FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the fiscal year ended: April 30, 1994

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
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 incorporation or organization)	(I.R.S. Employer Identification Number)
4410 Main Street, Kansas City, Missouri	64111
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (816) 753-6900

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, without par value	New York Stock Exchange
	Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, without par value
(Title of Class)

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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the price at which the stock was sold on June 1, 1994, was $4,252,270,128.

Number of shares of registrant's Common Stock, without par value, outstanding on June 1, 1994: 106,546,354.

DOCUMENTS INCORPORATED BY REFERENCE

Certain specified portions of the registrant's annual report to security holders for the fiscal year ended April 30, 1994, are incorporated herein by reference in response to Part I, Item 1, and Part II, Items 5 through 8, inclusive, and certain specified portions of the registrant's definitive proxy statement to be filed within 120 days after April 30, 1994, are incorporated herein by reference in response to Part III, Items 10 through 13, inclusive.

PART I

ITEM 1. BUSINESS.

GENERAL DEVELOPMENT OF BUSINESS

H&R Block, Inc. is a diversified services corporation that was organized in 1955 under the laws of the State of Missouri (the "Company"). It is the parent corporation in a two-tier holding company structure as a result of a corporate restructuring effected in March 1993. The second-tier holding company is H&R Block Group, Inc., a Delaware corporation and the direct owner of all of the shares of the Company's primary operating subsidiary corporations. Such primary operating subsidiaries consist of H&R Block Tax Services, Inc., CompuServe Incorporated and Block Financial Corporation. Developments within each of these segments of the Company during fiscal year 1994 are described in the section below entitled "Description of Business."

During the year ended April 30, 1994, the Company was not involved in any bankruptcy, receivership or similar proceedings or any material reclassifications, mergers or consolidations and, except for the disposition of all of the stock of Interim Services Inc., the Company did not acquire or dispose of any material amount of assets otherwise than in the ordinary course of business.

In November 1993, the Company acquired MECA Software, Inc. ("MECA"), a Delaware corporation involved in developing, publishing and marketing personal productivity software products designed to assist individuals in managing personal finances and in preparing their income tax returns, for $45,384,000 in cash. On November 15, 1993, the Company, through Block Acquisition Corporation ("BAC"), an indirect wholly-owned subsidiary of the Company, completed a $6.625 per share cash tender offer for all of the outstanding shares of common stock, par value $.01 per share, of MECA. The tender offer commenced on October 18, 1993, pursuant to the terms of an Agreement and Plan of Merger dated as of October 12, 1993 (the "Merger Agreement"). A total of 4,469,391 shares of MECA stock, representing approximately 96% of MECA's outstanding shares, were properly tendered by MECA shareholders pursuant to the tender offer, and were purchased by BAC. The remaining MECA shares were acquired by the Company on November 24, 1993, when, pursuant to the terms of the Merger Agreement, BAC was merged into MECA. In connection with the MECA transaction, the Company also acquired all rights to certain software code and editorial content marketed by MECA and thereby eliminated a significant portion of MECA's royalty obligations. MECA is a wholly-owned subsidiary of H&R Block Group, Inc.

Among the products marketed by MECA are TaxCut (trademark), a top-rated personal income tax return preparation software developed by Legal Knowledge Systems, Inc., a subsidiary of MECA, and Managing Your Money (trademark), computer software designed to assist individuals in managing personal finances. TaxCut is expected to provide the Company with products designed to address the market for taxpayers who prepare their own tax returns, while Managing Your Money is expected to complement the financial services offered by Block Financial Corporation and the on-line information services offered by CompuServe Incorporated.

On January 27, 1994, the Company (through its wholly-owned subsidiary, H&R Block Group, Inc.) sold its 100% interest in its indirect wholly-owned subsidiary, Interim Services Inc., through an initial public offering of 10,000,000 shares of common stock, par value $.01 per share, at an initial public offering price of $20.00 per share. The initial public offering was conducted in accordance with the terms of underwriting agreements among the Company, H&R Block Group, Inc., Interim Services Inc. and the underwriters. The closing of the transactions among the parties to the underwriting agreements occurred on February 3, 1994.

The initial public offering price was negotiated among the Company and representatives of the underwriters. Among the factors considered in determining the initial public offering price, in addition to prevailing market conditions, were Interim's historical performance, estimates of the business potential and earnings prospects of Interim, an assessment of Interim's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

The Company received cash proceeds from the sale of Interim stock of $188,500,000 (which represents the initial public offering price of $200,000,000, less an underwriting discount of $11,500,000), as well as $30,000,000 from the retirement of a term loan to Interim, for net proceeds from the transaction of $218,500,000. The Company recorded a net gain on the sale of stock of $27,265,000.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The information required by Item 101(b) of Regulation S-K relating to financial information about industry segments is contained in the Notes to the Consolidated Financial Statements in the Company's annual report to security holders for the fiscal year ended April 30, 1994, and is hereby incorporated by reference.

NUMBER OF EMPLOYEES

The Company, including its subsidiaries, has approximately 3,400 regular full-time employees. The highest number of persons employed by the Company during the fiscal year ended April 30, 1994, including seasonal employees, was approximately 82,800.

DESCRIPTION OF BUSINESS

H&R BLOCK TAX SERVICES, INC. ("TAX SERVICES")

GENERALLY. The income tax return preparation and related services segment continues to be the Company's largest business segment. Such services are provided to the public through a system of offices operated by Tax Services or by others to whom Tax Services has granted franchises. References in this Section to "Tax Services" include H&R Block Tax Services, Inc., and its subsidiaries involved in the income tax return preparation business, and references in this Section to "H&R Block" include both Tax Services and its franchisees.

Tax Services provides income tax return preparation services and electronic filing services worldwide and refund discounting services in Canada. In addition, H&R Block's Executive Tax Service provides income tax return preparation services generally to taxpayers with more complicated returns. H&R Block served 18,107,000 taxpayers worldwide during fiscal year 1994, a decrease from the 18,182,800 taxpayers served in fiscal year 1993. "Taxpayers served" includes taxpayers for whom H&R Block prepared income tax returns as well as taxpayers for whom Block provided only electronic filing services.

H&R Block also markets its knowledge of how to prepare income tax returns through its income tax training schools. These schools teach taxpayers how to prepare their own income tax returns, as well as provide Tax Services with a source of trained income tax return preparers. During the 1994 fiscal year, 133,458 students enrolled in H&R Block's basic and advanced income tax courses, compared to 133,268 students during fiscal year 1993.

TAX RETURN PREPARATION. During the 1994 income tax filing season (January 3 through April 30), H&R Block offices prepared approximately 15,181,000 individual United States and Canadian income tax returns. About 13,037,000 of these returns were United States returns, constituting 12.2% of an Internal Revenue Service estimate of total U.S. individual income tax returns filed during that time period. Tax Services prepared approximately 2,144,000 Canadian returns filed with Revenue Canada during the 1994 income tax filing season, a decrease from the 2,225,000 Canadian returns prepared in the previous year. H&R Block also prepares U.S. income tax returns in other countries and Australian tax returns in Australia. The returns prepared at offices in countries outside of the United States and Canada constituted 2.5% of the total returns prepared by H&R Block in the last fiscal year. The following table shows the approximate number of income tax returns prepared at H&R Block offices in the United States and Canada during the last five tax filing seasons:

Tax Season Ended April 30
(in thousands)

	1990	1991	1992	1993	1994
Returns prepared (U.S. and Canada)	13,318	14,589	15,179	15,189	15,181

During the tax season, most H&R Block offices are open from 9:00 a.m. to 9:00 p.m. weekdays and from 9:00 a.m. to 5:00 p.m. Saturdays and Sundays. Office hours are often extended during peak periods. Most tax preparation business is transacted on a cash basis. The procedures of Tax Services have been developed so that a customer's tax return is prepared in his or her presence, in most instances in less than one hour, on the basis of information furnished by the customer. In all Company-owned offices and most franchised offices, tax returns are prepared with the assistance of a computer. After the customer's return has been initially prepared, he or she is advised of the amount of his or her tax due or refund. The return, however, is retained and reviewed for theoretical accuracy. After completion of this review and after copies of the return have been made, the return is presented to the customer for signature and filing. These post-preparation procedures must be modified somewhat for customers who desire to have their returns electronically filed (see "Electronic Filing," below). If an H&R Block preparer makes an error in the preparation of a customer's tax return that results in the assessment of any interest or penalties on additional taxes due, while H&R Block does not assume the liability for the additional taxes, it guarantees payment of the interest and penalties.

EXECUTIVE TAX SERVICE. In addition to its regular offices, H&R Block offers tax return preparation services at Executive Tax Service offices in the United States and Canada. Appealing to taxpayers with more complicated returns, Executive Tax Service stresses the convenience of appointments, year-round tax service from the same preparer and private office interviews. The number of Executive Tax Service offices increased from 458 in fiscal year 1993 to 515 in 1994. In fiscal 1994, the number of Executive Tax Service clients increased to 513,726, compared to 432,497 in 1993 and 329,349 in 1992. Tax Services plans to continue to expand the Executive Tax Service segment of its tax return preparation business.

ELECTRONIC FILING. Tax Services and its participating franchisees offer to taxpayers a service consisting of the electronic filing of individual income tax returns. Electronic filing reduces the amount of time required for a taxpayer to receive a federal tax refund and provides assurance to the client that the return, as filed with the Internal Revenue Service, is mathematically accurate. If the customer desires, he or she may have his or her refund deposited by the Treasury Department directly into his or her account at a financial institution designated by the customer. Tax Services and its franchisees filed approximately 7,559,000 tax returns electronically in 1994, compared to 7,302,000 in fiscal 1993 and 6,778,000 in fiscal 1992. In some areas of the United States in 1994, Tax Services offered the electronic filing service at no charge to those clients for whom H&R Block prepared the tax return.

For U.S. returns, H&R Block offers a refund anticipation loan service in conjunction with its electronic filing service. In cooperation with selected national banking institutions, electronic filing customers who meet certain eligibility criteria are offered the opportunity to apply for loans from the banks in amounts based upon the customers' anticipated federal income tax refunds. Under this program, income tax return information is simultaneously transmitted by H&R Block to the Internal Revenue Service and the lending bank. Within a few days after the date of filing, a check in the amount of the loan, less a transaction fee (retained by the bank), is received by the refund anticipation loan customer. The Internal Revenue Service then deposits the participating customer's actual federal income tax refund into a designated account at the bank in order for the loan to be repaid. H&R Block's tax return preparation fee and electronic filing fee may be withheld from the loan proceeds and paid by the bank to Tax Services or the franchisee involved. Approximately 5,554,000 refund anticipation loans were processed in 1994 by H&R Block, compared to 5,662,000 in 1993.

In 1994, H&R Block offered a service to transmit state income tax returns to state tax authorities in 18 states and plans to continue to expand this program as more states make this filing alternative available to their taxpayers. H&R Block also offered the electronic filing of U.S. income tax returns at offices located in Europe and the electronic filing of Australian and Canadian income tax returns at its offices in Australia and Canada, respectively.

CASH BACK. In Canada, the Company and its franchisees offer a refund discount ("Cash Back") program to their customers. The procedures which H&R Block must follow in conducting the program are specified by Canadian law. In accordance with current Canadian regulations, if a customer's tax return indicates that such customer is entitled to a tax refund, a check is issued by H&R Block to the customer for an amount which is equal to the sum of (1) 85% of that portion of the anticipated refund which is less than or equal to $300 and (2) 95% of that portion of the refund in excess of $300. The customer assigns to H&R Block the full amount of the tax refund to be issued by Revenue Canada. The refund check is then sent by Revenue Canada directly to H&R Block and deposited by H&R Block in its bank account. In accordance with the law, the discount is deemed to include both the tax return preparation fee and the fee for tax refund discounting. This program is financed by short-term borrowing. The number of returns discounted under the Cash Back program decreased from 871,592 in fiscal year 1993 to 663,951 in fiscal year 1994. A decrease in 1994 was anticipated by the Company due to changes in procedures for the distribution of welfare payments in Canada.

OWNED AND FRANCHISED OFFICES. Most H&R Block offices are similar in appearance and usually contain the same type of furniture and equipment, in accordance with the specifications of Tax Services. Free-standing offices are generally located in business and shopping centers of large metropolitan areas and in the central business areas of smaller communities. All offices are open during the tax season. During the balance of the year only a limited number of offices are open, but through telephone listings, H&R Block personnel are available to provide service to customers throughout the entire year.

In fiscal year 1994, H&R Block also operated 895 offices in department stores, including 731 offices in Sears, Roebuck & Co. stores operated as "Sears Income Tax Service by H&R Block." During the 1994 tax season, the Sears facilities constituted approximately 7.6% of the tax office locations of H&R Block. In 1994, the Sears locations were operated under a license agreement that expires on December 31, 1994. A new license agreement is currently being negotiated and the Company has every reason to believe that Tax Services' contractual relationship with Sears will continue. Tax Services believes its relations with Sears to be excellent and that both parties to the license arrangement view the operations thereunder to date as satisfactory.

On April 15, 1994, there were 9,577 H&R Block offices in operation principally in all 50 states, the District of Columbia, Canada, Australia and Europe, compared to 9,511 offices in operation on April 15, 1993. Of the 9,577 offices, 4,537 were owned and operated by Tax Services and 5,040 were owned and operated by independent franchisees. Of such franchised offices, 3,460 were owned and operated by "satellite" franchisees of Tax Services (described below), 907 were owned and operated by "major" franchisees (described below) and 673 were owned and operated by satellite franchisees of major franchisees. From time to time, the Company has acquired the operations of existing franchisees and Tax Services will continue to do so if future conditions warrant such acquisitions and satisfactory terms can be negotiated.

Two types of franchises have principally been granted by the tax services segment of the Company. "Major" franchisees entered into agreements with the Company (primarily in the Company's early years) covering larger cities and counties and providing for the payment of franchise royalties based upon a percentage of gross revenues of their offices. Under the agreements, the Company granted to each franchisee the right to the use of the name "H&R Block" and provided a Policy and Procedure Manual and other supervisory services. Tax Services offers to sell furniture, signs, advertising materials, office equipment and supplies to major franchisees. Each major franchisee selects and trains the employees for his or her office or offices. Since March 1993, HRB Royalty, Inc., a Delaware corporation and a wholly-owned subsidiary of Tax Services, has served as the franchisor under the major franchise agreements.

In smaller localities, Tax Services grants what it terms "satellite" franchises. A satellite franchisee receives from Tax Services signs, designated equipment, specialized forms, local advertising, initial training, and supervisory services and, consequently, pays the Company a higher percentage of his or her gross tax return preparation and related service revenues as a franchise royalty than do major franchisees. Substantially all of the satellite franchises of Tax Services are located in cities with populations of 15,000 or less. Some major franchisees also grant satellite franchises in their respective areas.

It has always been the policy of the Company to grant tax return preparation franchises to qualified persons without an initial franchise fee; however, the policy of Tax Services is to require a deposit to secure compliance with franchise contracts. The deposit fund as of April 30, 1994, amounted to $2,378,000.

SEASONALITY OF BUSINESS. Since most of the customers of Tax Services file their tax returns during the period from January through April of each year, substantially all of Tax Services' revenues from income tax return preparation, related services and franchise royalties are received during this period. As a result, Tax Services operates at a loss through the first nine months of its fiscal year. Historically, such losses primarily reflect payroll of year-round personnel, training of income tax preparers, rental and furnishing of tax offices, and other costs and expenses relating to preparation for the following tax season.

SERVICE MARKS AND TRADEMARKS. HRB Royalty, Inc., a Delaware corporation and a wholly-owned subsidiary of Tax Services, owns the following service marks registered on the principal register of the United States Patent Office:

H&R Block in Two Distinct Designs
The Income Tax People
H&R Block Income Tax and Design
Income Tax Saver
Executive (when used in connection with the preparation of income tax returns for others)
Rapid Refund H&R Block and Design

Tax Services has a license to use the trade names and service marks of HRB Royalty, Inc., in the conduct of the business of Tax Services.

In addition, HRB Royalty, Inc., owns the following unregistered service marks and trademarks:

America's Largest Tax Service
Nation's Largest Tax Service

COMPETITIVE CONDITIONS. The tax return preparation and electronic filing business is highly competitive. Tax Services considers its primary source of tax return preparation competition to be the individual who prepares his own tax return.

In addition, there are substantial numbers of tax return preparation firms. Many of these firms and many firms not otherwise in the tax return preparation business are involved in providing electronic filing and refund anticipation loan services to the public. Commercial tax return preparers and electronic filers are highly competitive with regard to price, service and reputation for quality. Tax Services believes that in terms of the number of offices and tax returns prepared it is the largest tax return preparation firm in the United States. Tax Services also believes that in terms of the number of offices and tax returns electronically filed in fiscal year 1994, it is the largest provider of electronic filing services in the United States.

COMPUSERVE INCORPORATED ("COMPUSERVE")

GENERALLY. CompuServe, the Company's information services and computer communications subsidiary based in Columbus, Ohio, operates through three divisions - Information Services, Network Services and Support Services. CompuServe became a wholly-owned subsidiary of the Company in May 1980 and is presently a wholly-owned subsidiary of H&R Block Group, Inc. From its origins as a computer time-sharing firm, CompuServe has become a leading provider of computer-based information and communications services to businesses and individual owners of personal computers. CompuServe's highly sophisticated and efficient telecommunications network links CompuServe subscribers and system users to each other, to CompuServe's central computer facilities or to other computer centers and data bases distributed across the country and around the world. As of April 30, 1994, CompuServe's telecommunications network extended to 349 metropolitan local access points in the United States, covering all major metropolitan areas and many rural locations. Through the use of supplementary and other networks, CompuServe provides network coverage in the United States and in approximately 100 foreign countries which have public networks. CompuServe has also established local dial access points in more than 140 cities in ten countries.

CompuServe's largest division is its Information Services Division. The CompuServe Information Service, the online service for personal computer owners, provides subscribers with access to data stored on mainframes and networked personal computers. CompuServe is one of the leading providers of information services to national and international markets. The total number of subscribers to CompuServe Information Services increased to more than 1.8 million personal computer owners worldwide at the end of fiscal year 1994, compared to approximately 1.3 million at the end of the previous year. Membership in 1994 grew by more than 100% in Europe to 100,000 subscribers, helped in part by a new office in Paris. Among the services accessible through CompuServe's information system are online shopping services, stock market brokerage services and airline reservation services. Customers can also play computer games, conduct research, send and receive messages and exchange helpful tips about computer use through special interest bulletin boards called "Forums" simply by connecting their personal computers to an ordinary telephone line.

Through its Information Services Division, CompuServe has also developed a wide range of business services that enable companies to link their employees with the information needed to conduct business. The services include electronic mail, internal corporate information systems for diverse applications, and a host of business-related databases. Electronic mail and other communications systems provided by CompuServe allow business users flexible, two-way access to information in operating areas such as sales, marketing, investment research and information management. Through the use of these systems, suppliers and customers are able to access information easily and securely through personal computers and computer terminals.

CompuServe's Network Services Division provides value-added packet data network, frame relay and local area network services to corporations and many other diverse organizations. The network offers these organizations an exceptionally fast and reliable data communications system which can be customized to meet their particular requirements. The number of clients of the Network Services Division totalled 586 at the end of fiscal year 1994, an increase from the 484 clients at the end of fiscal year 1993.

