan.

2.3 PAYMENT OF PREMIUMS.

2.3.1. PAYMENT OF PREMIUM FOR BASIC SURVIVOR BENEFIT.

Contemporaneously with the purchase of a Policy, and in each subsequent Plan Year until the first to occur of termination of participation in the Plan by the Participant insured by such Policy or such Participant's Retirement, the Company or the Designated Subsidiary shall pay an amount equal to the Premium with respect to such Policy to the Insurer. The Company or, if applicable, the Designated Subsidiary shall have no obligation to make any additional premium payments on such Policy but may, in its sole discretion, make additional premium payments on such Policy. The Company or the Designated Subsidiary shall annually furnish the Participant a statement of the amount of income reportable by the Participant for federal and state income tax purposes, as a result of the insurance protection provided the Participant's beneficiary under the Plan.

2.3.2 PAYMENT OF PREMIUM FOR SUPPLEMENTAL SURVIVOR BENEFIT. In each Plan Year for which a Participant elects a Participant's Supplemental Survivor Benefit, the Company or the Designated Subsidiary shall pay an amount equal to the premium required for the Participant's Supplemental Survivor Benefit to the Insurer. The Participant shall reimburse the Company or the Designated Subsidiary for such premium payment through after-tax payroll deductions made by the applicable Affiliate ratably over the Plan Year and forwarded by such Affiliate to the Company or the Designated Subsidiary.

2.4 DESIGNATION OF POLICY BENEFICIARY. Each Participant shall execute a Plan Beneficiary Designation. In the event a Participant is married at the time he or she designates a beneficiary other than his or her spouse, such designation will not be valid unless the Participant's spouse consents in writing to such designation on a form approved by the Company. The Participant or the Participant's assignee may thereafter at any time and from time to time execute a new Plan Beneficiary Designation, which shall supersede any and all

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prior Plan Beneficiary Designations, with respect to such Participant, upon the Company's receipt of the new Plan Beneficiary Designation. The Company or the Designated Subsidiary shall execute and deliver to the Insurer the forms necessary to designate the beneficiary or beneficiaries listed on the Participant's Plan Beneficiary Designation and itself as beneficiaries of the Policy on the Participant's life in the amounts to which they are entitled under this Plan upon the Participant's death. Except upon receipt of a new Plan Beneficiary Designation, while the Plan is in effect with respect to a Participant, neither the Company nor the Designated Subsidiary shall terminate, alter or amend the beneficiary designation filed with the Insurer with respect to the amount to which the Participant's beneficiary or beneficiaries are entitled upon the Participant's death without the express written consent of the Participant or the Participant's assignee.

2.5 ASSIGNMENT BY PARTICIPANT. Each Participant shall have the right to absolutely and irrevocably assign by gift all of his or her right, title and interest in and to the Plan and to the Policy insuring his or her life to an assignee. This right shall be exercisable by the execution and delivery to the Company of a written assignment, in substantially the form of Exhibit A. Upon receipt of such written assignment executed by the Participant and duly accepted by the assignee thereof, the Company shall consent thereto in writing, and shall thereafter treat the Participant's assignee as the sole owner of all of the Participant's right, title and interest in and to the Plan and in and to the Policy insuring the Participant's life. Thereafter, the Participant shall have no right, title or interest in and to the Plan or the Policy insuring his or her life, all such rights being vested in and exercisable only by such assignee.

2.6 COMPANY'S RIGHTS IN POLICIES.

2.6.1 COMPANY'S RIGHT UPON MERGER OR ACQUISITION. In the event the Company or the Designated Subsidiary is involved in a merger or acquisition, the Company or Designated Subsidiary may assign or transfer any one or more of the Policies to a successor entity under a merger or acquisition without the consent of any Participant or any Participant's assignee.

2.6.2 ALLOCATION OF SEPARATE ACCOUNT. In addition to the other rights of the Company or the Designated Subsidiary in the Policies, the Company or the

Designated Subsidiary shall have the sole authority to direct the manner in which the Separate Account of each Policy shall be allocated among the various investment options from time to time available under the Policy and to change such allocation from time to time, as provided for in the Policy.

