File No. 33-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-8

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

H&R BLOCK, INC.
(Exact name of registrant as specified in its charter)

MISSOURI	44-0607856
(State of Incorporation)	(I.R.S. Employer Identification No.)

4410 Main Street
Kansas City, Missouri 64111
(Address of Principal Executive Offices)

SPRY, INC. 1995 STOCK OPTION PLAN
(Full Title of Plan)

James H. Ingraham, Secretary
H&R Block, Inc.
4410 Main Street
Kansas City, Missouri 64111
816-753-6900
(Name, address, and telephone number of agent for service)

CALCULATION OF REGISTRATION FEE

Title of securities to be registered	Amount to be registered<F1>	Proposed maximum offering price per share<F2>	Proposed maximum aggregate offering price<F2>	Amount of registration fee<F2>
Delayed	25,152	$ 9.54	$239,950.08	$ 82.74
Convertible	26,676	$19.08	$508,978.08	$175.51
Preferred Stock, without par value	------		----------	-------
TOTAL	51,828		$748,928.16	$258.25
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<F1> Plus such additional indeterminate number of shares as may be issuable pursuant to the anti-dilution provisions of the Spry, Inc. 1995 Stock Option Plan.

<F2> Calculated in accordance with the provisions of Rule 457 (h)(1) pertaining to employee stock option plans using the price at which the options may be exercised.

Approximate date of proposed commencement of sales pursuant to the Plan: Upon exercise of stock options after the effective date of this Registration Statement.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. INCORPORATION OF DOCUMENTS BY REFERENCE.

The documents listed below are incorporated by reference into this Registration Statement and all documents subsequently filed pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended (the "Act"), prior to the filing of a post-effective amendment which indicates that all securities have been sold or which deregisters all securities then remaining unsold, shall be deemed to be

incorporated by reference in this Registration Statement and to be a part hereof from the date of filing such documents.

(a) The registrant's Annual Report on Form 10-K filed pursuant to Sections 13(a) or 15(d) of the Act which contains, either directly or by incorporation by reference, audited financial statements for the registrant's fiscal year ended April 30, 1995; and

(b) All other reports filed pursuant to Section 13(a) or 15(d) of the Act since the end of the fiscal year covered by the Annual Report referred to in (a) above.

Item 4. DESCRIPTION OF SECURITIES.

The Spry, Inc. 1995 Stock Option Plan (the "Plan") provides that the aggregate number of shares of the common stock of Spry, Inc. ("Spry") that could be delivered upon the exercise of all options granted thereunder shall not exceed 184,821 as such common stock was constituted on the effective date of the Plan. Effective April 4, 1995, a subsidiary of the registrant acquired the outstanding capital stock of Spry through a merger (the "Merger"). As a result of the Merger, outstanding options to purchase Spry common stock were converted on April 4, 1995, to options to purchase 51,828 shares of the registrant's Delayed Convertible Preferred Stock. The 51,828 shares of the registrant's Delayed Convertible Preferred Stock represent the total amount of securities to be offered pursuant to the Plan.

Pursuant to Article Three of the Amended and Restated Articles of Incorporation of the registrant, the Board of Directors of the registrant on March 8, 1995, authorized the issuance of a series of Preferred Stock to consist of 500,000 shares and to be designated as "Delayed Convertible Preferred Stock," and fixed the powers, designation, preferences and relative, participating, optional and other rights of the Delayed Convertible Preferred Stock, and the qualifications, limitations and restrictions thereof.

The Delayed Convertible Preferred Stock is Preferred Stock, without par value and each share of Delayed Convertible Preferred Stock ranks equally in all respects. The holders of Delayed Convertible Preferred Stock have no voting power whatsoever and no holder of Delayed Convertible Preferred Stock shall vote on or otherwise participate in any proceedings in which actions shall be taken by the registrant or the shareholders thereof or be entitled to notification of any meeting of the Board of Directors of the registrant or its shareholders.

The holders of Delayed Convertible Preferred Stock shall not be entitled to receive any dividends payable in cash, property or securities. No holder of shares of Delayed Convertible Preferred Stock is entitled, as a matter of right, to purchase or subscribe for any shares of stock of the registrant of any class, whether now or hereafter authorized, or whether issued for cash, property, or services, or as a dividend or otherwise, or to purchase or subscribe for any obligations, bonds, notes, debentures, other securities or stock convertible into shares of stock of the corporation of any class, or carrying or evidencing any right to purchase any such shares.

Any shares of Delayed Convertible Preferred Stock issued by the registrant may not be transferred, assigned, pledged, or hypothecated in any way by the holders of such shares, except upon death by will or the laws of descent and distribution, PROVIDED, HOWEVER, that the registrant has the right to repurchase any such shares in the event the holder thereof is a party to a Stock Purchase Agreement executed in accordance with the Merger and such holder ceases to be employed by the registrant for certain reasons (not including death, disability or termination by the registrant without cause) prior to April 5, 1998, as provided in such Stock Purchase Agreement. The right to repurchase does not apply to shares of Delayed Convertible Preferred Stock purchased pursuant to the exercise of stock options granted under the Plan. There is no established public trading market for the Delayed Convertible Preferred Stock.

Effective April 5, 1998, the holders of shares of the Delayed Convertible Preferred Stock have the right to convert each such share into

four fully paid and nonassessable shares of Common Stock, without par value, of the registrant ("Common Stock"), subject to adjustment as described below (the "Conversion Ratio"). In order to exercise the conversion right, the holder of the shares of Delayed Convertible Preferred Stock must surrender the certificate or certificates representing such shares for conversion to an agent designated by the registrant (the "Agent"), and give written notice to the Agent that the holder elects to convert a specified portion or all of such shares of Delayed Convertible Preferred Stock. The certificate or certificates so surrendered must be duly endorsed by, or accompanied by instruments of transfer in form satisfactory to the Agent duly executed by, the record holder or duly authorized attorney. Any certificate for Common Stock issuable upon conversion of Delayed Convertible Preferred Stock, together with any certificate for Delayed Convertible Preferred Stock representing the number of unconverted shares, if any, shall be issued in the same name as the record holder of the certificate for Delayed Convertible Preferred Stock tendered for conversion. The conversion shall be deemed to have been effected on the date on which the Agent shall have received the certificate or certificates representing the shares of Delayed Convertible Preferred Stock surrendered for conversion, accompanied by the aforementioned notice.