One of the many applications for which the CompuServe network is utilized by its customers relates to point-of-sale transactions. CompuServe is a leading provider of value-added telecommunications services for point-of-sale authorization of credit card purchases. Using the CompuServe network, a merchant can pass a customer's card through a computer terminal and determine almost instantly whether the card is valid.

In addition to providing technical support to all other divisions of CompuServe, the Support Services Division of CompuServe again in fiscal year 1994 lent its expertise to the income tax return preparation and related services segment of the Company in the nationwide operation of H&R Block Tax Services, Inc.'s electronic filing program. The system developed and implemented by the Support Services Division ensured fast, accurate, high-volume transmission and processing of tax return refund claims. The Support Services Division also developed the income tax return preparation software used in H&R Block offices nationwide during fiscal year 1994.

Fiscal year 1994 saw the introduction of CompuServe CD, the multimedia companion to the CompuServe Information Service that combines CD-ROM based information, applications, sound, graphics and video with CompuServe's online services.

Subsequent to the end of fiscal year 1994, CompuServe disposed of CompuServe Data Technologies, a division that marketed database management software, and Collier-Jackson, Inc., a subsidiary of CompuServe that marketed newspaper management and financial software.

SERVICE MARKS, TRADEMARKS, PATENTS OR COPYRIGHTS. CompuServe owns the following service marks registered on the principal register of the United States Patent Office:

CompuServe
EasyPlex
The Electronic Mall
B+ Protocol
Forum
CB Simulator

In addition, CompuServe owns the following trademarks registered on the principal register of the United States Patent Office:

CompuServe Information Manager
InfoPlex
B Protocol
WINCIM
FRAME-Net

CompuServe also owns or claims numerous unregistered service marks or trademarks.

CompuServe presently holds no patents on its software programs. CompuServe is licensed by others to use various software programs and offers such programs to customers on a surcharge basis.

COMPETITIVE CONDITIONS. The online information and remote computer services businesses are highly competitive and consist of a large number of companies. The Company believes that, in terms of subscriber base, CompuServe is the largest provider of worldwide online information services. The remote computer services industry is highly fragmented and no single supplier can be considered to occupy a dominant position in the industry. CompuServe's Network Division continues to compete successfully with competitors who have larger sales and technical organizations than CompuServe.

BLOCK FINANCIAL CORPORATION ("BFC")

GENERALLY. Block Financial Corporation, a Delaware corporation and a subsidiary of H&R Block Group, Inc., was incorporated in May 1992 and such corporation, or a subsidiary thereof, is involved in investing in refund anticipation loans, offering H&R Block and CompuServe bank cards, leasing computer equipment to franchisees of H&R Block Tax Services, Inc. (or one of its subsidiaries), extending equity lines of credit to such franchisees, providing business insurance services to H&R Block Tax Services, Inc., its franchisees and other subsidiaries of the Company, and, through a captive insurance subsidiary, reinsuring certain Company risks and providing insurance coverages for third-party businesses.

BFC is a party to an agreement with Mellon Bank (DE) National Association ("Mellon") under which BFC purchases interests in a trust to which certain refund anticipation loans made by Mellon in the United States are sold. Mellon is one of the national banking institutions through which such loans are made to H&R Block electronic filing customers, as described in the section entitled "H&R Block Tax Services, Inc.," under "Electronic Filing." During fiscal year 1994, Mellon offered refund anticipation loans to customers of Tax Services and its franchisees in an area that included approximately one-half of the total of company-owned and satellite franchised offices in the United States. BFC purchased an interest of just under 50% in all refund anticipation loans made by Mellon during fiscal year 1994 at those tax offices in the Mellon territory. BFC's purchases were financed through short-term borrowing. BFC bears all of the risks associated with its interests in the refund anticipation loans.

Through Columbus Bank and Trust Company, Columbus, Georgia, BFC had issued in excess of 45,000 credit cards by the end of fiscal year 1994. The "H&R Block ValueCard" is designed for customers of H&R Block Tax Services, Inc., and the CompuServe Visa Card is designed for customers of CompuServe Incorporated. The cards currently feature a low annual fee, a market-based annual percentage rate of interest equivalent to the prime rate, plus 9.9%, and rebates for the services offered by Tax Services or CompuServe, as the case may be. BFC plans to introduce a value-added on-line transaction review service for customers with a CompuServe Visa Card.

In a program designed to help franchise owners automate their income tax return preparation operations in an economical manner, Franchise Partner, Inc., a subsidiary of BFC, offers direct finance capital leases to franchisees of either H&R Block Tax Services, Inc., or one of its subsidiary corporations in order to finance computer equipment. The leases offered are for terms of 24 or 36 months.

Franchise Partner, Inc., also offers to such franchisees equity lines of credit which must be used for purposes related to the operation of the franchise. A franchise equity line of credit is secured by the franchise itself. The program is designed to provide franchise owners with lines of credit with reasonable interest rates in order to better enable the franchisees to refinance existing business debt, expand or renovate offices or meet off-season cash flow needs. The minimum line of credit amount is generally $10,000 and the standard term for an equity line of credit is five years (with provisions for automatic extensions of such term). In most states during fiscal year 1994, draws against a line of credit were charged a variable monthly interest rate of the prime interest rate, plus one percent.

At the end of fiscal year 1994, the operations of the personal finance software (Managing Your Money (copyright)) portion of MECA Software, Inc., were combined with BFC. BFC intends to expand the market for such software beyond the consumer market to an integrated system designed to tie financial service companies to their customers.

COMPETITIVE CONDITIONS. The credit card, computer equipment leasing, lending and insurance businesses are highly competitive and consist of a large number of companies. No single supplier can be considered to occupy a dominant position in any of these businesses.

ITEM 2. PROPERTIES.

The executive offices of both the Company and H&R Block Tax Services, Inc., are located at 4410 Main Street, Kansas City, Missouri, in a three-story building owned by Tax Services which was constructed in 1963 and expanded in 1965, 1973 and 1981. Tax Services has acquired property adjacent to such building and an additional expansion is in the planning stages. Most other offices of Tax Services (except those in department stores) are operated in premises held under short-term leases providing fixed monthly rentals, usually with renewal options.

CompuServe's executive offices are located in an office complex in Columbus, Ohio, owned by CompuServe. CompuServe also owns and occupies two other buildings in the Columbus area and has broken ground on new facilities in the Columbus area (presently planned for occupancy in the third quarter of fiscal year 1996). In addition, CompuServe leases office space in three other buildings in the Columbus area and in a number of other locations in the United States and Europe. CompuServe owns SC30M computer systems purchased from Systems Concepts, Inc., and has assembled several SC-30 and SC-40 processors on-site via an agreement with such firm. CompuServe also owns central processors manufactured by Digital Equipment Corporation and located in its two computer centers. Due to the varying demands of different computer programs on the capabilities of the computer hardware, it is not possible to define a single measurement of the hardware capacity.

The executive offices of Block Financial Corporation are located in leased offices at 4435 Main Street, Kansas City, Missouri.

ITEM 3. LEGAL PROCEEDINGS.

There are no material legal proceedings pending by or against the Company or any of its subsidiaries.

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

No matters were submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of the fiscal year ended April 30, 1994.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT.

The executive officers of the Company, each of whom has been elected to serve at the discretion of the Board of Directors of the Company, are:

Name and age	Office(s)

Henry W. Bloch (71)	Chairman of the Board since August 1989; Chief Executive Officer from 1974 through July 1992; President from 1962 through July 1989; Member of the Board of Directors since 1955.
Thomas M. Bloch (40)	President since August 1989; Chief Executive Officer since August 1992; Chief Operating Officer from August 1989 through July 1992; Executive Vice President from August 1988 through July 1989; Member of the Board of Directors since 1983.
William F. Evans (46)	Senior Vice President, Corporate Operations, since August 1992. See Note 1.
William P. Anderson (45)	Vice President, Corporate Development, since December 1991; Chief Financial Officer since August 1992. See Note 2.
Robert L. Arnold (51)	Vice President since February 1986; Director of Internal Audit since 1978.
Ozzie Wenich (51)	Vice President, Corporate Controller and Treasurer since March 1994; Vice President and Corporate Controller from September 1985 until March 1994.

Note 1: Mr. Evans was Executive Vice President and Chief Financial Officer of Dun & Bradstreet Software Services, Inc., Atlanta, Georgia, from 1990 through July 1992; and Executive Vice President and Chief Financial Officer of Management Science America, Inc., Atlanta, Georgia, from 1988 until 1990.

Note 2: Mr. Anderson was a partner in KPMG Peat Marwick, accounting firm, from 1984 until December 1991, in Atlanta, Georgia, serving in various capacities, including responsibility for the firm's national corporate finance consulting practice.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

The information called for by this item is contained in the Company's annual report to security holders for the fiscal year ended April 30, 1994, under the heading "Common Stock Data," and is hereby incorporated by reference. The Company's Common Stock is traded principally on the New York Stock Exchange. The Company's Common Stock is also traded on the Pacific Stock Exchange. On June 10, 1994, there were 35,485 stockholders of the Company.

ITEM 6. SELECTED FINANCIAL DATA.

The information called for by this item is contained in the

Company's annual report to security holders for the fiscal year ended April 30, 1994, under the heading "Selected Financial Data," and is hereby incorporated by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information called for by this item is contained in the Company's annual report to security holders for the fiscal year ended April 30, 1994, under the headings "Management's Discussion and Analysis of Results of Operations" and "Management's Discussion and Analysis of Liquidity and Capital Resources," and is hereby incorporated by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information called for by this item and listed at Item 14(a)1 is contained in the Company's annual report to security holders for the fiscal year ended April 30, 1994, and is hereby incorporated by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There has been no change in the registrant's accountants during the two most recent fiscal years or any subsequent interim time period.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information called for by this item is contained in the Company's definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after April 30, 1994, in the section titled "Election of Directors" and in Item 4a of Part I of this report, and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information called for by this item is contained in the Company's definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after April 30, 1994, in the section titled "Compensation of Executive Officers," and is incorporated herein by reference, except that information contained in such section under the subtitles "Performance Graphs" and "Compensation Committee Report" is not incorporated herein by reference and is not to be deemed "filed" as part of this filing.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information called for by this item is contained in the Company's definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after April 30, 1994, in the section titled "Election of Directors" and in the section titled "Information Regarding Security Holders," and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information called for by this item is contained in the Company's definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after April 30, 1994, in the section titled "Election of Directors," and in the section titled "Compensation of Executive Officers," and is incorporated herein by reference, except that information contained in the section titled "Compensation of Executive Officers" under the subtitles "Performance Graphs" and "Compensation Committee Report" is not incorporated herein by reference and is not deemed "filed" as part of this filing.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) 1. FINANCIAL STATEMENTS

The following consolidated financial statements of H&R Block, Inc., and Subsidiaries are incorporated by reference to the Company's annual report to security holders for the year ended April 30, 1994:

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Consolidated Statements of Earnings	19
Consolidated Balance Sheets	20
Consolidated Statements of Cash Flows	21
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2. FINANCIAL STATEMENT SCHEDULES

Independent Auditors' Report

Schedule I - Marketable Securities - Other Security Investments

Schedule II - Amounts Receivable from Related Parties and Underwriters, Promoters and Employees Other Than Related Parties

Schedule VIII - Valuation and Qualifying Accounts

Schedule IX - Short-Term Borrowings

Schedules not filed herewith are either not applicable, the information is not material or the information is set forth in the financial statements or notes thereto.

3. EXHIBITS

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

3(b) Bylaws of H&R Block, Inc., as amended, filed as Exhibit 4 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1989, are incorporated by reference.

4(a) Conformed copy of Rights Agreement dated as of July 14, 1988 between H&R Block, Inc., and Centerre Trust Company of St. Louis, filed on

August 9, 1993 as Exhibit 4(c) to the Company's Registration Statement on Form S-8 (File No. 33-67170), is incorporated herein by reference.

4(b)	Form of Certificate of Designation, Preferences and Rights of Participating Preferred Stock of H&R Block, Inc., filed on August 9, 1989 as Exhibit 4(d) to the Company's Registration Statement on Form S-8 (File No. 33-30453), is incorporated by reference.
4(c)	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(c) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1990, is incorporated herein by reference.
4(d)	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(b) to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1991, is incorporated herein by reference.
10(a)	The Company's 1984 Long-Term Executive Compensation Plan, as amended (terminated as of September 8, 1993, except with respect to awards then outstanding thereunder), filed as Exhibit 28(a) to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1991, is incorporated herein by reference.
10(b)	The Company's 1993 Long-Term Executive Compensation Plan, filed as Exhibit 10 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1993, is incorporated herein by reference.
10(c)	The H&R Block Long-Term Performance Program, as amended.
10(d)	The H&R Block Deferred Compensation Plan for Directors, as amended.
10(e)	The H&R Block Deferred Compensation Plan for Executives, as amended.
10(f)	The H&R Block Supplemental Deferred Compensation Plan for Executives.
10(g)	The Amended and Restated H&R Block, Inc. Retirement Plan for Non-

Employee Directors, filed as Exhibit 10(e) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1989, is incorporated herein by reference.

10(h) The Company's 1989 Stock Option Plan for Outside Directors, as amended, filed as Exhibit 28(b) to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1991, is incorporated herein by reference.

11 Statement re Computation of Per Share Earnings.

13 Those portions of the annual report to security holders for the fiscal year ended April 30, 1994 which are expressly incorporated by reference in this filing are filed as Exhibit 13 hereto.

21 Subsidiaries of the Company.

23 The consent of Deloitte & Touche, Certified Public Accountants, is located immediately after the signature pages contained in this filing.

(b) Reports on Form 8-K.

The Company did not file any current reports on Form 8-K during the fourth quarter of the year ended April 30, 1994.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

June 22, 1994 By/s/ Thomas M. Bloch

Thomas M. Bloch, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title
/s/ Thomas M. Bloch Thomas M. Bloch	President, Chief Executive Officer and Director (principal executive officer)
/s/ G. Kenneth Baum	Director

G. Kenneth Baum

Signature	Title
/s/ Henry W. Bloch Henry W. Bloch	Director
/s/ Robert E. Davis Robert E. Davis	Director
/s/ Donna R. Ecton Donna R. Ecton	Director
/s/ Henry F. Frigon Henry F. Frigon	Director
/s/ Roger W. Hale Roger W. Hale	Director

(Signed as to each on June 22, 1994)

Signature	Title
/s/ Marvin L. Rich Marvin L. Rich	Director
/s/ Frank L. Salizzoni Frank L. Salizzoni	Director
/s/ Morton I. Sosland Morton I. Sosland	Director
/s/ William P. Anderson William P. Anderson	Vice President, Corporate Development and Chief Financial Officer (principal financial officer)
/s/ Ozzie Wenich Ozzie Wenich	Vice President, Corporate Controller and Treasurer (principal accounting officer)

(Signed as to each on June 22, 1994)

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Post-Effective Amendment No. 4 to Registration Statement No. 33-185 of H&R Block, Inc. and subsidiaries (relating to shares of Common Stock issued under the 1984 Long-Term Executive Compensation Plan) on Form S-8 and Registration Statement No. 33-33889 of H&R Block, Inc. and subsidiaries (relating to shares of Common Stock issuable under the 1989 Stock Option Plan for Outside Directors) on Form S-8 of our reports dated June 21, 1994, appearing in and incorporated by reference in this Annual Report on Form 10-K of H&R Block, Inc. and subsidiaries for the year ended April 30, 1994.

/s/Deloitte & Touche

Kansas City, Missouri
July 28, 1994

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
H&R Block, Inc.
Kansas City, Missouri

We have audited the consolidated financial statements of H&R Block, Inc. and subsidiaries as of April 30, 1994 and 1993 and for each of the three years in the period ended April 30, 1994, and have issued our report thereon dated June 21, 1994; such consolidated financial statements and report are included in your 1994 Annual Report to Stockholders and are incorporated herein by reference. Our audits also included the financial statement schedules of H&R Block, Inc. and subsidiaries, listed in Item 14. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche

Kansas City, Missouri
June 21, 1994

H&R BLOCK, INC.
AND SUBSIDIARIES

Schedule I - MARKETABLE SECURITIES - OTHER SECURITY INVESTMENTS

APRIL 30, 1994

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
CURRENT ASSETS:				
MUNICIPAL BONDS:				
Richfield, Minnesota Independent School District General Obligation Series 1993 B Floating Rate, Tax Exempt Adjustable Rate Bonds. Rate resets monthly on the first.	2,000,000	$2,000,000	$2,000,000	$2,000,000
Richfield, Minnesota Independent School District General Obligation School Building Series 1993 B Floating Rate, Tax Exempt Adjustable Rate Bonds. Rate resets monthly on the first.	2,260,000	2,260,000	2,260,000	2,260,000
Richfield, Minnesota Independent School District General Obligation School Building Series 1993 B Floating Rate, Tax Exempt Adjustable Rate Bonds. Rate resets monthly on the first.	1,315,000	1,315,000	1,315,000	1,315,000
Puerto Rico Commonwealth, Tax Exempt Adjustable Rate Bond. Rate resets every 28 days.	1,700,000	1,700,000	1,700,000	1,700,000
McLean County, North Dakota Solid Waste Disposal Revenues National Rural Utility COOP, Tax Exempt Adjustable Rate Bonds. Rate resets every 32 days.	3,200,000	3,200,000	3,200,000	3,200,000

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
Washington State Public Power Supply System #2, Tax Exempt Adjustable Rate Bonds. Rate resets every 35 days.	1,580,000	1,580,000	1,580,000	1,580,000
Philadelphia Hospital Pennsylvania, Tax Exempt Adjustable Rate Bonds. Rate resets every 35 days.	2,450,000	2,450,000	2,450,000	2,450,000
Illinois Housing Development Authority, Tax Exempt Adjustable Rate Bonds. Rate resets every 35 days.	5,000,000	5,000,000	5,000,000	5,000,000

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
CURRENT ASSETS (continued):				
MUNICIPAL BONDS (continued):				
Massachusetts Health and Education Facility Authority for Boston University, Tax Exempt Adjustable Rate Bonds. Rate resets every 35 days.	6,250,000	6,249,312	6,250,000	6,250,000
Georgia State General Obligation Series A - Private Placement, Tax Exempt Adjustable Rate Bonds. Rate resets every 36 days.	3,140,000	3,140,000	3,140,000	3,140,000
Georgia State General Obligation Series A - Private Placement, Tax Exempt Adjustable Rate Bonds. Rate resets every 30 days.	4,300,000	4,300,000	4,300,000	4,300,000
California State Housing University Revenues, Tax Exempt Adjustable Rate Bonds. Rate resets every 30 days.	7,600,000	7,600,000	7,600,000	7,600,000
Fairfax County, Virginia Industrial Development Authority Revenues, Tax Exempt Adjustable Rate Bonds. Rate resets every 29 days.	9,000,000	9,000,000	9,000,000	9,000,000
San Francisco, California City and County Sewer Revenue Float, Tax Exempt Adjustable Rate Bonds. Rate resets every 28 days.	2,800,000	2,800,000	2,800,000	2,800,000
Los Angeles, California Waste Water System Revenues 1992 B, Tax Exempt Adjustable Rate Bonds. Rate resets every 34 days.	4,000,000	4,000,000	4,000,000	4,000,000
Pre-Refunded Pooled Private Placement, Tax Exempt Adjustable Rate Bonds. Rate resets every 35 days.	5,000,000	5,000,000	5,000,000	5,000,000
First California Pre-Refunded, Tax Exempt Adjustable Rate Bonds. Rate resets every 36 days.	5,000,000	5,000,000	5,000,000	5,000,000
First California Pre-Refunded, Tax Exempt Adjustable Rate Bonds. Rate resets every 35 days.	1,100,000	1,100,000	1,100,000	1,100,000
Pre-Refunded Pooled Private Placement, Tax Exempt Adjustable Rate Bonds. Rate resets every 35 days.	3,500,000	3,500,000	3,500,000	3,500,000