2.7 LIMITATIONS ON COMPANY'S RIGHTS IN POLICY. Except as otherwise provided in Section 2.6.1 above, while the Plan is in force with respect to a Participant, neither the Company nor the Designated Subsidiary shall sell, assign, transfer, surrender or cancel the Policy insuring the life of such Participant without, in any such case, the express written consent of such Participant or the Participant's assignee.

2.8 COLLECTION OF DEATH PROCEEDS.

2.8.1 COLLECTION OF DEATH PROCEEDS. Upon the death of a Participant,

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the Company and, if applicable, the Designated Subsidiary shall cooperate with the beneficiary or beneficiaries designated by the Participant or the Participant's assignee to take whatever action is necessary to collect the death benefit provided under the Policy insuring the life of the Participant; when such benefit has been collected and paid as provided herein, the Participant's participation in this Plan shall terminate.

2.8.2 RIGHTS OF PARTIES TO DEATH PROCEEDS. Upon the death of a Participant while the Plan is in effect with respect to such Participant, an amount of the death benefit provided under the Policy insuring such Participant's life equal to the Company's Cash Value Interest in such Policy shall be paid directly to the Company or, if applicable, the Designated Subsidiary. The lesser of (a) the sum of the Participant's Basic Survivor Benefit and, if any, the Participant's Supplemental Survivor Benefit, or (b) the balance of the insurance death benefits provided under the Policy remaining after payment to the Company or the Designated Subsidiary of the Company's Cash Value Interest shall be paid directly to the beneficiary or beneficiaries designated by the Company or the Designated Subsidiary at the direction of Participant or the Participant's assignee in the manner and in the amount or amounts provided in the beneficiary designation provision of the Policy. The balance of the insurance death benefits provided under the Policy, if any, shall be paid to the Company or, if applicable, to the Designated Subsidiary.

2.8.3 GENERAL INSTRUCTIONS REGARDING PAYMENT OF DEATH BENEFIT. In no event shall the amount payable to the Company or the Designated Subsidiary with respect to a Policy while the Plan is in effect with respect to such Policy exceed the insurance death benefits of such Policy payable at the death of the Participant who is insured by such Policy. No amount shall be paid from the death benefit of a Policy insuring the life of a Participant to the beneficiary or beneficiaries designated by the Participant or the Participant's assignee until the full amount due the Company or the Designated Subsidiary with respect to such Policy has been paid.

2.8.4 REFUND OF PREMIUMS. Notwithstanding any provision hereof to the contrary, in the event that, for any reason whatsoever, no death benefit is payable under a Policy upon the death of the Participant insured by such Policy and in lieu thereof the Insurer refunds all or any part of the premiums paid for the Policy, the Company or the Designated Subsidiary and the beneficiary or beneficiaries designated by the Participant or the Participant's assignee shall have the unqualified right to share such premiums in the same proportions as the contributions of the Company or, if applicable, the Designated Subsidiary and the Participant toward such premiums.

2.9 TERMINATION OF PARTICIPANT'S PARTICIPATION IN PLAN DURING THE PARTICIPANT'S LIFETIME.

2.9.1 AUTOMATIC TERMINATION EVENTS. A Participant's participation in the Plan shall terminate with respect to any Participant during the Participant's lifetime, without notice, upon the occurrence of any of the following events: (a) total cessation of the Company's business not resulting from merger or consolidation; (b) bankruptcy, receivership or dissolution of the Company; (c) termination of Participant's employment by an Affiliate (other than by reason of the Participant's death, the Participant's Total Disability,

acceptance

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of employment by another Affiliate, or the Participant's Retirement prior to the seventh anniversary of his or her Entry Date); (d) in the case of a Participant who has Retired prior to the seventh anniversary of the Participant's Entry Date, the seventh anniversary of the Participant's Entry Date, (e) a change in the Participant's employment by an Affiliate such that he or she is no longer a Participant, as defined in Article 1 of the Plan, or (f) in the case of a Participant who is Totally Disabled, (i) cessation of his or her Total Disability, unless he or she resumes his or her employment with an Affiliate, or (ii) his or her attainment of age 65.