The registrant shall not be required to issue fractional shares of Delayed Convertible Preferred Stock or of Common Stock or scrip upon conversion of shares of Delayed Convertible Preferred Stock. If certificates representing more than one share of Delayed Convertible Preferred Stock are surrendered for conversion at one time by the same holder, the number of all shares issuable by the registrant upon conversion thereof shall be computed on the basis of the aggregate number of shares of Delayed Convertible Preferred Stock surrendered for conversion.

If the registrant (i) declares a dividend in shares of its Common Stock, or makes a distribution on its Common Shares in shares of its Common Stock, (ii) subdivides its outstanding shares of Common Stock into a greater number of shares of Common Stock, (iii) combines its outstanding shares of Common Stock into a smaller number of shares of Common Stock, or (iv) makes any other change affecting the Common Stock as a class without receipt of consideration, the Conversion Ratio shall be adjusted to the extent necessary to prevent dilution or enlargement of the conversion rights granted to holders of the Delayed Convertible Preferred Stock.

If the registrant shall merge or consolidate with another corporation or entity and the registrant is not the surviving entity thereof, the Delayed Convertible Preferred Stock will become convertible into the type and number of shares of the surviving entity or property (including cash) in the same manner as the Common Stock of the registrant, but otherwise subject to the same terms and conditions described above.

All shares of Common Stock that may be issued upon conversion of the Delayed Convertible Preferred Stock will, upon the issuance thereof, be fully paid and nonassessable and free from all taxes, liens and charges with respect to the issue thereof.

In the event of any dissolution, liquidation or winding-up of the registrant, whether voluntary or involuntary, the holders of all of the shares of Delayed Convertible Preferred Stock then outstanding shall be entitled to share ratably with the holders of all of the shares of Common Stock then outstanding in the assets of the registrant remaining after any distribution or payments are made to the holders of any class or series of stock of the registrant with preference over the Common Stock. The consolidation or merger of the registrant into or with any other corporation, the sale or transfer by the registrant of all or any part of its assets, or the reduction of the capital stock of the registrant shall not be deemed to be a liquidation, dissolution or winding-up of the registrant within the meaning of the preceding sentence.

The registrant's Shareholder Rights Plan, Articles of Incorporation and Bylaws contain provisions that could have the effect of delaying, deferring or preventing a change of control of the registrant.

The registrant has a Shareholder Rights Plan intended to deter coercive or unfair takeover tactics and to prevent a potential acquiror from gaining control of the registrant without offering a fair price to all of the registrant's stockholders. Under the Shareholder Rights Plan, adopted in 1988 and amended in 1990, 1991 and 1995, one Right has attached

to each share of Common Stock. Each Right becomes exercisable when a person or group acquires beneficial ownership of 10% or more of the outstanding Common Stock without the prior written approval of the Board of Directors (an "Unapproved Acquisition"), and 10 business days following the commencement of a tender offer not approved by the Board. At such time, the Rights held by the acquiror become void and the remaining holders of Rights have the rights hereafter described. When exercisable, the holder of each Right may purchase from the registrant 1/200 of a share of a class of Participating Preferred Stock at an exercise price of $60.00, subject to adjustment. At such time, the holder of each Right also has the right to purchase for the exercise price a number of shares of the registrant's Common Stock having a market price equal to twice the exercise price. If an Unapproved Acquisition takes place and the registrant is involved in a merger, or 50% or more of the registrant's assets or earning power are sold, the holder of each Right has the right to purchase for the exercise price a number of shares of the common stock of the surviving or purchasing company having a market value equal to twice the exercise price.

After an Unapproved Acquisition, but before the acquiring person or group acquires 50% or more of the outstanding shares, the Board of Directors may exchange all or part of the then outstanding and exercisable Rights for Common Stock at an exchange ratio of one share of Common Stock per Right. The registrant may redeem the Rights at a price of $.005 per Right at any time prior to an Unapproved Acquisition. The Rights expire on July 25, 1998, unless extended by the Board of Directors.

The registrant's Articles of Incorporation also contain provisions designed to apply in the event of takeover attempts. Certain business transactions between the registrant and a person or entity owning more than 15% of the registrant's outstanding voting stock (including mergers, consolidations, and sales or exchanges of more than 20% of the assets of the registrant) require approval of the holders of 80% of the registrant's outstanding voting stock, except when the business transaction receives the approval of 2/3 of the directors. The Articles authorize the issuance of up to 6,000,000 shares of Preferred Stock (including the Delayed Convertible Preferred Stock and the Participating Preferred Stock) on such terms as may be determined by the Board. The Articles provide for a classified board of directors in order to extend the time necessary to elect a majority of the Board. Cumulative voting in the election of directors is not permitted. The entire Board may not be removed except by the affirmative vote of 80% of the stock of the registrant. Shareholders' meetings may be called only by the holders of at least 80% of the stock of the registrant, a majority of the Board of Directors, the Chairman of the Board or the President. The foregoing Article provisions may not be amended or repealed except upon the approval of 80% of the stock of the registrant, unless at least 80% of the members of the Board recommend such a change.

Item 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.

No expert named in the Registration Statement or counsel for the registrant has, or is to receive in connection with the offering a substantial interest, direct or indirect, in the registrant or any of its subsidiaries. James H. Ingraham, who has rendered an opinion of counsel as to the legality of the securities being registered (Exhibit 5 hereto), is employed by a subsidiary of the registrant and is Assistant Vice President, Legal and Secretary of the registrant.

Item 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 351.355 of the General and Business Corporation Law of Missouri provides as follows:

> "351.355. 1. A corporation created under the laws of this state may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees,

judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The

termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

"2. The corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, and amounts paid in settlement actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court in which the action or suit was brought determines upon application that despite the adjudication of liability and in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

"3. To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections 1 and 2 of this section, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the action, suit or proceeding.