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
CURRENT ASSETS (continued):				
MUNICIPAL BONDS (continued):				
New York City Municipal Water Financial Authority Water and Sewer Systems Revenues, Tax Exempt Adjustable Rate Bonds. Rate resets every 35 days.	2,000,000	2,000,000	2,000,000	2,000,000
Missouri State Environment Transportation and Energy Revenue (Union Electric Company), Tax Exempt Adjustable Rate Bonds. Rate resets every 35 days.	5,000,000	4,999,850	5,000,000	5,000,000
City of Chelsea, Massachusetts Lease Revenues Series A, Tax Exempt Adjustable Rate Bonds. Rate resets every 35 days.	5,000,000	5,000,000	5,000,000	5,000,000
Underwood, North Dakota Pollution Control Revenues (COOP Power Association Project) Series A, Tax Exempt Adjustable Rate Bonds. Rate resets every 34 days.	5,000,000	5,000,000	5,000,000	5,000,000
Los Angeles, California Waste and Water System Revenues Series 1992 B, Tax Exempt Adjustable Rate Bonds. Rate resets every 36 days.	4,000,000	4,000,000	4,000,000	4,000,000
Washington State Housing Financial Single Family Mortgage Revenues Refunding, Tax Exempt Adjustable Rate Bonds. Rate resets every 36 days.	2,100,000	2,100,000	2,100,000	2,100,000
Missouri State Environmental Transportation and Energy Revenues (Union Electric), Tax Exempt Adjustable Rate Bonds. Rate resets every 36 days.	2,900,000	2,900,000	2,900,000	2,900,000
City of Chelsea, Massachusetts Lease Revenues Series A, Tax Exempt Adjustable Rate Bonds. Rate resets every 36 days.	2,000,000	2,000,000	2,000,000	2,000,000
Montana State Health Facility Authority, Tax Exempt				

Adjustable Rate Bonds. Rate resets every 35 days.	3,650,000	3,650,000	3,650,000	3,650,000
New York, New York City Municipal Water Financial Authority Water and Sewer Revenue Fiscal 1989 B, Tax Exempt Adjustable Rate Bonds. Rate resets every 36 days.	5,000,000	5,000,000	5,000,000	5,000,000

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
CURRENT ASSETS (continued):				
MUNICIPAL BONDS (continued):				
California State Department of Water Resource, Tax Exempt Adjustable Rate Bonds. Rate resets every 39 days.	8,700,000	8,700,000	8,700,000	8,700,000
Vermont Student Assistance Corporation Series E, Tax Exempt Adjustable Rate Bonds. Rate resets every 35 days.	2,300,000	2,300,000	2,300,000	2,300,000
Student Loan Acquisition Authority of Arizona Series 1994 A-2 "AGES", Tax Exempt Adjustable Rate Bonds. Rate resets every 35 days.	5,000,000	5,000,000	5,000,000	5,000,000
City of Wamego, Kansas (Western Resources Project) Pollution Control Revenues, Tax Exempt Adjustable Rate Bonds. Rate resets every 16 days.	5,000,000	4,999,450	4,999,450	4,999,450
Massachusetts Bay Transportation Authority General Transportation System Series A, Tax Exempt Adjustable Rate Bonds. Rate resets every 137 days.	1,500,000	1,501,080	1,501,080	1,500,432
New York State Dormitory Authority Revenues for Cornell University, Tax Exempt Adjustable Rate Bonds. Rate resets every 35 days.	5,000,000	5,000,000	5,000,000	5,000,000
New York State Urban Development 1994-7, Tax Exempt Adjustable Rate Bonds. Rate resets every 128 days.	5,000,000	5,000,000	5,000,000	5,000,000
State of Washington General Obligation 1994-15, Tax Exempt Adjustable Rate Bonds. Rate resets every 118 days.	3,400,000	3,400,000	3,400,000	3,400,000
Oklahoma City, Oklahoma Municipal Improvement Authority Water System Revenue Bonds Series 1985 A, Tax Exempt Municipal Bonds. 7.75% Mature May 1, 1994.	500,000	500,000	500,000	500,000
Missouri State Health and Education Facility for John Knox Village. Letter of Credit at Security Pacific. 7.375% Mandatory tender May 1, 1994 at par.	1,000,000	996,250	1,000,250	1,000,000

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
CURRENT ASSETS (continued):				
MUNICIPAL BONDS (continued):				
Michigan State Hospital Finance Authority Revenue Bonds for Henry Ford Hospital, Series 1984-A. 10.50% Callable May 1, 1994 at 102.	660,000	754,941	673,477	660,000
Missouri State Health and Educational Facilities Authority for John Knox Village Revenue Bond. 7.375% Mandatory put May 1, 1994 at par.	745,000	773,362	745,186	745,000
Tonawanda Town, New York Bond Anticipation Notes. 2.75% Mature May 12, 1994.	2,250,000	2,249,887	2,249,181	2,250,000
Missouri State Health and Education Facility Authority Revenue Series B, St. Louis University. 6.20% Matures June 1, 1994.	455,000	455,000	456,411	455,000
State of Texas Veterans Land Housing Division 1983 Authority, General Obligation Bond, Series A. 9.00% Callable June 1, 1994.	1,000,000	1,102,520	1,025,000	1,043,600
Minneapolis, Minnesota Water and Sewer Revenues Series 1992, Tax Exempt Municipal Notes. 4.75% Callable June 1, 1994 at par.	2,500,000	2,507,525	2,510,623	2,502,508
Fraser, Colorado Industrial Development Revenue Refunding Series 1993 (Safeway, Inc. Project), Tax Exempt Adjustable Put Bonds. 2.75% Mandatory put June 1, 1994.	2,100,000	2,100,000	2,100,000	2,100,000
Tremonton City, Utah Industrial Development Revenue Refunding Series 1993 (Safeway, Inc. Project), Tax Exempt Adjustable Put Bonds. 2.75% Mandatory put June 1, 1994.	1,300,000	1,300,000	1,300,000	1,300,000
South Essex, Massachusetts Sewer District Temporary Notes General Obligation, Tax Exempt Municipal Notes. 2.75% Mature June 17, 1994.	5,000,000	4,994,300	4,992,495	4,997,557

California Statewide Community Development Authority Revenues Pool Series A, Tax Exempt Municipal Notes. 3.25% Mature June 30, 1994.	5,000,000	5,008,600	5,001,400	5,003,440

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
CURRENT ASSETS (continued):				
MUNICIPAL BONDS (continued):				
Philadelphia, Pennsylvania School District Tax and Revenue Anticipation Notes, Tax Exempt Municipal Notes. 3.625% Mature June 30, 1994.	5,000,000	5,013,650	5,003,250	5,006,825
Philadelphia, Pennsylvania School District Tax and Revenue Anticipation Notes, Tax Exempt Municipal Notes. 3.625% Mature June 30, 1994.	2,500,000	2,506,225	2,501,625	2,503,113
California School Cash Reserve Program Authority Series A, Tax Exempt Municipal Notes. 3.40% Mature July 5, 1994.	5,000,000	5,007,250	5,002,000	5,004,833
Lake County School District #116, Illinois Tax Anticipation Warrants (Round Lake), Tax Exempt Municipal Notes. 4.00% Mature July 19, 1994.	750,000	753,127	753,128	752,085
California State Revenue Anticipation Warrants Series B, Tax Exempt Municipal Notes. 3.50% Mature July 26, 1994.	3,000,000	3,008,700	3,003,000	3,005,220
California State Revenue Anticipation Warrants Series B, Tax Exempt Municipal Notes. 3.50% Mature July 26, 1994.	2,500,000	2,507,250	2,502,500	2,504,350
Will County School District #161 (Summit Hill) Illinois Tax Anticipation Warrants, Tax Exempt Municipal Notes. 3.49% Mature August 1, 1994.	500,000	500,540	500,540	500,324
Denver, Colorado City and County Airport Revenue Bonds. 8.375% Callable August 1, 1994 at par.	1,000,000	1,130,490	1,007,030	1,030,495
Texas State General Obligation Bond. 6.50% Matures August 1, 1994.	1,945,000	1,942,569	1,961,532	1,944,878
Illinois Housing Development Authority Residential Revenue - Third Party Citibank, Tax Exempt Adjustable Put Bond. 2.70% Optional put August 1, 1994.	5,000,000	5,001,200	5,002,400	5,000,600
Illinois Housing Development Authority Series C, Tax Exempt Adjustable Put Bond. 2.70% Mandatory put August 1, 1994.	3,520,000	3,517,466	3,521,690	3,518,733

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
CURRENT ASSETS (continued):				
MUNICIPAL BONDS (continued):				
Elizabeth, New Jersey Bond Anticipation Notes, Tax Exempt Municipal Notes. 3.60% Mature August 3, 1994.	5,000,000	5,003,700	4,997,225	5,002,775
New Mexico Mortgage Finance Authority Single Family Mortgage 1988 Series A (Federal Insurance of Guaranty Asset Loans), Tax Exempt Adjustable Put Bond. 3.125% Optional put September 1, 1994.	2,360,000	2,360,000	2,384,822	2,360,000
Passaic, New Jersey Tax Anticipation Notes, Tax Exempt Municipal Notes. 3.75% Mature September 22, 1994.	3,000,000	3,006,570	2,998,764	3,004,380
Massachusetts Bay Transportation Authority General Obligation Notes Series B, Tax Exempt Municipal Notes. 3.25% Mature September 30, 1994.	4,600,000	4,612,052	4,602,668	4,607,533
Jersey City, New Jersey Bond Anticipation Notes, Tax Exempt Municipal Notes. 3.50% Mature September 30, 1994.	5,000,000	5,012,750	4,992,095	5,009,107
Kansas City, Missouri Industrial Development Authority Hospital Revenue Bond 1984 Series A (St. Luke's Hospital) (Insured by Industrial Indemnity Company). 9.40% Matures October 1, 1994.	250,000	249,375	256,938	249,974
Little Blue Valley, Missouri Sewer District Sewer System Refunding Revenue Bond. 7.80% Matures October 1, 1994.	500,000	498,750	510,310	499,940
Florida State Municipal Power, Tax Exempt Municipal Bond. 9.00% Callable October 1, 1994.	1,000,000	1,128,770	1,046,030	1,010,318
Jacksonville, Florida St. John's River Power #1 Electric Authority Revenue Bond, Series 2. 9.00% Matures October 1, 1994.	1,000,000	1,108,360	1,025,180	1,008,711

City of Dallas, Texas Water Works and Sewer System Revenue Bond. 9.00% Matures October 1, 1994.	1,550,000	1,714,161	1,589,432	1,563,239

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
CURRENT ASSETS (continued):				
MUNICIPAL BONDS (continued):				
Michigan State Building Authority Revenue Detroit Regional Prison Series I. 7.00% Matures October 1, 1994.	1,000,000	1,019,500	1,017,840	1,001,741
Nevada Housing Division Single Family Mortgage Senior Revenues Series B, Tax Exempt Adjustable Put Bond. 3.25% Optional put October 1, 1994 at par.	1,315,000	1,314,671	1,330,938	1,314,726
Montana Board of Housing Single Family Mortgage Revenues Series C, Tax Exempt Adjustable Put Bond. 3.25% Optional put October 1, 1994 at par.	1,795,000	1,794,551	1,794,551	1,794,626
Toledo, Ohio Bond Anticipation Notes, Tax Exempt Municipal Notes. 3.70% Mature October 13, 1994.	2,360,000	2,362,313	2,357,279	2,361,982
Kane County, Illinois School District #300 Tax Anticipation Warrants (Dundee/Carpenterville), Tax Exempt Municipal Notes. 3.98% Mature October 19, 1994.	2,500,000	2,505,550	2,505,550	2,504,625
Orange Township, New Jersey Tax Anticipation Notes, Tax Exempt Municipal Notes. 3.75% Mature October 28, 1994.	5,000,000	5,002,750	5,002,750	5,002,750
Chicago O'Hare International Airport Revenue Bond Series B. 10.375% Callable January 1, 1995 at 103.	500,000	587,210	534,735	513,562
Chicago, Illinois Park District Capital Improvement Unlimited Tax General Obligation Bond. 9.70% Matures January 1, 1995.	550,000	618,992	569,630	559,199
Florida State Jacksonville Transportation Authority General Obligation Bond. 9.00% Matures January 1, 1995.	1,000,000	1,092,440	1,032,060	1,012,750
Dallas County, Texas General Obligation Bond. 8.75% Matures January 10, 1994.	630,000	689,233	650,752	636,219
		239,057,242	238,257,797	238,091,600

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
CURRENT ASSETS (continued):				
REDEEMABLE PREFERRED STOCK:				
Muniyield Quality Fund Series A, Tax Exempt Money Market Preferred Stock	99	4,950,000	4,950,000	4,950,000
Ford Holdings, Inc. Series A, Money Market Preferred Stock	16	1,600,000	1,600,000	1,600,000
Nuveen California Municipal Opportunity Fund Series W, Tax Exempt Money Market Preferred Stock	200	5,000,000	5,000,000	5,000,000
Voyager Minnesota Municipal Income Fund II Series A, Tax Exempt Money Market Preferred Stock	71	3,550,000	3,550,000	3,550,000
Paine Webber Premium Insured Municipal Income Fund C, Tax Exempt Money Market Preferred Stock	60	3,000,000	3,000,000	3,000,000
Asea Brown Boveri Limited Special Finance Series A, Money Market Preferred Stock	2	2,000,000	2,000,000	2,000,000
Pacificorp Series A-1, Money Market Preferred Stock	26	2,600,000	2,600,000	2,600,000
Van Kampen Investment Grade Florida, Tax Exempt Money Market Preferred Stock	86	4,300,000	4,300,000	4,300,000
Seligman Select Municipal Fund Series B, Tax Exempt Money Market Preferred Stock	50	5,000,000	5,000,000	5,000,000
Van Kampen Merritt Trust Investment Grade Florida, Tax Exempt Money Market Stock	83	4,150,000	4,150,000	4,150,000
Muniyield Insured Fund Series D, Tax Exempt Money Market Preferred Stock	160	8,000,000	8,000,000	8,000,000
Nuveen Premium Income Municipal Fund Series A, Tax Exempt Money Market Preferred Stock	70	7,000,000	7,000,000	7,000,000
Muniyield Quality I Series C, Tax Exempt Money Market				

Preferred Stock	100	5,000,000	5,000,000	5,000,000
Voyager Minnesota Municipal Income Fund, Tax Exempt Money Market Preferred Stock	120	6,000,000	6,000,000	6,000,000

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
CURRENT ASSETS (continued):				
REDEEMABLE PREFERRED STOCK (continued):				
Muniyield Quality Fund Series C, Tax Exempt Money Market Preferred Stock	160	8,000,000	8,000,000	8,000,000
Van Kampen Merritt Ohio Quality Municipal Trust, Tax Exempt Money Market Preferred Stock	20	1,000,000	1,000,000	1,000,000
Van Kampen Opportunity Trust Series B, Tax Exempt Money Market Preferred Stock	117	5,850,000	5,850,000	5,850,000
Van Kampen Opportunity Trust Series B, Tax Exempt Money Market Preferred Stock	100	5,000,000	5,000,000	5,000,000
Voyager Minnesota Municipal Income Fund, Tax Exempt Money Market Preferred Stock	80	4,000,000	4,000,000	4,000,000
Voyager Minnesota Municipal Income Fund II Series B, Tax Exempt Money Market Preferred Stock	100	5,000,000	5,000,000	5,000,000
Fiat Corporation Series B, Money Market Preferred Stock	5	5,000,000	5,000,000	5,000,000
Duke Power Company Series A, Money Market Preferred Stock	14	1,400,000	1,400,000	1,400,000
Virginia Electric and Power Company, Money Market Preferred Stock	13	1,300,000	1,300,000	1,300,000
Nuveen Performance Series W, Tax Exempt Money Market Preferred Stock	200	5,012,300	5,017,500	5,012,300
Nuveen Performance Series W, Tax Exempt Money Market Preferred Stock	160	4,014,000	4,014,000	4,014,000
ACM Municipal Income Fund Series A, Tax Exempt Money Market Preferred Stock	50	2,504,961	2,504,961	2,504,961
Nuveen New York Select Quality Series W, Tax Exempt Money Market Preferred Stock	120	3,006,371	3,006,371	3,006,371

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
CURRENT ASSETS (continued):				
REDEEMABLE PREFERRED STOCK (continued):				
Van Kampen Merritt Municipal Trust A, Tax Exempt Money Market Preferred Stock	100	5,025,500	5,025,500	5,025,500
		118,263,132	118,268,332	118,263,132
OTHER:				
Rite Aid Corporation, Commercial Paper	1,300,000	1,296,663	1,296,663	1,296,663
Philadelphia, Pennsylvania Gas Works Revenue Notes Series A, Tax Exempt Commercial Paper	5,000,000	5,000,000	5,000,000	5,000,000
Emery County, Utah Pollution Control Revenues (Pacificorp Project) Series 1991, Tax Exempt Commercial Paper	4,200,000	4,200,000	4,200,000	4,200,000
Municipal Electric Authority Georgia Money Market Municipal Project 1 Series A, Tax Exempt Commercial Paper	5,000,000	5,000,000	5,000,000	5,000,000
Sacramento Municipal Utility District Series H, Tax Exempt Commercial Paper	5,000,000	5,000,000	5,000,000	5,000,000
Maryland Health and Higher Education Pooled Loan on Progress Revenue Notes (John Hopkins Hospital) Series C, Tax Exempt Commercial	5,000,000	5,000,000	5,000,000	5,000,000
Brazos River Harbor Navigation District of Brazoria County, Texas Variable Rate Pollution Control Revenues (The Dow Chemical Company) Series 1988, Tax Exempt Commercial Paper	2,500,000	2,500,000	2,500,000	2,500,000
Venengo Industrial Development Authority Resource Recovery Revenues Series 1993 (Scrubgrass Project), Tax Exempt Commercial Paper	2,400,000	2,400,000	2,400,000	2,400,000
Wake County, North Carolina Industrial Facility and Pollution Control for Carolina Power and Light Project 1990 B, Tax Exempt Commercial Paper	5,000,000	5,000,000	5,000,000	5,000,000