2.9.2 DISPOSITION OF POLICY UPON TERMINATION OF PARTICIPANT'S PARTICIPATION IN THE PLAN. If the Plan terminates with respect to any Participant during the Participant's lifetime as provided above, then following such termination, the Company or, if applicable, the Designated Subsidiary shall recover the Company's Cash Value Interest in the Policy by exercising such of the powers retained by the Company or Designated Subsidiary as owner of the Policy, including but not limited to the power to borrow or withdraw the Cash Surrender Value of the Policy, as the Company or Designated Subsidiary, in its sole discretion, deems appropriate. After the Company or Designated Subsidiary has recovered the Company's Cash Value Interest, the Company or Designated Subsidiary shall execute the forms required by the Insurer to transfer the Policy to the Participant or the Participant's assignee.

2.10 INSURER NOT A PARTY. The Insurer shall be fully discharged from its obligations under each Policy by payment of the Policy death benefit to the beneficiary or beneficiaries named in the Policy, subject to the terms and conditions of the Policy. In no event shall the Insurer be considered a party to the Plan, or any modification or amendment of the Plan. No provision of the Plan, nor of any modification or amendment of the Plan, shall in any way be construed as enlarging, changing, varying or in any other way affecting the obligations of the Insurer as expressly provided in the Policy, except insofar as the provisions hereof are made a part of the Policy by the beneficiary designation executed by the Company or the Designated Subsidiary and filed with the Insurer in connection with the Plan.

ARTICLE 3

ADMINISTRATION AND CLAIMS PROCEDURE

3.1 DESIGNATION OF FIDUCIARY AND ADMINISTRATION. The Company is hereby designated as the named fiduciary under this Plan. The Company shall have authority to control and manage the operation and administration of this Plan, and it shall be responsible for establishing and carrying out a funding policy and method consistent with the objectives of this Plan. The Company has the power and discretion to construe the provisions of the Plan and to determine all questions concerning eligibility, participation and benefits. Any such decision made by the Company will be binding on all individuals, Participants, and beneficiaries, and is intended to be subject to the most deferential standard of judicial review. The decision of the Company upon all matters within the scope of its authority will be final and binding.

3.2 CLAIM. A person who believes that he or she is being denied a benefit to which he or she is entitled under this Plan (hereinafter referred to as a "Claimant") may file a

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written request for such benefit with the Company, setting forth his or her claim. The request must be addressed to the President of the Company at its then principal place of business.

3.3 CLAIM DECISION. Upon receipt of a claim, the Company shall advise the Claimant that a reply will be forthcoming within ninety (90) days and shall, in

fact, deliver such reply within such period. The Company may, however, extend the reply period for an additional ninety (90) days for reasonable cause.

If the claim is denied in whole or in part, the Company shall adopt a written opinion, using language calculated to be understood by the Claimant, setting forth: (a) the specific reason or reasons for such denial; (b) the specific reference to pertinent provisions of this Plan on which such denial is based; (c) a description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation why such material or such information is necessary; (d) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; and (e) the time limits for requesting a review under paragraph 3.3 and for review under paragraph 3.4 hereof.

3.4 REQUEST FOR REVIEW. Within sixty (60) days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the President of the Company review the determination of the Company. Such request must be addressed to the President of the Company, at its then principal place of business. The Claimant or his or her duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Company. If the Claimant does not request a review of the Company's determination by the President of the Company within such sixty (60) day period, he or she shall be barred and estopped from challenging the Company's determination.

3.5 REVIEW OF DECISION. Within sixty (60) days after the President's receipt of a request for review, he or she, or his or her designee, will review the Company's determination. After considering all materials presented by the Claimant, the President, or his or her designee, will render a written opinion, written in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the pertinent provisions of this Plan on which the decision is based. If special circumstances require that the sixty (60) day time period be extended, the President will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review.