"4. Any indemnification under subsections 1 and 2 of this section, unless ordered by a court, shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in this section. The determination shall be made by the board of directors by a majority vote of a quorum consisting of directors who were not parties to this action, suit or proceeding, or if such a quorum is not obtainable, or even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or by the shareholders.

"5. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the corporation in advance of the final disposition of the action, suit or proceeding as authorized by the board of directors in the specific case upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the corporation as authorized in this section.

"6. The indemnification provided by this section shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under the articles of incorporation or bylaws or any agreement, vote of shareholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director,

officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

"7. A corporation created under the laws of this state shall have the power to give any further indemnity, in addition to the indemnity authorized or contemplated under other subsections of this section, including subsection 6, to any person who is or was a director, officer, employee or agent, or to any person who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, provided such further indemnity is either (i) authorized, directed or provided for in the articles of incorporation of the corporation or any duly adopted amendment hereof or (ii) is authorized, directed or provided for in any bylaw or agreement of the corporation which has been adopted by a vote of the shareholders of the corporation, and provided further that no such indemnity shall indemnify any person from or on account of such person's conduct which was finally adjudged to have been knowingly fraudulent, deliberately dishonest or willful misconduct. Nothing in this subsection shall be deemed to limit the power of the corporation under subsection 6 of this section to enact bylaws or to enter into agreements without shareholder adoption of the same.

"8. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this section.

"9. Any provision of this chapter to the contrary notwithstanding, the provisions of this section shall apply to all existing and new domestic corporations, including, but not limited to, banks, trust companies, insurance companies, building and loan associations, savings bank and safe deposit companies, mortgage loan companies, corporations formed for benevolent, religious, scientific or educational purposes and nonprofit corporations.

"10. For the purpose of this section, references to 'the corporation' include all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation so that any person who is or was a director, officer, employee or agent of such a constituent corporation or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise shall stand in the same position under the provisions of this section with respect to the resulting or surviving corporation as he would if he had served the resulting or surviving corporation in the same capacity.

"11. For purposes of this section, the term 'other enterprise' shall include employee benefit plans; the term 'fines' shall include any excise taxes assessed on a person with respect to an employee benefit plan; and the term 'serving at the request of the corporation' shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner 'not opposed to the best interests of the corporation' as referred to in this section."

Section 23 of the registrant's current Bylaws contains provisions which are essentially the same as the provisions of the Missouri statute, except that only a person who is or was a director or officer of the registrant, or is or was serving at the registrant's request as a director or officer of another corporation, partnership, joint venture, trust or other enterprise may be indemnified. In addition, the Bylaws permit the registrant to enter into indemnification agreements with its

directors and officers. The form of indemnification agreement approved by the registrant's shareholders and incorporated into the Bylaws provides that indemnity is mandatory in all cases unless it is determined by the court that the director's or officer's conduct was knowingly fraudulent, deliberately dishonest or that it constituted willful misconduct. In addition, no indemnification is provided if a court determines that such indemnification would not be lawful or if a judgment is rendered against the director or officer for an accounting of profits made as a result of the director's or officer's purchase and sale or sale and purchase of the registrant's securities pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto. The indemnification agreement also requires the registrant to purchase and maintain a policy or policies of directors and officers liability insurance providing, in all respects, coverage at least comparable to that maintained by the registrant at the date of the agreement except that the registrant is not required to maintain such insurance if the registrant notifies the director or officer in writing within five business days after the making of the decision to not renew or replace the insurance policy or policies or any portion of the coverage provided by such policy or policies. The registrant's Bylaws are filed as Exhibit 3(b) to the registrant's annual report on Form 10-K for the fiscal year ended April 30, 1995, and Section 23 of such Bylaws is incorporated by reference herein.

Item 7. EXEMPTION FROM REGISTRATION CLAIMED.

No restricted securities are to be reoffered or resold pursuant to this Registration Statement and, therefore, no exemption from registration is claimed.

Item 8. EXHIBITS.

The exhibits filed as part of the Registration Statement are as follows:

4(a) Restated Articles of Incorporation of H&R Block, Inc., as amended, filed as Exhibit 4(a) to the registrant's quarterly report on Form 10-Q for the quarter ended October 31, 1991, are incorporated by reference.

4(b) Bylaws of H&R Block, Inc., as amended, filed as Exhibit 3(b) to the registrant's annual report on Form 10-K for the fiscal year ended April 30, 1995, are incorporated by reference.

4(c) Conformed copy of Rights Agreement dated as of July 14, 1988, between H&R Block, Inc., and Centerre Trust Company of St. Louis, filed as Exhibit 4(c) to the registrant's Registration Statement on Form S-8 (File No. 33-67170), is incorporated by reference.

4(e) Copy of Amendment to Rights Agreement dated as of May 9, 1990, between H&R Block, Inc., and Boatmen's Trust Company, filed as Exhibit 4(b) to the registrant's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated by reference.

4(f) Copy of Second Amendment to Rights Agreement dated September 11, 1991, between H&R Block, Inc., and Boatmen's Trust Company, filed as Exhibit 4(c) to the registrant's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated by reference.

4(g) Copy of Third Amendment to Rights Agreement dated May 10, 1995, between H&R Block, Inc. and Boatmen's Trust Company, filed as Exhibit 4(d) to the registrant's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated by reference.

4(h) Form of Certificate of Designation, Preferences and Rights of Participating Preferred Stock of H&R Block, Inc., filed as Exhibit 4(e) to the registrant's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated by reference.

4(i) Form of Certificate of Designation, Preferences and Rights of Delayed Convertible Preferred Stock of H&R Block, Inc., filed as Exhibit 4(f) to the registrant's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated by reference.

5 Opinion of counsel as to the legality of the securities being

registered and the consent of such counsel.

23 The consent of Deloitte & Touche LLP, Certified Public Accountants (the consent of counsel is contained in the opinion filed as Exhibit 5 hereto).

99 Spry, Inc. 1995 Stock Option Plan.

Item 9. UNDERTAKINGS.