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
CURRENT ASSETS (continued):				
OTHER (continued):				
Hoosier City of Sullivan, Indiana National Rural Utilities Co-op Financial Corporation (Hoosier Energy Rural Electric Co-op), Tax Exempt Commercial Paper	3,200,000	3,200,000	3,200,000	3,200,000
Anne Arundel County, Maryland Economic Development Revenues (Baltimore Gas and Electric) Series 1988, Tax Exempt Commercial Paper	5,000,000	5,000,000	5,000,000	5,000,000
Sweetwater County, Wyoming Environmental Improvement Revenue Bonds (Pacific Corporation Project) Series 1990 A, Tax Exempt Commercial Paper	2,200,000	2,200,000	2,200,000	2,200,000
Salt Lake City, Utah Flexible Rate Revenue Bonds Series 1990, Tax Exempt Commercial Paper	5,000,000	5,000,000	5,000,000	5,000,000
Oklahoma Industries Authority Flexible Rate Hospital Revenues (Baptist Medical Center of Oklahoma) Series 1990 B, Tax Exempt Commercial Paper	5,000,000	5,000,000	5,000,000	5,000,000
City and County of Denver, Colorado Airport Systems Revenue Bonds Series 1990 D, Tax Exempt Commercial Paper	5,000,000	5,000,000	5,000,000	5,000,000
Sarasota County Public Hospital District Sarasota Memorial Hospital Series B, Tax Exempt Commercial Paper	5,450,000	5,450,000	5,450,000	5,450,000
City of Petersburg, Indiana Pollution Control Revenues Series 1991 (Indianapolis Power and Light Project), Tax Exempt Commercial Paper	4,700,000	4,700,000	4,700,000	4,700,000
City of Maysville, Kentucky Solid Waste Disposal Revenues Series 1992, Tax Exempt Commercial Paper	1,035,000	1,035,000	1,035,000	1,035,000
Markborough Properties, Inc., Commercial Paper	3,616,500	3,613,679	3,613,643	3,613,679
Honda Canada, Inc., Commercial Paper	2,531,550	2,527,626	2,527,575	2,527,626
Ford Credit Canada, Limited, Commercial Paper	2,531,550	2,524,006	2,523,854	2,524,006

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
CURRENT ASSETS (continued):				
OTHER (continued):				
Ford Credit Canada, Limited, Commercial Paper	2,169,900	2,161,394	2,159,796	2,161,394
Confederation Life Insurance Company, Commercial Paper	2,531,550	2,518,234	2,517,977	2,518,234
Confederation Life Insurance Company, Commercial Paper	2,531,550	2,515,829	2,515,551	2,515,829
Confederation Life Insurance Company, Commercial Paper	2,531,550	2,512,614	2,512,135	2,512,614
Confederation Life Insurance Company, Commercial Paper	2,531,550	2,509,855	2,516,910	2,509,855
Confederation Life Insurance Company, Commercial Paper	2,531,550	2,506,412	2,506,209	2,506,412
General Motors Acceptance Corporation Canada, Commercial Paper	10,849,500	10,686,106	10,685,571	10,686,106
Chrysler Credit Canada, Commercial Paper	10,849,500	10,631,100	10,631,425	10,631,100
		116,688,518	116,692,309	116,688,518
TOTAL CURRENT ASSETS		$474,008,892	$473,218,438	$473,043,250
NON-CURRENT ASSETS:				
MUNICIPAL BONDS:				
San Antonio, Texas Sewer Bonds. 8.75% Mature May 1, 2005. Callable May 1, 1995.	500,000	$538,475	$532,270	$505,742
Arlington, Texas General Obligation Permanent Improvement Refunding Bonds. 9.25% Mature May 1, 2005. Callable May 1, 1995 at par.	500,000	551,005	524,605	507,613
Missouri State Health and Education Facility Authority Revenue Bond, Series A, St. Louis University. 6.40% Matures June 1, 1995.	500,000	500,000	513,390	500,000
Ocean County, New Jersey Unlimited Tax General Obligation Bond. 9.60% Matures June 1, 1995. Noncallable.	740,000	841,965	784,245	761,040

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
NON-CURRENT ASSETS (continued):				
MUNICIPAL BONDS (continued):				
University of Arizona Revenue Bonds, Series A. 9.00% Mature June 1, 1995.	930,000	1,026,952	979,718	950,006
Reading, Pennsylvania General Obligation Bond, Series A. 9.125% Matures June 15, 2015. Prerefunded June 15, 1995 at par.	1,000,000	1,129,120	1,054,740	1,024,691
Indianapolis, Indiana Airport Authority Revenue Bond. 7.00% Matures July 1, 1995.	425,000	429,645	438,141	425,000
Florida State Turnpike Authority Revenue Bond. 7.25% Matures July 1, 1995. Noncallable.	1,000,000	1,028,540	1,036,310	1,006,243
South Carolina State Public Service Authority Electric Expansion Revenue Refunding Bonds, Series 1985 A. 8.60% Mature July 1, 1997. Callable July 1, 1995.	1,000,000	1,094,560	1,078,290	1,041,302
Kansas City, Missouri Metropolitan Community Colleges Building Corporation Leasehold, Real Estate and Improvement General Obligation Bonds. FGIC Insured. 9.375% Mature July 1, 2005. Callable July 1, 1995 at 101.	2,000,000	2,306,040	2,138,400	2,060,346
Intermountain Power Agency, Utah Power Supply Revenue Crossover Bond, Series H. 9.00% Matures July 1, 2019. Callable July 1, 1995 at 101.50.	1,500,000	1,648,605	1,603,515	1,533,023
Texas General Obligation College Student Loan Bond. 6.60% Matures August 1, 1995. Noncallable.	1,500,000	1,496,250	1,554,990	1,499,219
Indiana Municipal Bank Bond, Series B. 9.125% Matures February 1, 2005. Callable August 1, 1995.	1,000,000	1,104,740	1,086,390	1,018,831
Mesquite, Texas Independent School District Unlimited Tax Bond. 10.25% Matures August 15, 1995.	300,000	347,433	322,557	310,780
NON-CURRENT ASSETS (continued):				
MUNICIPAL BONDS (continued):				
City of Plano, Texas General Obligation Bonds, Series 1988 A (FGIC Insured). 10.00% Mature September 1, 1995.	650,000	756,041	698,691	670,417
Hillsborough County, Florida School District Bond, Series A. 8.875% Matures September 1, 2002. Callable September 1, 1995 at 102.	500,000	550,925	540,220	509,817
Harris County, Texas Flood Control District Bond. 8.70% Matures October 1, 1995.	1,000,000	1,174,970	1,070,170	1,028,149
Harris County, Texas Road Improvement General Tax Obligation Bond. 9.30% Matures October 1, 2001. Callable October 1, 1995 at par.	750,000	836,453	803,302	767,209
Salt Lake County, Utah Water Conservancy District Revenue Bond, Series A. 9.25% Matures October 1, 2002. Callable October 1, 1995 at 101.	1,000,000	1,123,020	1,079,820	1,082,285
Columbia, Missouri Water and Electric Revenue Bond. 9.00% Matures October 1, 2005. Callable October 1, 1995 at 102 and October 1, 1997 at par.	2,000,000	2,242,600	2,171,680	2,128,166
Ohio State Public Facilities Commission Higher Education Facilities Revenue Bond. 8.10% Matures November 1, 1995. Noncallable.	1,500,000	1,617,690	1,584,930	1,528,171
Dallas-Fort Worth, Texas Airport Bond. 9.125% Matures November 1, 2015. Callable November 1, 1995 at par.	1,000,000	1,097,820	1,093,090	1,020,371
Kansas City, Missouri Municipal Assistance Corporate Revenue Bond. 7.00% Matures December 1, 1995.	200,000	200,000	208,352	200,000
Cincinnati, Hamilton County, Ohio Urban Redevelopment Improvement Unlimited Tax Registered Bond. 6.875% Matures December 1, 1995. Noncallable.	500,000	506,960	522,520	501,740

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
NON-CURRENT ASSETS (continued):				
MUNICIPAL BONDS (continued):				
Wheaton, Illinois Revenue Bond, Franciscan Health Care, Inc. MBIA Insured. 8.50% Matures December 1, 1997. Callable December 1, 1995 at par.	745,000	818,017	801,285	778,761
Philadelphia, Pennsylvania Water and Sewer Revenue Bond, 11th Series, Subseries A. 9.10% Matures December 1, 2002. Callable December 1, 1995 at 102 and December 1, 1997 at par.	1,000,000	1,137,040	1,092,390	1,033,640
Fort Worth, Texas Water and Sewer Revenue Bond. 9.00% Matures March 1, 1996. Noncallable.	600,000	673,170	647,850	620,317
El Paso, Texas Water and Sewer Revenue Bond. 10.00% Matures March 1, 1996. Noncallable.	1,200,000	1,408,104	1,316,424	1,257,880
Plano, Texas Unlimited Tax General Obligation Bond. 8.00% Matures March 1, 1996.	1,000,000	1,061,110	1,031,330	1,018,417
University of Arizona Revenue Bonds, Series A. 9.00% Mature June 1, 1996.	1,020,000	1,145,939	1,117,084	1,061,980
Salt Lake County, Utah General Obligation Bond. 8.50% Matures June 15, 1996. Noncallable.	700,000	768,971	760,452	723,450
Washington State Public Power Supply System Nuclear Project #3 Revenue Refunding Bond, Series B. 6.70% Matures July 1, 1996.	1,000,000	995,000	1,043,900	1,000,000
Orlando and Orange County, Florida Expressway Authority Revenue Bond. 6.30% Matures July 1, 1996. Noncallable.	1,350,000	1,319,153	1,405,743	1,339,447
Tarrant County, Texas General Obligation Limited Tax Bond. 9.25% Matures July 15, 1996. Noncallable.	1,000,000	1,119,760	1,105,460	1,042,587
Milwaukee County, Wisconsin General Obligation Refunding Bond. 8.10% Matures September 1, 1996.	500,000	531,420	517,165	505,237

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
NON-CURRENT ASSETS (continued):				
MUNICIPAL BONDS (continued):				
Washington State General Obligation Various Purpose Bond. 10.00% Matures October 1, 1996. Noncallable.	1,000,000	1,174,980	1,128,500	1,064,233
Milwaukee, Wisconsin Unlimited Tax General Obligation Bond. 7.20% Matures October 1, 1997. Callable October 1, 1996 at par.	550,000	561,501	579,557	554,169
Oregon State General Obligation Bond. 5.00% Matures October 15, 1996. Noncallable.	1,000,000	903,410	1,023,900	963,932
Kansas City, Missouri Municipal Assistance Corporate Leasehold Revenue Capital Improvement Bond, Series 1990 A. AMBAC Insured. Matures October 15, 1996. No periodic interest.	1,900,000	1,280,676	1,693,489	1,653,107
Ohio State Public Facilities Commission Higher Education Facilities Revenue Bond. 8.10% Matures November 1, 1996. Noncallable.	700,000	751,562	760,116	719,336
Cincinnati, Hamilton County, Ohio Urban Redevelopment Improvement Unlimited Tax Registered Bond. 6.875% Matures December 1, 1996. Noncallable.	500,000	506,380	532,840	502,248
Kansas City, Missouri Water Revenue Bond. 9.25% Matures December 1, 1996.	690,000	792,534	774,049	728,763
Houston, Texas Water and Sewer System Revenue Exchange Bond. 7.75% Matures December 1, 1996. Noncallable.	1,000,000	1,053,220	1,082,850	1,020,368
Monmouth County, New Jersey General Improvement Utility Bond. 9.25% Matures December 1, 1996. Noncallable.	920,000	1,050,014	1,033,510	969,759
Birmingham, Jefferson, Alabama Civic Center Special Tax Revenue Bond, Series 1989 B. 6.80% Matures January 1, 1997. Noncallable.	1,000,000	1,005,250	1,052,320	1,002,049
Allegheny, Pennsylvania General Obligation Bond. 7.30% Matures February 15, 1997. Noncallable.	1,000,000	1,038,400	1,073,470	1,015,406

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
NON-CURRENT ASSETS (continued):				
MUNICIPAL BONDS (continued):				
Massachusetts State Water Resource Authority Revenue Bond. 6.90% Matures April 1, 1997.	1,015,000	1,015,000	1,076,671	1,015,000
Albuquerque, New Mexico Airport Revenue Bonds. 8.875% Mature July 1, 2007. Callable April 1, 1997 at 101 and April 1, 1999 at par.	1,455,000	1,604,850	1,644,019	1,547,095
Kansas City, Missouri Municipal Assistance Corporate Leasehold Revenue Capital Improvement Bond, Series 1990 A. AMBAC Insured. Matures April 15, 1997. No periodic interest.	1,000,000	648,620	866,700	844,075
Phoenix, Arizona Civic Improvement Bond. 7.75% Matures July 1, 2002. Callable July 1, 1997 at 102 and July 1, 2000 at par.	1,815,000	1,929,327	2,037,791	1,894,654
Olathe, Kansas Hospital Revenue Bond, Olathe Hospital Foundation, Inc. Project. 6.90% Matures September 1, 1997.	350,000	356,111	379,809	352,716
Greater Orlando, Florida Airport Facility Revenue Bond. 7.30% Matures October 1, 1997. Noncallable.	1,000,000	1,023,140	1,090,160	1,010,426
Reedy Creek, Florida Utility Revenue Bond. MBIA Insured. 8.60% Matures October 1, 1999. Callable October 1, 1997 at 102.	2,000,000	2,227,540	2,276,400	2,145,001
Kansas City, Missouri Municipal Assistance Corporate Revenue Bond, Series 1987. 7.40% Matures December 1, 1997.	250,000	250,000	273,160	250,000
Kansas City, Missouri Water Revenue Bond, Series B. 9.25% Matures December 1, 1997. Noncallable.	420,000	483,466	485,558	449,344
Dade County, Florida Utility Public Improvement General Obligation Bond. FGIC Insured. 12.00% Matures October 1, 1998. Noncallable.	2,000,000	2,654,320	2,577,620	2,385,322

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
NON-CURRENT ASSETS (continued):				
MUNICIPAL BONDS (continued):				
Kansas City, Missouri Municipal Assistance Corporate Leasehold Revenue Capital Improvement Bond, Series 1990 A. AMBAC Insured. Matures October 15, 1998. No periodic interest.	1,000,000	586,100	800,520	774,044
Kenosha, Wisconsin General Obligation Promissory Notes, Series 1991 A. 6.60% Mature December 1, 2000. Callable December 1, 1998 at par.	1,000,000	997,500	1,053,940	998,519
Kane, Cook and Dupage Counties, Illinois School District #46 Bond, Elgin, Illinois. 8.00% Matures January 1, 1999. Noncallable.	1,450,000	1,575,048	1,626,538	1,525,298
Frenship, Texas Independent School District Bond. 9.00% Matures February 15, 2005. Callable February 15, 2000 at par.	1,000,000	1,152,060	1,192,290	1,099,232
Pinckney, Michigan Community Schools, Livingston and Washtenaw Counties School Building and Site Unlimited Tax Registered Bond. 8.375% Matures May 1, 2000. Noncallable.	500,000	563,130	583,795	542,087
Maryland Student Loan Series 1993, Tax Exempt Municipal Bond, Held by Block Financial Corporation-Companion Insurance, Limited. 4.00% Matures July 15, 2000.	1,000,000	995,770	949,160	996,100
Essex County, New Jersey Series A, Tax Exempt Municipal Bond, Held by Block Financial Corporation-Companion Insurance, Limited. 4.60% Matures October 1, 2000.	1,000,000	1,021,490	968,090	1,019,747
Oregon Student Higher Education, Tax Exempt Municipal Bond, Held by Block Financial Corporation-Companion Insurance, Limited. 5.70% Matures October 15, 2000.	1,000,000	1,096,260	1,038,220	1,089,048
Ohio Water Development Authority, Tax Exempt Municipal Bond, Held By Block Financial Corporation-Companion Insurance, Limited. 5.40% Matures December 1, 2000.	1,000,000	1,067,870	1,015,440	1,062,350

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
NON-CURRENT ASSETS (continued):				
MUNICIPAL BONDS (continued):				
Jefferson County, Colorado School District Number R-001 Refunding Series 1993 A. 4.20% Matures December 15, 2000.	2,300,000	2,278,932	2,180,975	2,280,419
Mecklenberg County, North Carolina, Tax Exempt Municipal Bond, Held by Block Financial Corporation-Companion Insurance, Limited. 3.75% Matures April 1, 2001.	1,000,000	975,210	926,470	976,969
St. Charles County, Missouri Industrial Development Authority Industrial Revenue Refunding Bond, Series 1991. Wentzville Project Guaranteed General Motors. 6.625% Matures April 1, 2001. Noncallable.	2,000,000	2,000,000	2,070,020	2,000,000
Pinckney, Michigan Community Schools, Livingston and Washtenaw Counties School Building and Site Unlimited Tax Registered Bond. 8.3% Matures May 1, 2001. Noncallable.	500,000	561,510	590,355	543,057
California State Public Works Board Lease Revenues Series 1993 D Department of Correction California State Prison. 4.60% Matures June 1, 2001.	1,000,000	996,790	951,080	997,002
Port of Seattle, Washington Refunding Revenue Series C, Tax Exempt Municipal Bond. 4.30% Matures July 1, 2001.	1,430,000	1,357,799	1,327,712	1,358,629
Chelan County, Washington Public Utility District #1, Chelan Hydro Consolidated System Revenue Bond, Series 1991-A. 7.00% Matures July 1, 2025. Callable July 1, 2001 at par.	1,000,000	1,000,000	1,084,910	1,000,000
Jacksonville Electric, Florida, Tax Exempt Municipal Bond, Held By Block Financial Corporation-Companion Insurance, Limited. 5.00% Matures October 1, 2001.	1,000,000	1,041,830	997,790	1,038,452
Utah Associated Municipal Power System Refunding Revenues Craig Mona-Transmission Project. 4.55% Matures December 1, 2001.	695,000	683,366	646,684	684,085

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
NON-CURRENT ASSETS (continued):				
MUNICIPAL BONDS (continued):				
Los Angeles County, California Public Works Lease Revenue Facilities. 4.50% Mature December 1, 2001.	2,200,000	2,167,154	2,095,280	2,168,865
Concord, New Hampshire Refunding. 4.30% Matures January 15, 2002.	1,120,000	1,112,530	1,048,421	1,112,766
California State Public Works Board Lease Revenue Series 1993 Department of Corrections - Madera State Prison. 4.70% Matures June 1, 2002.	2,100,000	2,085,531	1,983,513	2,086,104
Orange County, California Transmission Authority Revenue Series 1993-C. 5.125% Matures July 1, 2002.	1,680,000	1,671,029	1,663,855	1,671,963
Georgia State Refunding Series 1993 E Unlimited Tax. 4.50% Matures July 1, 2002.	1,000,000	992,720	955,730	993,410
Denver, Colorado City and County School District Number 1 Refunding Series 1994 A. 4.50% Matures December 1, 2002.	1,100,000	1,100,000	1,029,028	1,100,000
Concord, New Hampshire Refunding. 4.40% Matures January 15, 2003.	1,110,000	1,101,864	1,031,390	1,102,092
California State Public Works Board Lease Refunding Revenue Series 1993 A Variable University California. 5.00% Matures June 1, 2003.	1,000,000	996,100	941,350	996,367
Nevada State Refunding Series 1993 B Limited Tax. 4.375% Matures August 1, 2003.	1,535,000	1,508,506	1,396,343	1,509,427
Arlington, Texas Refunding. 5.00% Matures August 15, 2003.	1,000,000	992,140	981,710	992,730
University Delaware Housing and Dining System Revenue. 5.00% Matures November 1, 2003.	1,000,000	993,600	968,390	994,068
Pennsylvania State Higher Education Facilities Authority Revenue Philadelphia. 4.70% Matures December 1, 2003.	915,000	907,808	848,708	908,050