ARTICLE 4

MISCELLANEOUS

4.1 AMENDMENT OR TERMINATION. This Plan may be amended or terminated by the Company at any time, by a written instrument signed by the Company.

4.2 BINDING EFFECT. The Plan shall be binding upon and inure to the benefit of the Company and its successors and assigns, and the Participants, their successors, assigns, heirs, executors, administrators and beneficiaries.

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4.3 NOTICE. Any notice, consent or demand required or permitted to be given under the provisions of the Plan shall be in writing, and shall be signed by the party giving or making the same. If such notice, consent or demand is mailed to the Company or a Participant, it shall be sent by United States certified mail, postage prepaid, addressed to such party's last known address as shown on the records of the Company. The date of such mailing shall be deemed the date of notice, consent or demand.

4.4 GOVERNING LAW. This Plan, and the rights of the parties hereunder, shall be governed by and construed in accordance with the laws of the State of Missouri.

4.5 NO CONTRACT OF EMPLOYMENT. Nothing contained herein shall be construed to be a contract of employment, nor as conferring upon any Participant the right to continue in the employ of any Affiliate in any capacity.

4.6 GENDER, SINGULAR AND PLURAL. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

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

4.8 VALIDITY. In the event any provision of this Plan is held invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

4.9 WITHHOLDING. The applicable Affiliate shall withhold from each Participant's compensation any state, local or federal income or employment taxes required to be withheld as a result of the benefit provided the Participant under this Plan at such time and in such manner it deems appropriate.

IN WITNESS WHEREOF, H&R Block, Inc. has executed the Plan, in duplicate, as of the day and year first above written.

H&R BLOCK, INC.

By:

Name:

Title:

EXHIBIT A

IRREVOCABLE ASSIGNMENT OF
BENEFITS UNDER
H&R BLOCK, INC.
EXECUTIVE SURVIVIOR PLAN

THIS ASSIGNMENT, dated this _____ day of _____ .

WITNESSETH THAT:

WHEREAS, the undersigned (the "Assignor") is a Participant participating in the H&R Block, Inc. Executive Survivor Plan (the "Plan"), effective June 1, 1990, as amended and restated effective January 1, 2001, sponsored by H&R Block, Inc. (the "Company"), which Plan confers upon the undersigned certain rights and benefits with regard to one or more policies of insurance insuring the Assignor's life; and

WHEREAS, pursuant to the provisions of said Plan, the Assignor retained the right, exercisable by the execution and delivery to the Company of a written form of assignment, to absolutely and irrevocably assign all of the Assignor's right, title and interest in and to said Plan to an assignee; and

WHEREAS, the Assignor desires to exercise said right;

NOW, THEREFORE, the Assignor, without consideration, and intending to make a gift, hereby absolutely and irrevocably assigns, gives, grants and transfers to _____, (the "Assignee") all of the Assignor's right, title and interest in and to the Plan and said policies of insurance, intending that, from and after this date, the Plan be solely between the Company and the Assignee and that hereafter the Assignor shall neither have nor retain any right, title or interest therein.

Assignor

ACCEPTANCE OF ASSIGNMENT

The Assignee hereby accepts the above assignment of all right, title and interest of the Assignor therein in and to the Plan, and hereby agrees to be bound by all of the terms and conditions of said Plan, as if the original Participant thereunder.

Assignee

Dated: -----

CONSENT TO ASSIGNMENT

The Company hereby consents to the foregoing assignment of all of the right, title and interest of the Assignor in and to the Plan, to the Assignee designated therein. The Company hereby agrees that, from and after the date hereof, the Company shall look solely to such Assignee for the performance of all obligations under said Plan which were heretofore the responsibility of the Assignor, shall allow all rights and benefits provided therein to the Assignor to be exercised only by said Assignee, and shall hereafter treat said Assignee in all respects as if the original Participant thereunder.

H&R BLOCK, INC.

By: -----
Name: -----
Title: -----

Dated: -----

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND THE CONSOLIDATED STATEMENTS OF OPERATIONS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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