(1) The undersigned registrant hereby undertakes to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

(2) The undersigned registrant hereby undertakes that, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) The undersigned registrant hereby undertakes to remove from registration by means of post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) If the registrant is a foreign private issuer, to file a post-effective amendment to the registration statement to include any financial statements required by 3-19 of Regulation S-X at the start of any delayed offering or throughout a continuous offering.

(5) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(6) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

THE REGISTRANT. Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Kansas City, and the State of Missouri, on this 31st day of October, 1995.

H & R BLOCK, INC.

By/s/ Richard H. Brown
Richard H. Brown, President
and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Richard H. Brown and Henry W. Bloch, or either one of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to the Registration Statement on Form S-8 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as they might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Richard H. Brown Richard H. Brown	President, Chief Executive Officer and Director (principal executive officer)	10-31-95
/s/ G. Kenneth Baum G. Kenneth Baum	Director	10-23-95
/s/ Henry W. Bloch Henry W. Bloch	Director	10-30-95
/s/ Robert E. Davis Robert E. Davis	Director	10-23-95
/s/ Donna R. Ecton Donna R. Ecton	Director	10-23-95
/s/ Henry F. Frigon Henry F. Frigon	Director	10-25-95
/s/ Roger W. Hale Roger W. Hale	Director	10-23-95
/s/ Marvin L. Rich	Director	10-23-95

- ----------		--------
Marvin L. Rich		
/s/ Frank L. Salizzoni	Director	10-25-95
- ----------		--------
Frank L. Salizzoni		
/s/ Morton I. Sosland	Director	10-28-95
- ----------		--------
Morton I. Sosland		
/s/ Ozzie Wenich	Vice President, Finance and Treasurer (principal financial and accounting officer)	10-31-95
- ----------		--------
Ozzie Wenich		

Exhibit 5

OPINION OF COUNSEL

I refer to the Registration Statement on Form S-8 of H&R Block, Inc., a Missouri corporation (the "Company"), to be filed with the Securities and Exchange Commission in order to register under the Securities Act of 1933, as amended, the offering and issuance of 51,828 shares of the Company's Delayed Convertible Preferred Stock, without par value, pursuant to employee stock options granted under the Spry, Inc. 1995 Stock Option Plan (the "Plan").

I have examined the Articles of Incorporation and the Bylaws of the Company, each as amended to date, copies of the Plan, and such other documents and records as I have deemed relevant for purposes of this Opinion.

Based upon the foregoing, it is my opinion that:

1. The Company is duly organized, existing and in good standing under the laws of the State of Missouri.

2. The Company is authorized to issue 500,000 shares of Delayed Convertible Preferred Stock, without par value, of which 401,768 shares of Delayed Convertible Preferred Stock were issued and outstanding as of the close of business on October 31, 1995.

3. The presently issued and outstanding shares of Delayed Convertible Preferred Stock of the Company have been duly authorized and legally issued and are fully paid and non-assessable.

4. The shares of Delayed Convertible Preferred Stock issuable upon exercise of employee stock options granted or to be granted under the Plan have been duly authorized and reserved for issuance and, when issued upon exercise of such options for the consideration specified in the Plan, will be legally issued, fully paid and non-assessable.

I am employed by HRB Management, Inc., a subsidiary of the Company, and I serve as the Company's Assistant Vice President, Legal and Secretary.

I consent to the inclusion in said Registration Statement of my foregoing opinion filed as Exhibit 5 thereto.

Dated: October 31, 1995.

/s/ James H. Ingraham

James H. Ingraham
Assistant Vice President, Legal
and Secretary
H & R Block, Inc.

Exhibit 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of H & R Block, Inc. and subsidiaries on Form S-8 (relating to shares of Delayed Convertible Preferred Stock issuable under the Spry, Inc. 1995 Stock Option Plan) of our reports dated June 20, 1995, appearing in and incorporated by reference in the Annual Report on Form 10-K of H & R Block, Inc. and subsidiaries for the year ended April 30, 1995.

/s/ Deloitte & Touche LLP

Kansas City, Missouri
October 31, 1995

SPRY, INC. Exhibit 99

1995 STOCK OPTION PLAN

SECTION 1. PURPOSE

The purpose of the Spry, Inc. 1995 Stock Option Plan (this "Plan") is to provide a means whereby selected employees, directors, officers, agents, consultants, advisors and independent contractors of Spry, Inc. (the "Company"), or of any parent or subsidiary (as defined in subsection 5.8 and referred to hereinafter as "related corporations") thereof, may be granted incentive stock options and/or nonqualified stock options to purchase the Common Stock (as defined in Section 3) of the Company, in order to attract and retain the services or advice of such employees, directors, officers, agents, consultants, advisors and independent contractors and to provide added incentive to such persons by encouraging stock ownership in the Company.

SECTION 2. ADMINISTRATION

This Plan shall be administered by the Board of Directors of the Company (the "Board") or, in the event the Board shall appoint and/or authorize a committee to administer this Plan, by such committee. The administrator of this Plan shall hereinafter be referred to as the "Plan Administrator."

In the event a member of the Plan Administrator may be eligible, subject to the restrictions set forth in Section 4, to participate in this Plan, no member of the Plan Administrator shall vote with respect to the granting of an option hereunder to himself or herself, as the case may be, and, if state corporate law does not permit a committee to grant options to directors, then any option granted under this Plan to a director for his or her services as such shall be approved by the full Board.

The members of any committee serving as Plan Administrator shall be appointed by the Board for such term as the Board may determine. The Board may from time to time remove members from, or add members to, the committee. Vacancies on the committee, however caused, shall be filled by the Board.

With respect to grants made under this Plan to individuals who are subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Plan Administrator shall be constituted at all times so as to meet the requirements of Rule 16b-3 promulgated under Section 16(b) of the Exchange Act if any of the Company's equity securities are registered pursuant to Section 12(b) or 12(g) of the Exchange Act.

2.1 PROCEDURES

The Board shall designate one of the members of the Plan Administrator as chairman. The Plan Administrator may hold meetings at such times and places as it shall determine. The acts of a majority of the members of the Plan Administrator present at meetings at which a quorum exists, or acts reduced to or approved in writing by all Plan Administrator members, shall be valid acts of the Plan Administrator.