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
NON-CURRENT ASSETS (continued):				
MUNICIPAL BONDS (continued):				
Washington Sanitary District Refunding Water Supply Unlimited Tax. 4.40% Matures June 1, 2004.	1,500,000	1,483,890	1,364,775	1,484,280
		$ 94,501,331	$ 94,014,390	$ 92,154,040
PREFERRED STOCKS:				
Texas Utilities Electric Company Cumulative Preferred Stock Series B	5,200	516,100	384,800	516,100
First Chicago Corporation Adjustable Dividend Preferred Stock Series B	15,600	994,500	1,409,850	994,500
		$ 1,510,600	$ 1,794,650	$ 1,510,600
COMMON STOCKS:				
Commerce Bancshares Common Stock	110,000	1,660,000	3,572,868	1,660,000
First America Bank Common Stock	80,800	1,671,934	3,050,200	1,671,934
First Virginia Banks, Inc. Common Stock	45,287	667,292	1,669,958	667,292
Liberty National Bancorp, Inc. Common Stock	57,350	655,182	1,648,813	655,182
Marshall & Ilsley Corporation Common Stock	176,700	1,667,122	3,666,525	1,667,122
Amoco Corporation Common Stock, Held by Block Financial Corporation-Companion Insurance, Limited	1,700	90,840	95,413	90,840
Dupont Common Stock, Held By Block Financial Corporation-Companion Insurance, Limited	1,600	89,096	91,400	89,096

Name of issuer and title of issue	Number of shares or units/ principal amount of bonds and notes	Cost of Issue	Value based on current market quotations at balance sheet date	Amount at which shown in balance sheet
NON-CURRENT ASSETS (continued):				
COMMON STOCKS (continued):				
E-Systems, Incorporated Common Stock, Held by Block Financial Corporation-Companion Insurance, Limited	2,000	86,870	80,250	86,870
Sprint Common Stock, Held by Block Financial Corporation-Companion Insurance, Limited	2,500	88,588	91,875	88,588
McGraw Hill Corporation Common Stock, Held by Block Financial Corporation-Companion Insurance, Limited	1,400	91,084	91,175	91,084
Sears Roebuck Common Stock, Held by Block Financial Corporation-Companion Insurance, Limited	1,900	89,968	89,300	89,968
Sundstrand Corporation Common Stock, Held by Block Financial Corporation-Companion Insurance, Limited	1,800	87,354	85,500	87,354
Tenneco Common Stock, Held by Block Financial Corporation-Companion Insurance, Limited	1,600	87,890	82,000	87,890
Universal Foods Common Stock, Held by Block Financial Corporation-Companion Insurance, Limited	2,700	87,912	87,750	87,912
Williams Companies Common Stock, Held by Block Financial Corporation-Companion Insurance, Limited	4,000	93,240	103,000	93,240
Mills Corporation Common Stock, Held by Block Financial Corporation-Companion Insurance, Limited	4,000	89,740	84,500	89,740
John Deere Common Stock, Held by Block Financial Corporation-Companion Insurance, Limited	1,000	77,435	76,625	77,435
Xerox Corporation Common Stock, Held by Block Financial Corporation-Companion Insurance, Limited	1,000	97,560	98,875	97,560
		$ 7,479,107	$ 14,766,027	$ 7,479,107

Number of
shares or Value based

Name of issuer and title of issue	units/ principal amount of bonds and notes	Cost of Issue	on current market quotations at balance sheet date	Amount at which shown in balance sheet
NON-CURRENT ASSETS (continued):				
OTHER (continued):				
Putnam Option Income Trust	36,706	505,795	311,634	505,795
Patriot Premium Dividend Fund	400,000	4,055,000	3,600,000	4,055,000
		4,560,795	3,911,634	4,560,795
TOTAL NON-CURRENT ASSETS:		$108,051,833	$114,486,701	$105,704,542

H&R BLOCK, INC. AND SUBSIDIARIES

SCHEDULE II - AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS AND EMPLOYEES OTHER THAN RELATED PARTIES

YEARS ENDED APRIL 30, 1994, 1993 AND 1992

Name of debtor	Balance at beginning of period	Additions	Deductions: Amounts collected	Deductions: Amounts written off	Balance at end of period: Current	Balance at end of period: Not Current
Year ended April 30, 1994						
Donald W. Ayers<F1>	-	$100,200	-	-	$100,200	-
Clifford A. Davis<F2>	-	305,989	-	-	305,989	-
Kristine K. Rodgers<F3>	-	274,030	-	-	274,030	-
	-	$680,219	-	-	$680,219	-
Year ended April 30, 1993						
William P. Anderson	$450,000	-	$450,000	-	-	-
Year ended April 30, 1992						
William P. Anderson	-	$450,000	-	-	$450,000	-

<FN>
<F1>The Promissory Note of Mr. Ayers is dated January 12, 1994, and is payable ten days after demand, which demand shall not be made earlier than (a) July 12, 1994, (b) the date of the closing on the sale of his home, or (c) the date of the termination of his employment. The Note bears no interest if paid when due and 10% interest per annum thereafter. It is secured by benefit payments to be made to Mr. Ayers under the Company's deferred compensation plan.

<F2>The Promissory Note of Mr. Davis and his wife is dated February 15, 1994, is payable 30 days after demand, bears no interest if paid when due and bears 10% interest per annum thereafter. The Note is secured by a mortgage on certain residential property purchased by the makers of the Note.

<F3>The Promissory Note of Ms. Rodgers and her husband is dated February 26, 1994, is payable 30 days after demand, bears no interest if paid when due and bears 10% interest per annum thereafter. The Note is secured by a mortgage on certain residential property purchased by the makers of the Note.
</FN>

H&R BLOCK, INC. AND SUBSIDIARIES

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS

YEARS ENDED APRIL 30, 1994, 1993 AND 1992

Description	Balance Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other	Deductions	Balance at End of Period
Allowance for Doubtful Accounts-deducted from accounts receivable in the balance sheet					
1994	$12,000,000	$24,977,000	$ -	$24,233,000	$12,744,000
1993	$ 7,292,000	$13,962,000	$ -	$ 9,254,000	$12,000,000
1992	$ 9,416,000	$12,776,000	$ -	$14,900,000	$ 7,292,000

H&R BLOCK, INC. AND SUBSIDIARIES

SCHEDULE IX - SHORT-TERM BORROWINGS

YEARS ENDED APRIL 30, 1994, 1993, AND 1992

Category of borrowing	Balance at end of period	Weighted average interest rate	Maximum amount outstanding during period	Average amount outstanding during period	Weighted average interest rate during period
1994					
Banks	$ -	-	$825,467,000	$244,620,000	3.3%
1993					
Banks	$ 37,167,000	4.3%	$794,003,000	$261,922,000	4.4%
1992					
Banks	$101,332,000	7.2%	$309,358,000	$146,960,000	7.3%

<FN>
The average borrowings were determined based on the amounts outstanding each day.

The weighted average interest rate during the period was computed by dividing actual interest expense in each year by average short-term borrowings in each year.

Short-term borrowings outstanding for all years presented were incurred by the Company's Canadian subsidiary to fund the refund purchase program during the tax season of each fiscal year (the period) and were payable in Canadian dollars. Borrowings for 1994 and 1993 also include the borrowings of Block Financial Corporation. Through the purchases of interests in a trust to which certain Refund Anticipation Loans (RALs) made by Mellon Bank (DE) National Association are sold, Block Financial Corporation purchases an interest of just under 50% in RALs subject to its agreement with Mellon.
</FN>

EXHIBIT 10(c)

H&R BLOCK LONG-TERM PERFORMANCE PROGRAM

(As Amended Through 6/21/94)

1. SOURCE OF AWARDS. The Awards provided for under the H&R Block Long-Term Performance Program (the "Program") shall be granted pursuant to the terms of the H&R Block, Inc. 1984 Long-Term Executive Compensation Plan, as amended (the "1984 Plan"), or any successor long-term compensation plan adopted by the Board of Directors of H&R Block, Inc., and approved by the Company's shareholders. Any Award under the Program shall be subject to the provisions of the plan pursuant to which it was granted. All capitalized terms used herein shall have the same definitions as are specified for such terms in the applicable plan.

2. OBJECTIVES. The objectives of the Program are to provide a meaningful incentive to the senior executives of the Company, to encourage their continued employment and to vary the size of Awards made to such senior executives based upon total shareholder return with respect to the Company's Common Stock.

3. AWARDS. The Awards to be granted under the Program are Performance Units. The Compensation Committee shall have sole and absolute power and discretion to determine (a) the senior executives of the Company to whom Performance Units are to be awarded under the Program on any date of grant, and (b) the number of Performance Units to be awarded to each selected Recipient on any such date of grant. Awards of Performance Units shall be subject to such additional terms and conditions as the Committee in its sole discretion deems appropriate.

4. GRANT OF AWARDS. Awards of Performance Units may be granted by the Committee at any time between May 1 and September 15, inclusive, of any year during which the 1984 Plan or any successor plan thereto (including, but not limited to, the 1993 Long-Term Executive Compensation Plan) remains in effect. The Committee shall have the absolute power and discretion to award no Performance Units in any year. The Program shall not affect the authority and power of the Committee to grant Performance Units or other Awards at any time under the 1984 Plan or any successor plan thereto other than pursuant to the Program.

5. INITIAL VALUE OF PERFORMANCE UNITS. Each Performance Unit shall have an initial value of one share of the Company's Common Stock.

6. PERFORMANCE PERIOD. The Performance Period applicable to each Performance Unit shall be a period of three (3) years. Such Performance Period shall commence on the May 1 immediately preceding the date of grant in any year (except that, if the date of grant is May 1, such May 1 shall be the commencement date) and shall end on the third April 30 following the date of grant.

7. PAYMENT AND AMOUNT. (a) If the criteria for payment of a Performance Unit set forth below has been achieved, the Recipient shall be entitled to receive whole shares of Common Stock after the end of the applicable Performance Period equal to the actual value of the Performance Unit at such time. The Committee shall have authority to modify the criteria for payment of a Performance Unit during the Performance Period. The target value of each Performance Unit at the end of a Performance Period shall be one share of Common Stock. At the end of a Performance Period the actual value of a Performance Unit may be less than, equal to or greater than the target value of the Performance

Unit, depending upon the degree to which the criteria for payment of a Performance Unit has been achieved.

(b) The actual value of a Performance Unit at the end of a Performance Period shall be determined by (i) dividing the percentage change in the cumulative total shareholder return on the Company's Common Stock during the Performance Period, assuming reinvestment of dividends, by the percentage change in the cumulative total return of the Standard & Poor's 500 Stock Index during such Performance Period, assuming reinvestment of dividends, with the quotient constituting the Performance Ratio, and (ii) applying the Performance Ratio to the following schedule:

Performance Ratio	Actual Value of Each Performance Unit As a % of One Share of Common Stock
1.5 and above	150% (maximum)
1.0 (target)	100%
.85 (floor)	50%
Below .85	0%

The actual value of a Performance Unit will be computed by interpolation for Performance Ratios between .85 and 1.0 and between 1.0 and 1.5. Performance Ratios and actual values shall be rounded to the third decimal point.

(c) Cumulative total shareholder return on the Company's Common Stock during any Performance Period shall be measured by dividing (i) the sum of (A) the cumulative amount of dividends paid during the Performance Period, assuming dividend reinvestment, and (B) the difference between the Company's share price at the end and at the beginning of the Performance Period; by (ii) the share price at the beginning of the Performance Period.

(d) The Company's share price at the beginning of the Performance Period shall be deemed to be the last-reported sale price for a share of Common Stock on the New York Stock Exchange as of the April 30 immediately preceding the date of grant and the Company's share price at the end of the Performance Period shall be deemed to be the last-reported sale price for a share of Common Stock on the New York Stock Exchange as of the April 30 which is the last day of the Performance Period.

(e) Payment of Performance Units in whole shares of Common Stock shall be made as soon as practicable following the expiration of the applicable Performance Period and determination by the Committee of the actual value of each Recipient's Performance Units. No fractional shares shall be paid in connection with the payment of Performance Units. If the computation of the total number of shares to be paid to a Recipient for all of such Recipient's Performance Units results in a number of shares containing a fraction, such number of shares shall be rounded up to the next highest whole number of shares.

(f) Payment of Performance Units shall not be made at any time when the delivery of shares of Common Stock would, in the opinion of counsel for the Company, be in violation of any state or federal securities laws or any regulation or ruling of the Securities and Exchange Commission. If at any time counsel for the Company shall determine that qualification or registration of the Common Stock under any state or federal securities law, or the consent or approval of any governmental regulatory authority, is necessary or desirable as a condition of the payment of any Performance Units under the Program, then such payment shall not be made, in whole or in part, unless and until such qualification, registration, consent or approval shall have been effected or obtained free of any conditions such counsel deems unacceptable.

8. TAX WITHHOLDING. The Company shall have the right to require the payment (through withholding from the Recipient's salary, through withholding of an appropriate number of shares at the time of delivery of shares under the Program, through cash payment from the Recipient or through another method) of any federal, state, local or foreign taxes required by law to be withheld with respect to the payment of Performance Units under the Program or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for withholding of such taxes. If Common Stock is used to satisfy tax withholdings, such Common Stock shall be valued based on the fair market value of such Common Stock when the tax withholding is required to be made.

9. FORFEITURES. Except as provided below, or except as otherwise determined by the Committee in its sole and absolute discretion, if a Recipient's employment with the Company is terminated for any reason prior to the end of a Performance Period, the Recipient shall forfeit all Performance Units previously granted to the Recipient with respect to such Performance Period. If, prior to the completion of a Performance Period, a Recipient's employment with the Company is terminated by reason of the Recipient's death, disability (as determined by the Committee) or retirement, the Recipient, or in the event of the Recipient's death, the person or persons to whom the Recipient's rights pass by the Recipient's will or by the laws of descent and distribution, shall receive a prorated payment for such Performance Period based on the Recipient's actual number of full months of employment with the Company during the Performance Period. Any such prorated payment shall be made at the time of payment of Performance Units to other Recipients who did not terminate employment during the applicable Performance Period. For purposes of the Program, unless the Committee in its sole and absolute discretion otherwise determines, "retirement" shall occur only after any time that the Recipient attains the age of 65 and voluntarily terminates his or her employment with the Company.

10. TERMINATION OR AMENDMENT. The Program may be terminated at any time by the Committee or the Company's Board of Directors except as to Performance Units then outstanding hereunder. The Program may be amended at any time by the Committee or the Company's Board of Directors.

EXHIBIT 10(d)

H&R BLOCK

DEFERRED COMPENSATION PLAN

FOR DIRECTORS

(As Amended Through March 9, 1994)

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H&R BLOCK
DEFERRED COMPENSATION PLAN
FOR DIRECTORS

H&R BLOCK

DEFERRED COMPENSATION PLAN

FOR DIRECTORS

H&R Block, Inc. (the "Company") hereby establishes, effective September 1, 1987, a nonqualified deferred compensation plan for the benefit of specified Directors of the Company, and of the following affiliates of the Company: CompuServe Incorporated, Personnel Pool of America, Inc., Path Management Industries, Inc. and such other entities as may be designated by the Company from time to time. This plan shall be known as the H&R Block Deferred Compensation Plan for Directors (the "Plan"). The Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as described in Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974 ("ERISA").

ARTICLE 1. DEFERRED COMPENSATION ACCOUNT.

Section 1.1. ESTABLISHMENT OF ACCOUNT. The Company shall establish an account ("Account") for each Participant which shall be utilized solely as a device to measure and determine the amount of deferred director's fees to be paid under the Plan.

Section 1.2. PROPERTY OF COMPANY AND PARTICIPATING AFFILIATES. Any amounts so set aside for benefits payable under the Plan are the property of the Company and its participating affiliates ("Participating Affiliates"), except, and to the extent, of any assignment of such assets to an irrevocable trust.

ARTICLE 2. DEFINITIONS, GENDER, AND NUMBER.

Section 2.1. DEFINITIONS. Whenever used in the Plan, the following words and phrases shall have the meanings set forth below unless the context plainly requires a different meaning, and when a defined meaning is intended, the term is capitalized.

2.1.1. "Account" means the device used to measure and determine the amount of deferred director's fees to be paid to a Participant or Beneficiary under the Plan, and may refer to the separate Accounts that represent amounts deferred by a Participant under separate Permissible Deferral elections.

2.1.2. "Affiliates" or "Affiliate" means a group of entities, including the Company, which constitutes a controlled group of corporations (as defined in section 414(b) of the Code), a group of trades or businesses

(whether or not incorporated) under common control (as defined in section 414(c) of the Code), and members of an affiliated service group (within the meaning of section 414(m) of the Code.)

2.1.3. "Age" of a Participant means the number of whole calendar years that have elapsed since the date of the Participant's birth.

2.1.4. "Beneficiary" or "Beneficiaries" means the persons or trusts designated by a Participant in writing pursuant to Section 6.4.4 of the Plan as being entitled to receive any benefit payable under the Plan by reason of the death of a Participant, or, in the absence of such designation, the persons specified in Section 6.4.5 of the Plan.

2.1.5. "Board" means the Board of Directors of the Company as constituted at the relevant time.

2.1.5a. "Closing Price" means the closing price of the Company's Common Stock on the New York Stock Exchange as of the applicable date; provided, however, that if no closing price is available for such date, "Closing Price" means the closing price of the

Company's Common Stock as of the next most recent date for which a price is available.

2.1.6. "Code" means the Internal Revenue Code of 1986, as amended from time to time and any successor statute. References to a Code section shall be deemed to be to that section or to any successor to that section.

2.1.7. "Committee" means the Compensation Committee of the Company's Board.

2.1.7a. "Common Stock" means the common stock of the Company.

2.1.8. "Company" means H&R Block, Inc.

2.1.8a. "Deferred Compensation Unit" means a unit equal in value to one share of Common Stock and posted to a Participant's Account for the purpose of measuring the benefits payable under the Plan.

2.1.9. "Director" or "Directors" means a Non-Employee serving as a member on the Board of Directors of a Participating Affiliate.

2.1.10. "Director's Fees" of a Director for any Plan Year means that individual's total Retainer and Meeting Fees for that Plan Year.

2.1.11. "Effective Date" means the date on which this Plan became effective, i.e., September 1, 1987.

2.1.12. "Enrollment Period" means the period of February 15 through April 15 prior to the Plan Year to which a Permissible Deferral election first applies. However, for the first Plan Year, the Enrollment Period shall be August 1, 1987 through August 31, 1987.

2.1.13. "Non-Employee" means any person who is not employed as a common-law employee by an Affiliate.

2.1.14. "Participant" means a Non-Employee Director who elects to participate in the Plan and who is eligible to participate in the Plan.

2.1.15. "Participating Affiliate" or "Participating Affiliates" means the Company and the following indirect subsidiaries of the Company: HRB Management, Inc., H&R Block Tax Services, Inc., CompuServe Incorporated, Block Financial Corporation, and MECA Software, Inc., and the U.S. subsidiaries of such indirect subsidiaries; and such other entities as may be designated as such by the Company from time to time.

2.1.16. "Permissible Deferral" means a deferral in each of the next four (4) consecutive Plan Years of an amount or percentage of Director's Fees that is not less nor more than one hundred percent (100%) of Director's Fees.

Director's Fees deferrals shall be made in single sum deferrals at the time that the Director's Fees would otherwise be paid to the Director. All deferrals must be completed by the later of (a) the Plan Year in which the Participant attains Age 68 or (b) April 30, 1991.

2.1.17. "Plan" means the "H&R Block Deferred Compensation Plan for Directors" as set forth herein and as amended or restated from time to time.

2.1.18. "Plan Year" means May 1 through April 30, except that the first Plan Year shall be from September 1, 1987 through April 30, 1988.