2.2 RESPONSIBILITIES

Except for the terms and conditions explicitly set forth in this Plan, the Plan Administrator shall have the authority, in its discretion, to determine all matters relating to the options to be granted under this Plan, including selection of the individuals to be granted options, the number of shares to be subject to each option, the exercise price, and all other terms and conditions of the options. Grants under this Plan need not be identical in any respect, even when made simultaneously. The interpretation and construction by the Plan Administrator of any terms or provisions of this Plan or any option issued hereunder, or of any rule or regulation promulgated in connection herewith, shall be conclusive and binding on all interested parties, so long as such interpretation and construction with respect to incentive stock options correspond to the

requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), the regulations thereunder and any amendments thereto.

2.3 RULE 16b-3 COMPLIANCE AND BIFURCATION OF PLAN

It is the intention of the Company that, if any of the Company's equity securities are registered pursuant to Section 12(b) or 12(g) of the Exchange Act, this Plan shall comply in all respects with Rule 16b-3 under the Exchange Act. If any Plan provision is later found not to be in compliance with such Section, the provision shall be deemed null and void, and in all events this Plan shall be construed in favor of its meeting the requirements of Rule 16b-3. Notwithstanding anything in this Plan to the contrary, the Board, in its absolute discretion, may bifurcate this Plan so as to restrict, limit or condition the application of any provision of this Plan to participants who are subject to Section 16 of the Exchange Act without so restricting, limiting or conditioning this Plan with respect to other participants.

SECTION 3. SHARES SUBJECT TO THIS PLAN

The shares subject to this Plan shall be the Company's Common Stock (the "Common Stock"), currently authorized but unissued or subsequently acquired by the Company. Subject to adjustment as provided in Section 7, the aggregate amount of Common Stock to be delivered upon the exercise of all options granted under this Plan shall not exceed 184,821 shares<F1> as such Common Stock was constituted on the effective date of this Plan. If any option granted under this Plan shall expire or be surrendered, exchanged for another option, cancelled or terminated for any reason without having been exercised in full, the unpurchased shares subject thereto shall thereupon again be available for purposes of this Plan, including for replacement options which may be granted in exchange for such expired, surrendered, exchanged, cancelled or terminated options.

<F1> The number of shares subject to this Plan, and all other share numbers referred to in this Plan, have been adjusted to reflect the following two stock splits that were effective prior to the adoption of this Plan: the 6:1 stock split, which was effective on February 14, 1991, and the 2:1 stock split, which was effective on February 25, 1994.

SECTION 4. ELIGIBILITY

An incentive stock option may be granted only to an individual who, at the time the option is granted, is an employee of the Company or a related corporation. A nonqualified stock option may be granted to any employee, director, officer, agent, consultant, advisor or independent contractor of the Company or any related corporation, whether an individual or an entity. Any party to whom an option is granted under this Plan shall be referred to hereinafter as an "Optionee."

SECTION 5. TERMS AND CONDITIONS OF OPTIONS

Options granted under this Plan shall be evidenced by written agreements which shall contain such terms, conditions, limitations and restrictions as the Plan Administrator shall deem advisable and which are not inconsistent with this Plan. Notwithstanding the foregoing, options shall include or incorporate by reference the following terms and conditions:

5.1 NUMBER OF SHARES AND PRICE

The maximum number of shares that may be purchased pursuant to the exercise of each option and the price per share at which such option is exercisable (the "exercise price") shall be as established by the Plan Administrator; provided, however, that the Plan Administrator shall act in good faith to establish an exercise price which shall be not less than the fair market value per share of the Common Stock at the time the option is granted with respect to incentive stock options and also provided that, with respect to incentive stock options granted to greater than 10% shareholders, the exercise price shall be as required by subsection 6.1.

5.2 TERM AND MATURITY

Subject to the restrictions contained in Section 6 with respect to

granting incentive stock options to greater than 10% shareholders, the term of each incentive stock option shall be as established by the Plan Administrator and, if not so established, shall be 10 years from the date it is granted but in no event shall it exceed 10 years. The term of each nonqualified stock option shall be as established by the Plan Administrator and, if not so established, shall be 10 years. To ensure that the Company or a related corporation will achieve the purpose and receive the benefits contemplated by this Plan, any option granted to any Optionee hereunder shall, unless the condition of this sentence is waived or modified in the agreement evidencing the option or by resolution adopted at any time by the Plan Administrator, be exercisable as follows:

Period of Optionee's Continuous Relationship With the Company or Related Corporation From the Date the Option Is Granted	Portion of Total Option Which is Exercisable
after one year	20%
after two years	40%
after three years	60%
after four years	80%
after five years	100%

5.3 EXERCISE

Subject to the vesting schedule described in subsection 5.2, each option may be exercised in whole or in part at any time and from time to time; provided, however, that no fewer than 10 shares (or the remaining shares then purchasable under the option, if less than 10 shares) may be purchased upon any exercise of option hereunder and that only whole shares will be issued pursuant to the exercise of any option. An Option shall be exercised by delivery to the Company of notice of the number of shares with respect to which the option is exercised, together with payment of the exercise price.

5.4 PAYMENT OF EXERCISE PRICE

Payment of the option exercise price shall be made in full at the time the notice of exercise of the option is delivered to the Company and shall be in cash, bank certified or cashier's check, or personal check (unless at the time of exercise the Plan Administrator in a particular case determines not to accept a personal check) for the shares being purchased.