2.1.19. "Smoker" or "Smokers" with respect to any Permissible Deferral election means any individual who has smoked at least one cigarette with a twelve (12) month period ending on the date on which such individual makes the Permissible Deferral election.

2.1.20. "Standard Form of Benefit" as to any Participant means monthly payments for a ten (10) year period.

2.1.21. "Trust" means the H&R Block Inc., Deferred Compensation Trust Agreement.

Section 2.2. Gender and Number. Except as otherwise indicated by context, masculine terminology used herein also includes the feminine and neuter, and terms used in the singular may also include the plural.

ARTICLE 3. PARTICIPATION.

Section 3.1. WHO MAY PARTICIPATE. Participation in the Plan is limited to Directors.

Section 3.2. TIME AND CONDITIONS OF PARTICIPATION. An eligible Director shall become a Participant only upon (a) the individual's completion of a Permissible Deferral election for the succeeding Plan Years during an Enrollment Period, in accordance with a form established by the Company from time to time, and (b) compliance with such terms and conditions as the Committee may from time to time establish for the implementation of the Plan, including, but not limited to, any condition the Committee may deem necessary or appropriate for the Company to meet its obligations under the Plan.

Section 3.3. TERMINATION OF PARTICIPATION. Once a Director has become a Participant in the Plan, participation shall continue until the first to occur of (a) payment in full of all benefits to which the Participant or Beneficiary is entitled under the Plan, or (b) the occurrence of an event specified in Section 3.4 which results in loss of benefits. Except as otherwise specified in the Plan, the Company may not terminate an individual's participation in the Plan.

Section 3.4. MISSING PERSONS. If the Company is unable to locate the Participant or his Beneficiary for purposes of making a distribution, the amount of a Participant's benefits under this Plan that would otherwise be considered as non-forfeitable shall be forfeited effective four (4) years after (a) the last date a payment of said benefit was made, if at least one such payment was made, or (b) the first date a payment of said benefit was directed to be made by the Company pursuant to the terms of the Plan, if no payments had been made. If such person is located after the date of such forfeiture, the benefits for such Participant or Beneficiary shall not be reinstated hereunder.

Section 3.5. RELATIONSHIP TO OTHER PLANS. Participation in the Plan shall not preclude participation of the Participant in any other fringe benefit program or plan sponsored by an Affiliate for which such Participant would otherwise be eligible.

ARTICLE 4. ENTRIES TO THE ACCOUNT.

Section 4.1. DEFERRALS. if the Participant elects the fixed or variable crediting rate option for measuring the performance of the Account under Section 4.2, the Company shall post to the Account of each Participant on the date the Director's Fees would otherwise be paid the amount of Director's Fees to be deferred as designated by the Participant's Permissible Deferral election in effect for that Plan Year. If the Participant elects the Common Stock crediting rate option for measuring the performance of the Account under Section 4.2, (a) the Company shall post to the Account of such Participant a number of Deferred Compensation Units equivalent to the amount of Director's Fees to be deferred as designated by the Participant's Permissible Deferral election in effect for than Plan Year; (b) deferrals of Director's Fees (and the corresponding number of Deferred Compensation Units) shall be posted as of the date the Director's Fees would otherwise be paid the amount of Director's Fees to be deferred; and (c) the number of Deferred Compensation Units posted for each calendar month in which Director's Fees would otherwise be paid the amount of Director's Fees to be deferred shall be calculated by dividing: (i) the dollar amount deferred during that month; by (ii) the Closing Price on the first business day of the following calendar month.

Section 4.2. CREDITING RATE. Gains or losses shall be posted to the Account in accordance with the Participant's irrevocable election of an investment option which will be a reference for measuring the performance of the Account. The Company intends to measure the performance of the Account in accordance with the Participant's election but reserves the right to do otherwise. The election shall be made concurrently with the Permissible Deferral election. The Participant shall elect one of the following investment options: (i) a fixed rate as described in 4.2.1, (ii) a variable rate as described in 4.2.2, or (iii) a Common Stock crediting rate as described in 4.2.3. A separate irrevocable election shall be made for each Permissible Deferral election.

Section 4.2.1. FIXED RATE. Except as specified in Section 4.2.4, if a Participant elects a fixed rate, the interest will be compounded on a daily basis and posted to the Participant's Account per each pay period at an effective annual yield equal to the rate of ten-year United States Treasury notes. The rate will be determined once each Plan Year and will be the rate in effect as of April 30 of the year prior to the Plan Year to which it applies, as published by Salomon Brothers Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company.

Section 4.2.2. VARIABLE RATE. Except as specified in Section 4.2.4, if a Participant elects a variable rate, the Participant's Account will be credited or debited as if the Account balance were invested in one or more funds selected by the Company in the proportions elected by the Participant. Statements will be provided on a quarterly basis. Initially the funds will be from the Pruco Variable Appreciable Life Insurance Contracts and include the Common Stock Portfolio, the Aggressively Managed Flexible Portfolio, the Conservatively Managed Flexible Portfolio, the Money Market Portfolio, the Bond Portfolio, the High Yield Bond Portfolio and the Real Property Account. 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 ten percent (10%) increments of the Account. Participants may change their measuring fund elections up to four (4) times in any calendar year by giving the Committee written notice of such change on a form provided by the Company for that purpose. Upon receipt

of such notice, the Committee will effect the change within two (2) business weeks. The Participant's Account will be reduced by the annual administrative charge set forth on Schedule A attached hereto, which may be amended from time to time by the Committee.

Section 4.2.3. COMMON STOCK CREDITING RATE. If a Participant elects the Common Stock crediting rate, the Participant's Account will be valued as if his or her Account were invested in shares of Common Stock equal to the number of Deferred Compensation Units posted to his or her Account. The value of a Participant's Account will vary with the value of the Company's Common Stock. The Participant's Account will be credited, as of the applicable dividend payment date, with additional Deferred Compensation Units equal in value to any dividends declared on the Company's Common Stock based on the number of Deferred Compensation Units posted to the Participant's Account as of the record date with respect to the declaration of such dividend. As of any date of valuation, the value of a Participant's Account will be equal to the value (at the Closing Price on such date) of the number of shares of Common Stock represented by the Deferred Compensation Units credited to the Account as of that date.

Section 4.2.4. CREDITING FOR SMOKERS. The crediting rate under Sections 4.2.1 and 4.2.2 for Smokers shall be reduced by four tenths of one percent (.4%) annually. The Committee may, in its discretion, waive the reduction required by this Section 4.2.4 for an individual classified as a Smoker with respect to a Permissible Deferral election if the Committee receives a request for such a waiver, on a form provided by the Company for that purpose, from such individual which certifies that he or she has not smoked a cigarette within a twelve (12) month period ending on the date such request is submitted. Such a request may be submitted no sooner than twelve (12) months following the date on which the Permissible Deferral was made.

ARTICLE 5. VESTING.

Participant deferrals are fully vested immediately.

ARTICLE 6. DISTRIBUTION OF BENEFITS.

Section 6.1. TIME OF PAYMENT. Payments of benefits shall be made by the Company upon the earliest to occur of the following:

(a) the termination, voluntary or involuntary, of the Participant as a Director;

(b) the Participant's death; or

(c) for Participants Age sixty-eight (68) or older on the date on which they first become eligible to participate in the Plan, Age 75.

Except as otherwise provided, benefit payments shall begin no later that six (6) months after the occurrence of the event described in the preceding sentence which results in benefit distribution.

Section 6.2. FORM OF BENEFITS UPON RETIREMENT OR ATTAINMENT OF AGE 75. For distributions made for reasons other than the death of the Participant, payments from the Account shall be made in accordance with the Standard Form of Benefit. However, the Participant in the Plan Year prior to payment of benefits may petition the Committee for, and the Committee may approve at such time, one of the following forms of benefit:

(a) monthly payment over a five (5) year period; or

(b) a single distribution.

Except for single distributions, benefit payments shall be a level amount for each twelve (12) month period calculated using the balance in the Account at the beginning of the twelve (12) month period and dividing it by the total periods remaining in the entire payment period. The benefit payment shall be adjusted each subsequent twelve (12) month period to reflect the Account as of that time. The Account shall continue to be credited during the payment period with gains and losses as provided in Section 4.2.

Section 6.3. DEFERRAL OF PAYMENT. A Participant may elect at the time of each Permissible Deferral election to defer commence-ment of the payment of benefits with respect to each such Permissi-ble Deferral election as follows:

(a) for Participants Age 65 or older on the date on which they first become eligible to participate in the Plan, commencement of benefits may be deferred until the earlier of (i) five (5) years from the date on which they retire or (ii) Age 75;

(b) for all other Participants, commencement of benefits may be deferred until the earlier of (i) five (5) years from the date on which they retire or (ii) Age 70.

Notwithstanding the preceding sentence, if a Participant elects to defer commencement of benefits pursuant to this Section 6.3, but dies prior to the date on which benefits would commence under such election, benefits shall begin no later than six (6) months after the Participant's death.

Section 6.4. DEATH BENEFITS.

6.4.1. DEATH AFTER BENEFIT COMMENCEMENT. In the event a Participant dies after commencement of benefits, the remaining benefit payments, if any, shall be paid to the Participant's Beneficiary in the same manner such benefits would have been paid to the Participant had the Participant survived. A Beneficiary may petition the Committee for an alternative method of payment. The Account shall be credited from the date of the Participant's death at an interest rate set by the Chief Financial Officer of the Company in his discretion, which shall not be less than the rate then payable on Investment Savings Accounts of $1,000 or less at Commerce Bank of Kansas City, Missouri, N.A., or any successor thereto.

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 equal to the Participant's Account as of the date of the Participant's death annuitized over a ten-year period at an interest rate set by the Chief Financial Officer of the Company in his discretion. The pre-retirement death benefit shall be paid monthly for a ten-year period. The Beneficiary may petition the Committee to make a single sum distri-bution as an alternative method of payment.

6.4.3. MARITAL DEDUCTION. Any benefits which become payable under this Article 6 to the surviving spouse of a Participant shall be paid in a manner which will qualify such benefits for a marital deduction in the estate of a deceased Participant under the terms of Section 2056 of the Code, and unless specifically directed by a Participant to the contrary pursuant to an effective beneficiary designation, any portion of a Participant's death benefit payable to a surviving spouse which remains unpaid at the death of such spouse shall be paid to the spouse's estate.

6.4.4. DESIGNATION BY PARTICIPANT. Each Partici-pant has the right to designate primary and contingent Beneficiaries for death benefits payable under the Plan. Such Beneficiaries may be individuals or trusts for the benefit of individuals. A beneficiary designation by a Participant shall be in writing on a form acceptable to the Committee and shall only be effective upon delivery to the Company. A beneficiary designation may be revoked by a Participant at any time by delivering to the Company either written notice of revocation or a new beneficiary designation form. The beneficiary designation form last delivered to the Company prior to the death of a Participant shall control.

6.4.5. FAILURE TO DESIGNATE BENEFICIARY. In the event there is no beneficiary designation on file with the Company, or all Beneficiaries designated by a Participant have predeceased the Participant, the benefits payable by reason of the death of the Participant shall be paid to the Participant's spouse, if living; if the Participant does not leave a surviving spouse, to the Participant's issue by right of representation; or, if there are no such issue then living, to the Participant's estate. In the event there are benefits remaining unpaid at the death of a sole Beneficiary and no successor Beneficiary has been designated, either by the Partici-pant or the Participant's spouse pursuant to 6.4.3, the remaining

balance of such benefit shall be paid to the deceased Beneficiary's estate; or, if the deceased Beneficiary is one of multiple concurrent Beneficiaries, such remaining benefits shall be paid proportionally to the surviving Beneficiaries.

Section 6.5. CLAIMS PROCEDURE. The Committee shall notify a Participant in writing within ninety (90) days of the Participant's written application for benefits of his eligibility or non-eligi-bility for benefits under the Plan. If the Committee determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth (a) the specific reasons for such denial, (b) a specific reference to the provision of the Plan on which the denial is based, (c) a description of any additional information or material necessary for the claimant to perfect his claim, and a description of why it is needed, and (d) an explana-tion of the Plan's claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have his claim reviewed. If the Committee determines that there are special circumstances requiring additional time to make a decision, the Committee shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional 90-day period. If a Participant is determined by the Committee to be not eligible for benefits, or if the Participant believes that he is entitled to greater or different benefits, he shall have the opportunity to have his claim reviewed by the Committee by filing a petition for review with the Committee within sixty (60) days after receipt by him of the notice issued by the Committee. Said petition shall state the specific reasons the Participant believes he is entitled to benefits or greater or difference benefits. Within sixty (60) days after receipt by the Committee of said petition, the Committee shall afford the Participant (and his counsel, if any) an opportunity to present his position t the Committee orally or in writing, and said Participant (or his counsel) shall have the right to review the pertinent documents, and the Committee shall notify the Participant of its decision in writing within said sixty (60) day period, stating specifically the basis of said decision written in a manner calculated to be under-stood by the Participant and the specific provisions of the Plan on which the decision is based. If, because of the need for a hear-ing, the sixty (60) day period is not sufficient, the decision may be deferred for up to another sixty (60) day period at the election of the Committee, but notice of this deferral shall be given to the Participant.

Section 6.6. ALTERNATE FORMS OF BENEFIT DISTRIBUTION. Participants, in the Plan Year prior to payment of benefits may petition the Committee to request methods of benefit distribution other than those provided pursuant to this Article 6.

Section 6.7. DISTRIBUTIONS ON PLAN TERMINATION. Notwithstanding anything in this Article 6 to the contrary, if the Plan is terminated, distributions shall be made in accordance with Section 9.2.

ARTICLE 7. FUNDING

Section 7.1. SOURCES OF BENEFITS. All benefits under the Plan shall be paid when due by the Company our of its assets of from an irrevocable trust established by the Company for that purpose. The Company may, but shall have no obligations to, make such advance provision for the payment of such benefit as the Board may from time to time consider appropriate.

Section 7.2. NO CLAIM ON SPECIFIC ASSETS. No Participant shall be deemed to have, by virtue of being a Participant in the .Plan, any claim on any specific assets of the Company such that the Participant would be subject to income taxation on his benefits under the Plan prior to distribution and the rights of Participants and Beneficiaries to benefits to which they are otherwise entitled under the Plan shall be those of an unsecured general creditor of the Company.

ARTICLE 8. ADMINISTRATION AND FINANCES

Section 8.1. ADMINISTRATION. The Plan shall be administered by the Committee. The Company shall bear all administrative costs of the Plan other than those specifically charged to a Participant or Beneficiary.

Section 8.2. POWERS OF COMMITTEE. In addition to the other powers granted under the Plan, the Committee shall have all powers necessary to administer the Plan, including, without limitation, powers:

(a) to interpret the provisions of the Plan;

(b) to establish and revise the method of accounting for the Plan and to maintain the Accounts; and

(c) to establish rules for the administration of the Plan and to prescribe any forms required to administer the Plan.

Not in limitation, but in amplification of the foregoing and of the authority conferred upon the Committee in Section 8.1, the Company specifically intends that the Committee have the greatest permissible discretion to construe the terms of the Plan and to determine all questions concerning eligibility, participation and benefits. Any such decision made by the Committee is intended to be subject to the most deferential standard of judicial review. Such standard of review is not to be effected by any real or alleged conflict of interest on the part of the Company or any member of the Committee.

Section 9.2. TERMINATION. The Company expects the Plan to be permanent, but necessarily must, and hereby does, reserve the right to terminate the Plan at any time by written action of the Board. In all events, the Plan will be terminated if the existence of a trust causes a federal court to hold that the Plan is "funded" for ERISA purposes, as defined in Section 2.02-4 of the Trust, and appeals from that holding are no longer timely or have been exhausted, and the trust is therefore terminated with respect to the Plan. Upon termination of the Plan, all deferrals will cease and no future deferrals will be made. Termination of the Plan shall not operate to eliminate or reduce benefits of any retired Participant or the Beneficiary of any deceased Participant then eligible for benefits or the benefits, if any, in any active Participant's Account immediately before the effective date of such termination, and each such Account will be credited, to the date of distribution of all benefits in such Account, in accordance with Section 4.2, as it may be amended from time to time pursuant to Section 9.1.

If the Plan shall at any time be terminated, payments from the Accounts of all Participants and Beneficiaries shall be made as soon as administratively convenient in the form of monthly payments over a five (5) year period; however, the Committee in its sole discretion may pay the benefits in a lump sum. Notwithstanding the preceding sentence, if the termination occurs because the Plan is held to be "funded" as described in the first paragraph of this Section 9.2, the distribution will be paid in a lump sum not later than ninety (90) days after such termination.

ARTICLE 10. MISCELLANEOUS

Section 10.1 NO GUARANTEE OF MEMBERSHIP. Neither the adoption and maintenance of the Plan nor the execution by the Company of a Permissible Deferral agreement with any Director shall be deemed to be a contract between the Company and any Participant to retain his or her position as a Director.

Section 10.2. INDIVIDUAL ACCOUNT PLAN. If it is determined that the Plan is not an unfunded plan maintained primarily for a select group of management or highly compensated employees as described in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, then the Plan is intended to be an individual account plan (other than a money purchase plan) as described in Section 301(a)(8) of

ERISA.

Section 10.3. RELEASE. Any payment of benefits to or for the benefit of a Participant or a Participant's Beneficiaries that is made in good faith by the Company in accordance with the Company's interpretation of its obligations hereunder, shall be in full satisfaction of all claims against the Company for benefits under this Plan to the extent of such payment.

Section 10.4. NOTICES. Any notice permitted or required under the Plan shall be in writing and shall be hand delivered or sent, postage prepaid, certified or registered mail with return receipt requested, to the principal office of the Company, if to the Company, or to the address last shown on the records of the Company, if to a Participant or Beneficiary. Any such notice shall be effective as of the date of hand delivery or mailing.

Section 10.5. NON-ALIENATION. No benefit payable at any time under this Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, levy, attachment, or encumbrance of any kind.

Section 10.6. TAX LIABILITY. The Company may direct the trustee of the Trust to withhold from any payment of benefits under the Plan such amounts as the Company determines are reasonably necessary to pay any taxes (and interest thereon) required to be withheld or for which the trustee of the Trust may become liable under applicable law. The Company may also direct the trustee of the Trust to forward to the appropriate taxing authority any amounts required to be paid by the Company or the Trust under the preceding sentence. Any amounts withheld pursuant to this Section 10.6 in excess of the amount of taxes due (and interest thereon) shall be paid to the Participant or Beneficiary upon final determination, as determined by the Company, of such amount. No interest shall be payable by the Company to any Participant or Beneficiary by reason of any amounts withheld pursuant to this Section 10.6.

Section 10.7. CAPTIONS. Article and section headings and captions are provided for purposes of reference and convenience only and shall not be relied upon in any way to construe, define, modify, limit, or extend the scope of any provision of the Plan.

Section 10.8. APPLICABLE LAW. The Plan and all rights hereunder shall be governed by and construed according to the laws of the State of Missouri, except to the extent such laws are preempted by the laws of the United States of America.