The Plan Administrator can determine at any time before exercise that additional forms of payment will be permitted. To the extent permitted by the Plan Administrator and applicable laws and regulations (including, but not limited to, federal tax and securities laws and regulations and state corporate law), an option may be exercised by:

(a) delivery of shares of Common Stock of the Company held by an Optionee having a fair market value equal to the exercise price, such fair market value to be determined in good faith by the Plan Administrator; provided, however, that payment in stock held by an Optionee shall not be made unless the stock shall have been owned by the Optionee for a period of at least six months; or

(b) delivery of a full-recourse promissory note executed by the Optionee; provided that (i) such note delivered in connection with an incentive stock option shall, and such note delivered in connection with a nonqualified stock option may, in the sole discretion of the Plan Administrator, bear interest at a rate specified by the Plan Administrator but in no case less than the rate required to avoid imputation of interest (taking into account any exceptions to the imputed interest rules) for federal income tax purposes, (ii) the Plan Administrator in its sole discretion shall specify the term and other provisions of such note at the time an incentive stock option is granted or at any time prior to exercise of a nonqualified stock option, (iii) the Plan Administrator may require that the Optionee pledge to the Company for the purpose of securing the payment of such note the shares of Common Stock to be issued to the Optionee upon exercise of the option and may require that the certificate representing such shares be held in escrow in order to perfect the

Company's security interest, and (iv) the Plan Administrator in its sole discretion may at any time restrict or rescind this right upon notification to the Optionee.

5.5 WITHHOLDING TAX REQUIREMENT

The Company or any related corporation shall have the right to retain and withhold from any payment of cash or shares of Common Stock under this Plan the amount of taxes required by any government to be withheld or otherwise deducted and paid with respect to such payment. At its discretion, the Company may require an Optionee receiving shares of Common Stock to reimburse the Company for any such taxes required to be withheld by the Company and withhold any distribution in whole or in part until the

Company is so reimbursed. In lieu thereof, the Company shall have the right to withhold from any other cash amounts due or to become due from the Company to the Optionee an amount equal to such taxes. The Company may also retain and withhold or the Optionee may elect, subject to approval by the Company at its sole discretion, to have the Company retain and withhold a number of shares having a market value not less than the amount of such taxes required to be withheld by the Company to reimburse the Company for any such taxes and cancel (in whole or in part) any such shares so withheld. In order to qualify such election for exemption under Rule 16b-3 promulgated under Section 16(b) of the Exchange Act, any individual who is subject to Section 16 under the Exchange Act must exercise the option during the quarterly 10-day window period required under Section 16(b) of the Exchange Act for exercises of stock appreciation rights, and the election relating to such option exercise must be (i) an irrevocable election made six months prior to the date the option exercise becomes taxable; (ii) an election that is made during a window period; or (iii) an election that is made prior to a window period, provided the election becomes effective as of the next window period.

5.6 HOLDING PERIODS

5.6.1 SECURITIES AND EXCHANGE ACT SECTION 16

If an individual subject to Section 16 of the Exchange Act sells shares of Common Stock obtained upon the exercise of a stock option within six months after the date the option was granted, such sale may result in short-swing profit recovery under Section 16(b) of the Exchange Act.

5.6.2 TAXATION OF STOCK OPTIONS

In order to obtain certain tax benefits afforded to incentive stock options under Section 422 of the Code, an Optionee must hold the shares issued upon the exercise of an incentive stock option for two years after the date of grant of the option and one year from the date of exercise. An Optionee may be subject to the alternative minimum tax at the time of exercise of an incentive stock option.

The Plan Administrator may require an Optionee to give the Company prompt notice of any disposition of shares acquired by the exercise of an incentive stock option prior to the expiration of such holding periods.

Tax advice should be obtained by an Optionee when exercising any option and prior to the disposition of the shares issued upon the exercise of any option.

5.7 TRANSFERABILITY OF OPTIONS

Options granted under this Plan and the rights and privileges conferred hereby may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by the applicable laws of descent and distribution and shall not be subject to execution, attachment or similar process. During an Optionee's lifetime, any options granted under this Plan are personal to him or her and are exercisable solely by such Optionee. Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of any option under this Plan or of any right or privilege conferred hereby, contrary to the Code or to the provisions of this Plan, or the sale or levy or any attachment or similar process upon the rights and privileges conferred hereby shall be null and void. Notwithstanding the foregoing, to the extent permitted by Rule 16b-3 under the Exchange Act and other applicable law and regulation,

the Plan Administrator may permit an Optionee to (i) during the Optionee's lifetime, designate a person who may exercise the option after the Optionee's death by giving written notice of such designation to the Company (such designation may be changed from time to time by the Optionee by giving written notice to the Company revoking any earlier designation and making a new designation) or (ii) with respect to nonqualified stock options, transfer the option and the rights and privileges conferred hereby.

5.8 TERMINATION OF RELATIONSHIP

If the Optionee's relationship with the Company or any related corporation ceases for any reason other than termination for cause, death or total disability, and unless by its terms the option sooner terminates or expires, then the Optionee may exercise for a 30-day period, that portion of the Optionee's option which is exercisable at the time of such cessation, but the Optionee's option shall terminate at the end of such period following such cessation as to all shares for which it has not theretofore been exercised, unless such provision is waived in the agreement evidencing the option. If, in the case of an incentive stock option, an Optionee's relationship with the Company or any related corporation changes (i.e., from employee to nonemployee, such as a consultant), such change shall constitute a termination of an Optionee's employment with the Company or any related corporation and the Optionee's incentive stock option shall terminate in accordance with this subsection 5.8. Upon the expiration of the three-month period following cessation of employment in the case of an incentive stock option, or at any time prior to the expiration of the option in the case of a nonqualified stock option, the Plan Administrator shall have sole discretion in a particular circumstance to extend the exercise period following such cessation to any date up to the termination or expiration of the option. If, however, in the case of an incentive stock option, the Optionee does not exercise the Optionee's option within three months after cessation of employment, the option will no longer qualify as an incentive stock option under the Code.

If an Optionee is terminated for cause, each option granted hereunder shall automatically terminate as of the first discovery by the Company of any reason for termination for cause, and such Optionee shall thereupon have no right to purchase any shares pursuant to such option. "Termination for cause" shall mean dismissal for dishonesty, conviction or confession of a crime (except minor violations), fraud, misconduct or disclosure of confidential information. If an Optionee's relationship with the Company or any related corporation is suspended pending an investigation of whether or not the Optionee shall be terminated for cause, the Optionee's rights under each option granted hereunder likewise shall be suspended during the period of investigation.