Schedule A - Annual Administrative Charges

Portfolio Gross Crediting Rate	Annual Administrative Charge
Up to 9.99%	1.40%
10.00% to 11.99%	1.00%
12.00% and above	0.00%

EXHIBIT 10(e)

H&R BLOCK

DEFERRED COMPENSATION PLAN

FOR EXECUTIVES

[As Amended Through March 9, 1994]

[Incorporating Amendments 1 through 5]

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H & R BLOCK
DEFERRED COMPENSATION PLAN
FOR EXECUTIVES

H&R BLOCK

DEFERRED COMPENSATION PLAN

FOR EXECUTIVES

H&R Block, Inc. (the "Company") hereby establishes, effective August 1, 1987, a nonqualified deferred compensation plan for the benefit of specified Executives of the Company, and of the following affiliates of the Company: CompuServe Incorporated, Personnel Pool of America, Inc., Path Management Industries, Inc. and such other entities as may be designated by the Company from time to time. This plan shall be known as the H&R Block Deferred Compensation Plan for Executives (the "Plan"). The Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as described in Sections 201(2), 301 (a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974 ("ERISA").

ARTICLE 1 DEFERRED COMPENSATION ACCOUNT

Section 1.1 Establishment of Account. The Company shall establish an account ("Account") for each Participant which shall be utilized solely as a device to measure and determine the amount of deferred compensation to be paid under the Plan.

Section 1.2 Property of Company and Participating Affiliates. Any amounts so set aside for benefits payable under the Plan are the property of the Company and its participating affiliates ("Participating Affiliates"), except, and to the extent, of any assignment of such assets to an irrevocable trust.

ARTICLE 2 DEFINITIONS, GENDER, AND NUMBER

Section 2.1 Definitions. Whenever used in the Plan, the following words and phrases shall have the meanings set forth below unless the context plainly requires a different meaning, and when a defined meaning is intended, the term is capitalized.

2.1.1 "Account" means the device used to measure and determine the amount of deferred compensation to be paid to a Participant or Beneficiary under the Plan, and may refer to the separate Accounts that represent amounts deferred by a Participant under separate Permissible Deferral elections or by the Company pursuant to Section 4.1.

2.1.2 "Affiliates" or "Affiliate" means a group of entities, including the Company, which constitutes a controlled group of corporations (as defined in section 414(b) of the Code), a group of trades or businesses (whether or not incorporated) under common control (as defined in section 414(c) of the Code), and members of an affiliated service group (within the meaning of section 414(m) of the Code.)

2.1.3 "Age" of a Participant means the number of whole calendar years that have elapsed since the date of the Participant's birth.

2.1.4 "Annual Deferral Amount" means the amount a Participant elects to defer each Plan Year under a Permissible Deferral. The Annual Deferral Amount is equal to an amount or percentage of Base Salary that is not less than the "minimum annual deferral" determined from Schedule A attached hereto (and as it may be amended from time to time by the Company) and not greater than the "maximum deferral amount" which shall be 35% of the Participant's Base Salary.

2.1.5 "Base Salary" of a Participant for any Plan Year means the total annual salary and wages paid by all Affiliates to such individual, as determined as of the later of July 1, 1987 or the date on which the Participant first becomes eligible to participate in the Plan, including any amount which would be included in the definition of Base Salary, but for the individual's election to defer some of his or her salary pursuant to this Plan or some other deferred compensation plan established by an Affiliate; but excluding any other remuneration paid by Affiliates, such as overtime, net commissions, bonuses, stock options, distributions of compensation previously deferred, restricted stock, allowances for expenses (including moving, travel expenses, and automobile allowances), and fringe benefits payable in a form other than cash. In the case of an individual who is a participant in a plan sponsored by an Affiliate which is described in Section 401(k) of the Code, the term Base Salary shall include any amount which would be included in the definition of Base Salary, but for the individual's election to reduce his salary and have the amount of the reduction contributed to the 401(k) plan on his behalf.

2.1.6 "Beneficiary" or "Beneficiaries" means the persons or trusts designated by a Participant in writing pursuant to Section 6.6.4 of the Plan as being entitled to receive any benefit payable under the Plan by reason of the death of a Participant, or, in the absence of such designation, the persons specified in Section 6.6.5 of the Plan.

2.1.7 "Board" means the Board of Directors of the Company as constituted at the relevant time.

2.1.8 "Bonus" or "Bonuses" of a Participant for any Plan Year means the total remuneration paid under the various annual management bonus programs ("annual bonuses") by Affiliates to such individual for that Plan Year including any amount which would be included in the definition of Bonus, but for the individual's election to defer some or all of his or her annual bonus pursuant to this Plan or some other deferred compensation plan established by an Affiliate; but excluding any other remuneration paid by Affiliates, such as Base Salary, overtime, net commissions, stock options, distributions of compensation previously deferred, restricted stock, allowances for expenses (including moving, travel expenses, and automobile allowances), and fringe benefits payable in a form other than cash.

2.1.8a "Closing Price" means the closing price of the Company's Common Stock on the New York Stock Exchange as of the applicable date; provided, however, that if no closing price is available for such date, "Closing Price" means the closing price of the Company's Common Stock as of the next most recent date for which a price is available.

2.1.9 "Code" means the Internal Revenue Code of 1986, as amended from time to time and any successor statute. References to a Code section shall be deemed to be to that section or to any successor to that section.

2.1.10 "Committee" means the Compensation Committee of the Company's Board.

2.1.10a "Common Stock" means the common stock of the Company.

2.1.11 "Company" means H&R Block, Inc.

2.1.12 "Company Contribution" or "Company Contributions" means the sum of (a) the Company Matching Contributions described in Section 4.1.2, and (b) the additional Company contributions described in Section 4.1.3.

2.1.13 "Completed Deferral Cycle" means total deferrals made and completed as specified by the Participant in his or her Permissible Deferral election either for four (4) or eight (8) consecutive Plan Years, if pursuant to Section 2.1.23(a), or for four (4), five (5), six (6), seven (7) or eight (8) consecutive Plan Years if pursuant to Section 2.1.23(b).

2.1.13a "Deferred Compensation Unit" means a unit equal in value to one share of Common Stock and posted to a Partici-pant's Account for the purpose of measuring the benefits payable under the Plan.

2.1.14 "Disabled" or "Disability" with respect to a Participant shall have the same definition as in the Company's then existing long term group disability insurance program.

2.1.15 "Early Retirement Date" of a Participant means the first day of the first calendar month commencing on or after the date on which (a) the Participant has reached Age 55 while in the employ of an Affiliate; (b) the Participant has completed at least ten (10) Years of Service; and (c) the Participant has a Completed Deferral Cycle.

2.1.16 "Effective Date" means the date on which this Plan became effective, i.e., August 1, 1987.

2.1.17 "Enrollment Period" for a Plan Year commencing on January 1 means the immediate preceding period of October 1 through December 15. For the Plan Year for Group A Participants commencing May 1, 1990, the "Enrollment Period" means the period from February 15, 1990 to April 15, 1990.

2.1.18 "Executive" means a person with substantial responsibility in the management of a Participating Affiliate employed on a full-time basis by that Participating Affiliate.

2.1.19 "Hours of Service" means hours of service determined in accordance with the provisions of the then existing H&R Block, Inc. Employee Profit Sharing Retirement Plan.

2.1.20 "Normal Retirement Date" of a Participant means the last day of the calendar month in which the Participant reaches the Age of 65 while in the employ of an Affiliate and has a Completed Deferral Cycle.

2.1.21 "Participant" means an Executive who is eligible to participate in the Plan and has elected to participate in the Plan.

2.1.22 "Participating Affiliate" or "Participating Affiliates" means the Company and the following indirect subsidiaries of the Company: HRB Management, Inc., H&R Block Tax Services, Inc., CompuServe Incorporated, Block Financial Corporation, and MECA Software, Inc., and the U.S. subsidiaries of such indirect subsidiaries; and such other entities as may be designated as such by the Company from time to time.

2.1.23 "Permissible Deferral" means one of the following options as selected by the Participant:

(a) for Participants under Age 55 as of the first day of a Plan Year, a deferral in that Plan Year and each of the next three (3) or seven (7) consecutive Plan Years of an Annual Deferral Amount.

(b) for Participants Age 55 or older as of the first day of a Plan Year, a deferral in that Plan Year and each of the next three (3), four (4), five (5), six (6), or seven (7) consecutive Plan Years of an Annual Deferral Amount.

The aggregate of all deferrals may not exceed two hundred eighty percent (280%) of Base Salary. All deferrals must be completed by the Plan Year in which the Participant attains Age 70.

In general, deferrals are made from Base Salary. However, if a Participant has elected to make deferrals from Base Salary, he or she may use Bonuses to "prepay" Annual Deferral Amounts as described below. Deferrals under this section must specify the percentages (stated as integers) or dollar amounts of the deferral that are intended to be deducted from Base Salary and Bonus, respectively. Deferrals made from Base Salary shall be made in installments, as instructed by the Participant and approved by the Committee, and shall be applied to the Annual Deferral Amount for the Plan Year in which the deferrals are made. Deferrals made from Bonuses shall be made in a single sum deferral at the time that the Bonus would otherwise be paid to the Participant and shall be applied to Annual Deferral Amounts such that the amounts designated to be deferred last from Base Salary under a Permissible Deferral election are paid first by the deferred Bonus. For example, if a Participant elects a four-year Permissible Deferral, Bonuses deferred in year one are applied first towards the Annual Deferral Amount for year four and the excess, if any, to the annual Deferral Amount for year three, then to year two, and so on. If, in our example, the Participant's Bonus deferral in year one was not sufficient to pay the entire Annual Deferral Amount for year four, and the Participant again elected to defer some or all of a Bonus in year two, the amounts deferred would be applied first to any amount remaining in the Annual Deferral Amount for year four, and any excess would be applied toward the Annual Deferral Amount for year three. Each installment of a deferral shall be rounded to the nearest whole dollar amount. Deferrals from Base Salary will be adjusted for any year in which a Bonus deferral has prepaid a portion of that year's Annual Deferral Amount. Elections to defer from Bonuses shall be made annually during the Enrollment Period prior to the Plan Year during which the Bonus would otherwise be paid to the Participant.

2.1.24 "Plan" means the "H&R Block Deferred Compensation Plan for Executives" as set forth herein and as amended or restated from time to time.

2.1.25 "Plan Year" means the calendar year (i) for all Permissible Deferrals elected by Group B Participants, and (ii) for Permissible Deferrals of Group A Participants elected to commence January 1, 1991 or later. For Permissible Deferrals of Group A Participants elected to commence on or before May 1, 1990, "Plan Year" means the twelve month period ending each April 30.

2.1.26 "Smoker" or "Smokers" with respect to any Permissible Deferral election means any individual who has smoked at least one cigarette within a twelve (12) month period ending on the date on which such individual makes the Permissible Deferral election.

2.1.27 "Standard Form of Benefit" as to any Participant means semimonthly payments for a fifteen (15) year period.

2.1.28 "Trust" means the H&R Block, Inc. Deferred Compensation Trust Agreement.

2.1.29 "Years of Service" means the number of consecutive Plan Years (including years prior to the Effective Date of this Plan) for which the Participant had at least 1,000 Hours of Service.

Section 2.2 Gender and Number. Except as otherwise indicated by context, masculine terminology used herein also includes the feminine and neuter, and terms used in the singular may also include the plural.

ARTICLE 3 PARTICIPATION

Section 3.1 Who May Participate. Participation in the Plan is limited to Group A and Group B Participants, described as follows:

3.1.1 "Group A Participants" are Executives of the Company at Grade 26 and above, or with the title of Director, employed at Corporate Headquarters or Tax Operations, and Executives of Participating Affiliates, other than the Company, at comparable levels as determined by the Committee.

3.1.2 "Group B Participants" are Executives who do not qualify as Group A Participants, but who are designated by the Committee as eligible to participate in the Plan.

Section 3.2 Time and Conditions of Participation. An eligible Executive shall become a Participant only upon (a) the individual's completion of a Permissible Deferral election for the succeeding Plan Year or Plan Years during an Enrollment Period, in accordance with a form established by the Company from time to time, and (b) compliance with such terms and conditions as the Committee may from time to time establish for the implementation of the Plan, including, but not limited to, any condition the Committee may deem necessary or appropriate for the Company to meet its obligations under the Plan. An individual may make a Permissible Deferral election for any succeeding Plan Year or Years during an Enrollment Period provided the total Permissible Deferral elections do not exceed the limitation set forth in Section 2.1.23.

Section 3.3 Termination of Participation. Once an individual has become a Participant in the Plan, participation shall continue until the first to occur of (a) payment in full of all benefits to which the Participant or Beneficiary is entitled under the Plan, or (b) the occurrence of an event specified in Section 3.4 which results in loss of benefits, or (c) for a Group B Participant, having an Annual Deferral Amount that causes the Participant's Base Salary and Bonus for the Plan Year, after reduction for the Annual Deferral Amount, to be less than ninety-nine percent (99%) of the United States Social Security

Contribution and Benefit Base determined under Section 230 of the Social Security Act for such Plan Year. A Group B Participant whose participation in the Plan is terminated under clause (c) of the preceding sentence shall be deemed for purposes of all Plan provisions (including Section 4.4, Section 5.1 and Section 6.3) to have voluntarily terminated employment with the Company as of the date the Participant's Plan participation is terminated. Such a Participant may then reenter the Plan during the following Enrollment Period, assuming the Participant continues to be eligible to participate in the Plan as provided in Section 3.1. Except as otherwise specified in the Plan, the Company may not terminate an individual's participation in the Plan.

Section 3.4 Missing Persons. If the Company is unable to locate the Participant or his Beneficiary for purposes of making a distribution, the amount of a Participant's benefits under this Plan that would otherwise be considered as non-forfeitable shall be forfeited effective four (4) years after (a) the last date a payment of said benefit was made, if at least one such payment was made, or (b) the first date a payment of said benefit was directed to be made by the Company pursuant to the terms of the Plan, if no payments had been made. If such person is located after the date of such forfeiture, the benefits for such Participant or Beneficiary shall not be reinstated hereunder.

Section 3.5 Relationship to Other Plans. Participation in the Plan shall not preclude participation of the Participant in any other fringe benefit program or plan sponsored by an Affiliate for which such Participant would otherwise be eligible.

ARTICLE 4 ENTRIES TO THE ACCOUNT

Section 4.1 Contributions.

Section 4.1.1 Deferrals. During each Plan Year, if the Participant elects the fixed or variable crediting rate option for measuring the performance of the Account under Section 4.2, the Company shall post to the Account of such Participant the amount of Base Salary and Bonuses to be deferred as designated by the Participant's Permissible Deferral election in effect for that Plan Year. Deferrals from Base Salary shall be posted by pay period and deferrals from Bonuses shall be posted annually at the time the Bonus would otherwise have been paid to the Participant.

During each Plan Year, if the Participant elects the Common Stock crediting rate option for measuring the performance of the Account under Section 4.2, the Company shall post to the Account of such Participant a number of Deferred Compensation Units equivalent to the amount of Base Salary and Bonuses to be deferred as designated by the Participant's Permissible Deferral election in effect for that Plan Year. Deferrals from Base Salary (and the corresponding number of Deferred Compensation Units) shall be posted by pay period and deferrals from Bonuses (and the corresponding number of Deferred Compensation Units) shall be posted annually at the time the Bonus would otherwise have been paid to the Participant. The number of Deferred Compensation Units posted for each calendar month shall be calculated by dividing: (i) the dollar amount deferred during that month; by (ii) the Closing Price on the first business day of the following calendar month.

Section 4.1.2 Company Matching Contributions. The Company shall post Matching Contributions to the Account of each participant as follows. For each $1.00 of Base Salary or Bonus deferred pursuant to Section 4.1.1, the Company shall post an additional .50 to the Participant's Account, provided, however, that the total of all Matching Contributions made pursuant to this Section 4.1.2 shall not exceed one hundred forty percent (140%) of Base Salary. Matching Contributions shall be posted at the same time as the deferrals for which the Matching Contributions are made.

Section 4.1.3 Additional Company Contributions. The Company shall also post to the Account of each Participant once each Plan Year the difference, if any, between (a) the amount for that Plan Year which would have been contributed on behalf of the Participant to any profit sharing plan which is deemed to be a "qualified plan" under the Code if the Participant had not made a Permissible Deferral election under the Plan; and (b) the amount for that Plan Year contributed on behalf of the Participant to such a plan.

Section 4.1.4 Disability. During the first 90-day period in which a Participant is Disabled, deferrals and Company Contributions shall continue to be posted as described in Sections 4.1.1, 4.1.2 and 4.1.3. If a Participant continues to be Disabled after such 90-day period, deferrals will cease but Company Contributions will continue for the balance of the Participant's Permissible Deferral period as if the Participant's deferrals had continued. A Participant may resume deferrals upon his or her return to work.

Section 4.1.5 Special 1987 Election. A Participant may elect to adjust his or her salary deferrals so that all salary deferrals which would have been made during the first Plan Year are made in the calendar year ending December 31, 1987. If a Participant makes this election, no deferrals from Base Salary or Bonuses will be made for the period beginning January 1, 1988 and ending April 30, 1988.

Section 4.2 Crediting Rate. Gains or losses shall be posted to the Account in accordance with the Participant's irrevocable election of an investment option which will be a reference for measuring the performance of the Account, as modified, if applicable, by Section 4.4. The Company intends to measure the performance of the Account in accordance with the Participant's election but reserves the right to do otherwise. The election shall be made concurrently with the Permissible Deferral election. The Participant shall elect one of the following investment options: (i) a fixed rate as described in 4.2.1, (ii) a variable rate as described in 4.2.2, or (iii) a Common Stock crediting rate as described in 4.2.3. A separate irrevocable election shall be made for each Permissible Deferral election.

Section 4.2.1. Fixed Rate. Except as specified in Section 4.2.4, if a Participant elects a fixed rate, the interest will be compounded on a daily basis and posted to the Participant's Account per each pay period at an effective annual yield equal to the rate of ten-year United States Treasury notes. The rate will be determined once each Plan Year and will be the rate in effect as of April 30 of the year prior to the Plan Year to which it applies, as published by Salomon Brothers Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company.

Section 4.2.2 Variable Rate. Except as specified in Section 4.2.4, if a Participant elects a variable rate, the Participant's Account will be credited or debited as if the

Account balance were invested in one or more funds selected by the Company in the proportions elected by the Participant. Statements will be provided on a quarterly basis. Initially the funds will be from the Pruco Variable Appreciable Life Insurance Contracts and include the Common Stock Portfolio, the Aggressively Managed Flexible Portfolio, the Conservatively Managed Flexible Portfolio, the Money Market Portfolio, the Bond Portfolio, the High Yield Bond Portfolio and the Real Property Account. 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 ten percent (10%) increments of the Account. Participants may change their measuring fund elections up to four (4) times in any calendar year by giving the Committee written notice of such change on a form provided by the Company for that purpose. Upon receipt of such notice, the Committee will effect the change within two (2) business weeks. The Participant's Account will be reduced by the annual administrative charge set forth on Schedule B attached hereto, which may be amended from time to time by the Committee.

Section 4.2.3. Common Stock Crediting Rate. If a Participant elects the Common Stock crediting rate, the Participant's Account will be valued as if his or her Account were invested in shares of Common Stock equal to the number of Deferred Compensation Units posted to his or her Account. The value of a Participant's Account will vary with the value of the Company's Common Stock. The Participant's Account will be credited, as of the applicable dividend payment date, with additional Deferred Compensation Units equal in value to any dividends declared on the Company's Common Stock based on the number of Deferred Compensation Units posted to the Participant's Account as of the record date with respect to the declaration of such dividend. As of any date of valuation, the value of a Participant's Account will be equal to the value (at the Closing Price on such date) of the number of shares of Common Stock represented by the Deferred Compensation Units credited to the Account as of that date.