If an Optionee's relationship with the Company or any related corporation ceases because of a total disability, the Optionee's option shall not terminate or, in the case of an incentive stock option, cease to be treated as an incentive stock option until the end of the 12-month period following such cessation (unless by its terms it sooner terminates or expires). As used in this Plan, the term "total disability" refers to a mental or physical impairment of the Optionee which is expected to result in death or which has lasted or is expected to last for a continuous period of 12 months or more and which causes the Optionee to be unable, in the opinion of the Company and two independent physicians, to perform his or her duties for the Company and to be engaged in any substantial gainful activity. Total disability shall be deemed to have occurred on the first day after the Company and the two independent physicians have furnished their opinion of total disability to the Plan Administrator.

Options granted under the Plan shall not be affected by any change of relationship with the Company so long as the Optionee continues to be an employee, director, officer, agent, consultant, advisor or independent contractor of the Company or of a related corporation; however, a change in an Optionee's status from an employee to a nonemployee (e.g., consultant or independent contractor) shall result in the termination of an outstanding incentive stock option held by such Optionee. The Plan Administrator, in its absolute discretion, may determine all questions of whether particular leaves of absence constitute a termination of services; provided, however, that with respect to incentive stock options, such determination shall be

subject to any requirements contained in the Code. The foregoing notwithstanding, with respect to incentive stock options, employment shall not be deemed to continue beyond the first 90 days of such leave, unless the Optionee's reemployment rights are guaranteed by statute or by contract.

As used herein, the term "related corporation," when referring to a subsidiary corporation, shall mean any corporation (other than the Company) in, at the time of the granting of the option, an unbroken chain of corporations ending with the Company, if stock possessing 50% or more of the total combined voting power of all classes of stock of each of the corporations other than the Company is owned by one of the other corporations in such chain. When referring to a parent corporation, the term "related corporation" shall mean any corporation in an unbroken chain of corporations ending with the Company if, at the time of the granting of the option, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

5.9 DEATH OF OPTIONEE

If an Optionee dies while he or she has a relationship with the Company or any related corporation or within the 30-day period (or 12-month period in the case of totally disabled Optionees) following cessation of such relationship, any option held by such Optionee to the extent that the Optionee would have been entitled to exercise such option, may be exercised within one year after his or her death by the personal representative of his or her estate or by the person or persons to whom the Optionee's rights under the option shall pass (i) by will or by the applicable laws of descent and distribution or (ii) by a designation or transfer pursuant to Section 5.7.

5.10 NO STATUS AS SHAREHOLDER

Neither the Optionee nor any party to which the Optionee's rights and privileges under the option may pass shall be, or have any of the rights or privileges of, a shareholder of the Company with respect to any of the shares issuable upon the exercise of any option granted under this Plan unless and until such option has been exercised.

5.11 CONTINUATION OF RELATIONSHIP

Nothing in this Plan or in any option shall confer upon any Optionee any right to continue in the employ or other relationship of the Company or of a related corporation, or to interfere in any way with the right of the Company or of any such related corporation to terminate his or her employment or other relationship with the Company at any time.

5.12 MODIFICATION AND AMENDMENT OF OPTION

Subject to the requirements of Code Section 422 with respect to incentive stock options and to the terms and conditions and within the limitations of this Plan, the Plan Administrator may modify or amend any outstanding option granted under this Plan. The modification or amendment of an outstanding option shall not, without the consent of the Optionee, impair or diminish any of his or her rights or any of the obligations of the Company under such option. Except as otherwise provided in this Plan, no outstanding option shall be terminated without the consent of the Optionee.

5.13 LIMITATION ON VALUE FOR INCENTIVE STOCK OPTIONS

As to all incentive stock options granted under the terms of this Plan, to the extent that the aggregate fair market value of the shares (determined at the time the incentive stock option is granted) with respect to which incentive stock options are exercisable for the first time by the Optionee during any calendar year (under this Plan and all other incentive stock option plans of the Company, a related corporation or a predecessor corporation) exceeds $100,000, such options shall be treated as nonqualified stock options. The previous sentence shall not apply if the Internal Revenue Service issues a public rule, issues a private ruling to the Company, any Optionee or any legatee, personal representative or distributee of an Optionee or issues regulations changing or eliminating such annual limit.

SECTION 6. GREATER THAN 10% SHAREHOLDERS

6.1 EXERCISE PRICE AND TERM OF INCENTIVE STOCK OPTIONS

If an incentive stock option is granted under this Plan to any employee who owns more than 10% of the total combined voting power of all classes of stock of the Company or any related corporation, the term of such incentive stock options shall not exceed five years and the exercise price shall be not less than 110% of the fair market value of the shares at the time the incentive stock option is granted. This provision shall control notwithstanding any contrary terms contained in an option agreement or any other document.

6.2 ATTRIBUTION RULE

For purposes of subsection 6.1, in determining stock ownership, an employee shall be deemed to own the shares owned, directly or indirectly, by or for his or her brothers, sisters, spouse, ancestors and lineal descendants. Shares owned, directly or indirectly, by or for a corporation, partnership, estate or trust shall be deemed to be owned proportionately by or for its shareholders, partners or beneficiaries. If an employee or a person related to the employee owns an unexercised option or warrant to purchase shares of the Company, the shares subject to that portion of the option or warrant which is unexercised shall not be counted in determining stock ownership. For purposes of this Section 6, shares owned by an employee shall include all shares actually issued and outstanding immediately before the grant of the incentive stock option to the employee.

SECTION 7. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

The aggregate number and class of shares for which options may be granted under this Plan, the Maximum Annual Optionee Grant set forth in Section 5.1, the number and class of shares covered by each outstanding

option and the exercise price per share thereof (but not the total price), and each such option, shall all be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock of the Company resulting from a split-up or consolidation of shares or any like capital adjustment, or the payment of any stock dividend.

7.1 EFFECT OF LIQUIDATION OR REORGANIZATION

7.1.1 CASH, STOCK OR OTHER PROPERTY FOR STOCK

Except as provided in subsection 7.1.2, upon a merger (other than a merger of the Company in which the holders of shares of Common Stock immediately prior to the merger have the same proportionate ownership of shares of Common Stock in the surviving corporation immediately after the merger), consolidation, acquisition of property or stock, separation, reorganization (other than a mere reincorporation or the creation of a holding company) or liquidation of the Company, as a result of which the shareholders of the Company receive cash, stock or other property in exchange for or in connection with their shares of Common Stock, any option granted hereunder shall terminate, but the Optionee shall have the right immediately prior to any such merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation to exercise such Optionee's option to the extent the vesting requirements set forth in the option agreement have been satisfied; provided that acceleration of vesting will not occur if, in the opinion of the Company's outside accountants, such acceleration would render unavailable "pooling of interests" accounting treatment for any reorganization, merger or consolidation of the Company for which pooling of interests accounting treatment is sought by the Company.

7.1.2 CONVERSION OF OPTIONS ON STOCK FOR STOCK EXCHANGE

If the shareholders of the Company receive capital stock of another corporation ("Exchange Stock") in exchange for their shares of Common Stock in any transaction involving a merger (other than a merger of the Company in which the holders of Common Stock immediately prior to the merger have the same proportionate ownership of Common Stock in the surviving corporation immediately after the merger), consolidation, acquisition of

property or stock, separation or reorganization (other than a mere reincorporation or the creation of a holding company), all options granted hereunder shall be converted into options to purchase shares of Exchange Stock unless the Company and the corporation issuing the Exchange Stock, in their sole discretion, determine that any or all such options granted hereunder shall not be converted into options to purchase shares of Exchange Stock but instead shall terminate in accordance with the provisions of subsection 7.1.1. The amount and price of converted options shall be determined by adjusting the amount and price of the options granted hereunder in the same proportion as used for determining the number of shares of Exchange Stock the holders of the Shares of Common Stock receive in such merger, consolidation, acquisition of property or stock, separation or reorganization. Unless accelerated by the Board, the vesting schedule set forth in the option agreement shall continue to apply to the options granted for the Exchange Stock.

7.2 FRACTIONAL SHARES

In the event of any adjustment in the number of shares covered by any option, any fractional shares resulting from such adjustment shall be disregarded and each such option shall cover only the number of full shares resulting from such adjustment.

7.3 DETERMINATION OF BOARD TO BE FINAL

All Section 7 adjustments shall be made by the Board, and its determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. Unless an Optionee agrees otherwise, any change or adjustment to an incentive stock option shall be made in such a manner so as not to constitute a "modification" as defined in Code Section 425(h) and so as not to cause his or her incentive stock option issued hereunder to fail to continue to qualify as an incentive stock option as defined in Code Section 422(b).

SECTION 8. SECURITIES REGULATION

Shares shall not be issued with respect to an option granted under this Plan unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, any applicable state securities laws, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance, including the availability, if applicable, of an exemption from registration for the issuance and sale of any shares hereunder. Inability of the Company to obtain, from any regulatory body having jurisdiction, the authority deemed by the Company's counsel to be necessary for the lawful issuance and sale of any shares hereunder or the unavailability of an exemption from registration for the issuance and sale of any shares hereunder shall relieve the Company of any liability in respect of the nonissuance or sale of such shares as to which such requisite authority shall not have been obtained.

As a condition to the exercise of an option, the Company may require the Optionee to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any relevant provision of the aforementioned laws. At the option of the Company, a stop-transfer order against any shares of stock may be placed on the official stock books and records of the Company, and a legend indicating that the stock may not be pledged, sold or otherwise transferred, unless an opinion of counsel is provided (concurred in by counsel for the Company) stating that such transfer is not in violation of any applicable law or regulation, may be stamped on stock certificates in order to assure exemption from registration. The Plan Administrator may also require such other action or agreement by the Optionees as may from time to time be necessary to comply with the federal and state securities laws. THIS PROVISION SHALL NOT OBLIGATE THE COMPANY TO UNDERTAKE REGISTRATION OF THE OPTIONS OR STOCK HEREUNDER.

Should any of the Company's capital stock of the same class as the stock subject to options granted hereunder be listed on a national

securities exchange, all stock issued hereunder if not previously listed on such exchange shall be authorized by that exchange for listing thereon prior to the issuance thereof.

SECTION 9. AMENDMENT AND TERMINATION

9.1 BOARD ACTION

The Board may at any time suspend, amend or terminate this Plan, provided that, to the extent required for compliance with Rule 16b-3 promulgated under Section 16(b) of the Exchange Act, Section 422 of the Code or by any applicable law or regulation, the Company's shareholders must approve any amendment which will:

(a) increase the number of shares that may be issued under this Plan;

(b) with respect to nonqualified stock options, materially modify the requirements as to eligibility for participation in this Plan or, with respect to incentive stock options, change the designation of the participants or class of participants eligible for participation in this Plan;

(c) materially increase the benefits accruing to the participants under this Plan; or

(d) otherwise require shareholder approval under any applicable law or regulation.

Such shareholder approval must be obtained (i) within 12 months of the adoption by the Board of such amendment or (ii) if earlier, and to the extent required for compliance with Rule 16b-3 promulgated under Section 16(b) of the Exchange Act, at the next annual meeting of shareholders after such adoption by the Board.

Any amendment made to this Plan which would constitute a "modification" to incentive stock options outstanding on the date of such amendment, shall not be applicable to such outstanding incentive stock options, but shall have prospective effect only, unless the Optionee agrees otherwise.

9.2 AUTOMATIC TERMINATION

Unless sooner terminated by the Board, this Plan shall terminate ten years from the earlier of (a) the date on which this Plan is adopted by the Board or (b) the date on which this Plan is approved by the shareholders of the Company. No option may be granted after such termination or during any suspension of this Plan. The amendment or termination of this Plan shall not, without the consent of the option holder, alter or impair any rights or obligations under any option theretofore granted under this Plan.

SECTION 10. EFFECTIVENESS OF THIS PLAN

This Plan shall become effective upon adoption by the Board so long as it is approved by the Company's shareholders at any time within 12 months of such adoption of this Plan or, if earlier, and to the extent required for compliance with Rule 16b-3 under the Exchange Act, at the next annual meeting of shareholders after adoption by the Board.

Plan adopted by the Board of Directors on February 13, 1995, and approved by the shareholders on April 4, 1995.