Section 4.2.4 Crediting for Smokers. The crediting rate under Sections 4.2.1 and 4.2.2 for Smokers shall be reduced by four tenths of one percent (.4%) annually. The Committee may, in its discretion, waive the reduction required by this Section 4.2.4 for an individual classified as a Smoker with respect to a Permissible Deferral election if the Committee receives a request for such a waiver, on a form provided by the Company for that purpose, from such individual which certifies that he or she has not smoked a cigarette within a twelve (12) month period ending on the date the request is submitted. Such a request may be submitted no sooner than twelve (12) months following the date on which the Permissible Deferral election is made.

Section 4.3 Crediting Rate Upon Retirement, Death, Disability or Termination of Employment with all Affiliates as a Result of a Change of Control. If a Participant terminates employment at or after Normal Retirement Date or Early Retirement Date, or is Disabled, gains and losses shall be credited as described in Section 4.2 to that Participant's Accounts. If a Participant dies prior to termination of employment, gains and losses shall be credited, to date of death, as described in Section 4.2 to that Participant's Accounts. If a Participant terminates employment with all Affiliates before Normal Retirement Date or Early Retirement Date as a result of a Change of Control, gains and losses to all of that Participant's Accounts, regardless of whether or not such Accounts represent

Completed Deferral Cycles, shall be credited as described in Section 4.2 up to the date of the Change of Control and crediting for such Accounts after the date of the Change of Control shall be at an interest rate set annually by the Chief Financial Officer of the Company in his discretion, which shall not be less than the rate then payable on Investment Savings Accounts of $1,000 or less at Commerce Bank of Kansas City, N.A., Kansas City, Missouri, or any successor thereto.

Section 4.4 Crediting Rate Upon Resignation or Discharge.

Section 4.4.1 Except as described in Section 4.4.2, if a Participant terminates employment with all Affiliates before Normal Retirement Date or Early Retirement Date for reasons other than death, Disability or a Change of Control, gains and losses shall be credited as described in Section 4.2 up to the date of termination of employment to that Participant's Accounts that represent Completed Deferral Cycles. Crediting for Accounts that do not represent Completed Deferral Cycles and crediting after the date of termination of employment for Accounts that represent Completed Deferral Cycles shall be at an interest rate set annually by the Chief Financial Officer of the Company in his discretion, which shall not be less than the rate then payable on Investment Savings Accounts of $1,000 or less at Commerce Bank of Kansas City, N.A., Kansas City, Missouri, or any successor thereto.

Section 4.4.2 If a Participant terminates employment on or after Age 55 having completed at least ten (10) Years of Service, but all Permissible Deferrals do not satisfy a Completed Deferral Cycle, the Participant will be deemed to have a Completed Deferral Cycle for all Permissible Deferrals if the Participant elects either:

(a) in compliance with terms and conditions as established from time to time by the Committee to defer sufficient additional Base Salary and/or Bonuses (to be earned prior to termination and subsequent to such election) to complete the deferral elected under Section 3.2; or

(b) to have the such Permissible Deferrals constitute a reduced Completed Deferral Cycle, provided such Permissible Deferrals satisfy a minimum amount, as determined by the Committee.

A Participant must make the election described in (b) of this paragraph no later than thirty (30) days following termination of employment. In the event the Participant fails to make either election described in this Section 4.4.2, his or her Account will be credited in the manner described in Section 4.4.1.

ARTICLE 5 VESTING

Section 5.1 Participant Deferrals and Vesting Schedule for Company Contributions. Participant deferrals pursuant to Section 4.1.1 are fully vested immediately. The Participant's interests in any Company Contributions described in Section 4.1.3 shall vest according to the vesting schedule contained in the profit sharing plan to which such Company Contributions relate. The Participant's interests in the Company Matching Contributions under Section 4.1.2 shall vest according to the following schedule:

Years of Service	Percentage of Company Contributions Vested
Less than 2	None
2	20%
3	30%
4	40%
5	50%
6	60%
7	70%
8	80%
9	90%
10	100%

For purposes of crediting Years of Service under the Schedule, Participants will be credited with Years of Service beginning with the year in which the Participant began participation in the Plan. A Disabled Participant will be credited with any Hours of Service with which he or she would have been credited but for the Disability.

Section 5.2 Exceptions to Vesting Schedule. Company Contributions are fully vested upon a Participant's death prior to termination of employment, and upon a Change of Control as defined in Section 10.2. Participants who have attained Age 65 prior to the date on which they first became eligible to participate in the Plan and who have completed ten (10) Years of Service are fully vested. Participants who have attained Age 55 (but are less than Age 65) prior to the date on which they first became eligible to participate in the Plan and who have completed ten (10) Years of Service, vest according to the following formula:

$$\frac{\text{Years of Service since initial Plan eligibility date}}{\text{65 minus Participant's Age on initial Plan eligibility date}}$$

ARTICLE 6 DISTRIBUTION OF BENEFITS

Section 6.1 Payments After Termination of Employment. Payment of benefits to a Participant shall be made by the Company only upon the termination, voluntary or involuntary, of the Participant's employment with all Affiliates, except where a Participant is Disabled, or as provided by Section 6.7.

Section 6.2 Form of Benefits Upon Retirement or Disability. Payments from the Account shall be made in accordance with the Standard Form of Benefit for Participants who terminate employment on or after Normal Retirement Date or Early Retirement Date or are Disabled. However, no less than 13 months prior to such termination of employment, the Participant may petition the Committee for, and the Committee may approve at such time, an optional form of benefit.

Notwithstanding any other provisions of the Plan, a Participant who terminates employment on or after Normal Retirement Date or Early Retirement Date may, at any time before or after a Change in Control, as defined in Section 10.2, elect to receive an immediate lump-sum payment of the balance of said Participant's Account reduced by a penalty, which shall be forfeited to the Company, in lieu of payments in accordance with the Standard Form of Benefit or such optional form of benefit as may have previously been approved by the Committee under this Section 6.2. The penalty shall be equal to ten percent (10%) of the balance of such Account if the election is made before a Change in Control and shall be equal to five percent (5%) of the balance of such Account if the election is made after a Change in Control. However, the penalty shall not apply if the Committee determines, based on advice of counsel or a final determination or ruling by the Internal Revenue Service or any court of competent jurisdiction, that by reason of the provisions of this paragraph any Participant has recognized or will recognize gross income for federal income tax purposes under this Plan in advance of payment to the Participant of Plan benefits. The Company shall notify all Participants of any such determination by the Committee and shall thereafter refund all penalties which were imposed hereunder in connection with any lump-sum payments made at any time during or after the first year to which the Committee's determination applies (i.e., the first year for

which, by reasons of the provisions of this paragraph, gross income under this Plan is recognized for federal income tax purposes in advance of payment of benefits). Interest compounded annually shall be paid by the Company to the Participant (or the Participant's Beneficiary if the Participant is deceased) on any such refund from the date of the Company's payment of the lump sum at an annual rate set at the time of the refund by the Chief Financial Officer of the Company in his discretion, which rate shall not be less than the rate then payable on Investment Savings Accounts of $1,000 or less at Commerce Bank of Kansas City, N.A., Kansas City, Missouri, or any successor thereto. The Committee may also reduce or eliminate the penalty if it determines that the right to elect an immediate lump-sum payment under this paragraph, with the reduced penalty or with no penalty, as the case may be, will not cause any Participant to recognize gross income for federal income tax purposes under this Plan in advance of payment to the Participant of Plan benefits.

Section 6.3 Form of Benefits Upon Resignation or Discharge. Upon a Participant's termination of employment with all Affiliates following a Change of Control, payments from the account shall be paid in a lump sum within ninety (90) days after date of the ter-mination of employment. If a Change of Control has not occurred, for Participants who terminate employment with all Affiliates before the Normal Retirement Date or the Early Retirement Date for reasons other than Disability or death, payments from the Account shall be in the form of (a) semimonthly payments over a three (3) year period for all Permissible Deferrals that satisfy a Completed Deferral Cycle, or (b) a lump sum for all Permissible Deferrals that do not satisfy a Completed Deferral Cycle.

Section 6.4. Amount of Benefit. Except for distributions in the form of a lump sum, benefit payments shall be in the form of semimonthly cash installments paid during the applicable payment period. If the Participant elected the Common Stock crediting rate option for measuring the performance of the Account under Section 4.2 and such Participant receives benefits pursuant to Section 6.3, or if the Participant elected the fixed or variable crediting rate option for measuring the performance of the Account under Section 4.2, such installments shall be computed at the commencement of benefit payments based upon the balance in the Account at such time, together with an estimate of the gains to be credited to the Account during the payment period. Such estimated gains shall be calculated using an assumed interest rate equal to (a) nine percent (9%) per annum if the Participant elected the fixed rate investment option pursuant to Section 4.2; (b) five percent (5%) per annum if the Participant elected the variable rate investment option pursu-ant to Section 4.2; or (c) the annual interest rate set by the Chief

Financial Officer of the Company in accordance with Section 4.4.1 if the Participant receives benefits pursuant to Section 6.3. If the Participant is not receiving benefits pursuant to Section 6.3 and has elected different crediting rates (fixed or variable) for separate Permissible Deferral elections, the estimated gains shall be calculated separately for each separate Account applicable to each such separate Permissible Deferral election.

If benefit payments are computed in accordance with the immediately preceding paragraph and, at the end of 12 consecutive months after the date that benefit payments commence, or at the end of any subsequent 12-consecutive-month period, the actual crediting rate for such period is more than the assumed interest rate, the additional gain resulting from the difference shall be paid to the Participant in a single payment on or before the next December 31 following the end of such period. If, at the end of any such 12-consecutive-month period, the actual crediting rate for such period is less than the assumed interest rate, the amount of the reduced gain resulting from the difference shall be deducted from succeeding payments due to the Participant in such manner as the Committee shall determine.

If the Participant elected the Common Stock crediting rate option for measuring the performance of the Account under Section 4.2 and such Participant does not receive benefits pursuant to Section 6.3, the amount of each installment payment will be level during each 12-month period of the payment period, but will vary from year to year. The amount of each level payment for each 12-month period will be calculated using the balance in the Account at the beginning of the 12-month period and dividing it by the total periods remaining in the entire payment period. The benefit pay-ment shall be adjusted each subsequent 12-month period to reflect the value of the Account as of such time.

Generally, the Account shall continue to be credited during the payment period with gains and losses as provided in Section 4.3. However, if a Participant receives benefits pursuant to Section 6.3, the Account shall be credited with gains and losses as provided in Section 4.4.1. Except as provided otherwise, if a Participant dies, Section 6.6 shall apply.

Notwithstanding anything in this Plan to the contrary, the Committee may, in its sole discretion, increase or reduce any assumed interest rate set forth in this Section 6.4 and any such assumed interest rate, as so adjusted, shall be effective for calculating equal semimonthly installments for Participants whose benefit payments commence after the date of such adjustment.

Section 6.5 Time of Payment. Generally, benefit payments to a Participant shall begin no later than six (6) months after termination of employment. In the case of a Disabled Participant, benefits shall commence no later than six (6) months after the Participant's Early Retirement Date.

A Participant may elect at the time of each Permissible Deferral election to defer commencement of the payment of benefits after termination of employment with respect to such Permissible Deferral election until the earlier of: (a) five (5) years after termination of employment; or (b) Age 70. If the Participant has made such an election, the Committee upon written petition of the Participant may begin benefit payments at an earlier time after termination if it determines that compelling reasons exist for such earlier payments.

Section 6.6 Death Benefits.

6.6.1 Death After Benefit Commencement. In the event a Participant dies after benefit payments have commenced (other than payments made pursuant to Section 6.7), the remaining benefit payments, if any, shall be paid to the Participant's Beneficiary in the same manner such benefits would have been paid to the Participant had the Participant survived. A Beneficiary may petition the Committee for an alternative method of payment. If such benefits were payable pursuant to Section 6.3, the Account shall continue to be credited during the payout period as provided in Section 4.4, except that, if such benefits were payable because of the Participant's termination of employment with all Affiliates following a Change of Control, the Account shall continue to be credited as provided in Section 4.3. If such benefits were payable pursuant to Section 6.2, the Account shall be credited from the date of the Participant's death at a rate set by the Chief Financial Officer of the Company in his discretion, which shall not be less than the rate then payable on Investment Savings Accounts of $1,000 or less at Commerce Bank of Kansas City, Missouri, N.A., or any successor thereto. If such benefits were payable pursuant to Section 6.2 to a Participant whose employment terminated on or after Normal Retirement Date or Early Retirement Date, the Participant's Beneficiary may make the election to receive an immediate lump-sum payment of the balance of said Participant's Account in accordance with the provisions of Section 6.2 and all provisions set forth therein relating to penalties shall apply to any such election.

In addition, if a Participant dies on or after such Participant's Normal Retirement Date or Early Retirement Date after having retired, or after benefits have commenced because of the Participant's Disability, an annuity shall be paid to the Participant's surviving spouse, if any (to whom he has been married at least one (1) year prior to the date of death). The annuity shall be for the life of the Participant's surviving spouse with each semimonthly payment equal to fifty percent (50%) of the average amount which would have been payable to the Participant and his or her Beneficiary if, on the date benefits commenced, the Participant had received the Standard Form of Benefit payment. If the Participant's surviving spouse is more than thirty-six (36) months younger than the Participant, the survivor life annuity payable to such spouse shall be reduced by one-half of one percent (.5%) for each month the spouse is more than thirty-six (36) months younger than the Participant. Payment shall commence on the first day of the month following the later of (a) the Participant's death, (b) the completion of the death benefits under the first paragraph of this Section 6.6.1, or (c) fifteen (15) years from the date benefits commenced or would have commenced to the Participant.

6.6.2 Death Prior to Benefit Commencement. In the event a Participant dies before benefit payments have commenced, the Company shall pay a pre-retirement death benefit to the Participant's Beneficiary. The amount of such pre-retirement death benefit is the greater of:

(a) the Participant's Account as of the date of the Participant's death annuitized over a ten-year period at an interest rate set by the Chief Financial Officer of the Company in his discretion, which shall not be less than the rate then payable on Investment Savings Accounts of $1,000 or less at

Commerce Bank at Kansas City, Missouri, N.A.; or any successor thereto; or

(b) 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.

The pre-retirement death benefit shall be paid semimonthly for a ten-year period. The Beneficiary may petition the Committee for an alternative method of payment. If the pre-retirement death benefit is computed pursuant to 6.6.2(a), the Account shall continue to be credited during the payment period at an interest rate set by the Chief Financial Officer of the Company in his discretion. which shall not be less than the rate then payable on Investment Savings Accounts of $1,000 or less at Commerce Bank of Kansas City, Missouri, N.A., or any successor thereto. Commencement of benefits under this Section 6.6.2 shall begin no later than six (6) months following the death of the Participant notwithstanding any election which the Participant may have made to defer benefits pursuant to Section 6.5.

6.6.3 Marital Deduction. Any benefits which become payable under this Article 6 to the surviving spouse of a Participant shall be paid in a manner which will qualify such benefits for a marital deduction in the estate of a deceased Participant under the terms of Section 2056 of the Code, and unless specifically directed by a Participant to the contrary pursuant to an effective beneficiary designation, any portion of a Participant's death benefit payable to a surviving spouse which remains unpaid at the death of such spouse shall be paid to the spouse's estate.

6.6.4 Designation by Participant. Each Participant has the right to designate primary and contingent Beneficiaries for death benefits payable under the Plan. Such Beneficiaries may be individuals or trusts for the benefit of individuals. A beneficiary designation by a Participant shall be in writing on a form acceptable to the Committee and shall only be effective upon delivery to the Company. A beneficiary designation may be revoked by a Participant at any time by delivering to the Company either written notice of revocation or a new beneficiary designation form. The beneficiary designation form last delivered to the Company prior to the death of a Participant shall control.

6.6.5 Failure to Designate Beneficiary. In the event there is no beneficiary designation on file with the Company, or all Beneficiaries designated by a Participant have prede-ceased the Participant, the benefits payable by reason of the death of the Participant shall be paid to the Participant's spouse, if living; if the Participant does not leave a surviving spouse, to the Participant's issue by right of representation; or, if there are no such issue then living, to the Participant's estate. In the event there are benefits remaining unpaid at the death of a sole Beneficiary and no successor Beneficiary has been designated, either by the Participant or the Participant's spouse pursuant to 6.6.3, the remaining balance of such benefit shall be paid to the deceased Beneficiary's estate; or, if the deceased Beneficiary is one of multiple concurrent Beneficiaries, such remaining benefits shall be paid proportionally to the surviving Beneficiaries.

Section 6.7 Hardships. Upon the application of any

Participant, the Committee, in accordance with its uniform, non-discriminatory policy, may permit such Participant to terminate future deferrals or to withdraw his total Account. A Participant must give a written petition of the termination of his or her Permissible Deferral election at least thirty (30) days prior to the next monthly (for Base Salary) or single sum (for Bonuses) deferral. A Participant must give a written petition of the intent to withdraw the Account at least sixty (60) days (or such shorter time as permitted by the Committee) prior to the date of with-drawal. No termination or withdrawal shall be made under the provisions of this Section except for the purpose of enabling a Participant to meet immediate needs created by a financial hard-ship for which the Participant does not have other reasonably available sources of funds as determined by the Committee in accordance with uniform rules. The term financial hardship shall include the need for funds to: meet uninsured

medical expenses for the Participant or his dependents, meet a significant uninsured casualty loss for the Participant or his dependents, and meet other catastrophes of a "sudden and serious nature."

If the Committee permits a termination of a Participant's Permissible Deferral election, the Participant shall be entitled to have the deferrals made pursuant to the Permissible Deferral election constitute a reduced Completed Deferral Cycle, provided the deferrals satisfy a minimum amount, as determined by the Committee. If the deferrals do not satisfy such a minimum amount, no termination of a Participant's Deferral election will be allowed without a withdrawal. The Committee may permit a withdrawal of any deferrals. If a withdrawal is permitted, a Participant's deferrals shall be credited at the lesser of (a) the amount as described in Section 4.2; or (b) an interest rate set by the Chief Financial Officer of the Company in his discretion, which shall not be less than the rate then payable on Investment Savings Accounts of $1,000 or less at Commerce Bank of Kansas City, Missouri, N.A., or any successor thereto. Withdrawals shall be distributed in the form of a lump sum as soon as is reasonably convenient.

If a termination of deferrals or a withdrawal is made under this Section, the Participant may not enter into a new Permissible Deferral election for two (2) complete Plan Years from the date of the termination or withdrawal.

Section 6.8 Claims Procedure. The Committee shall notify a Participant in writing within ninety (90) days of the Participant's written application for benefits of his eligibility or non-eligibility for benefits under the Plan. If the Committee determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth (a) the specific reasons for such denial, (b) a specific reference to the provision of the Plan on which the denial is based, (c) a description of any additional information or material necessary for the claimant to perfect his claim, and a description of why it is needed, and (d) an explanation of the Plan's claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have his claim reviewed. If the Committee determines that there are special circumstances requiring additional time to make a decision, the Committee shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional 90-day period. If a Participant is determined by the Committee to be not eligible for benefits, or if the Participant believes that he is entitled to greater or different benefits, he shall have the opportunity to have his claim reviewed by the Committee by filing a petition for review with the Committee within sixty (60) days after receipt by him of the notice issued by the Committee. Said petition shall state the specific reasons the Participant believes he is entitled to benefits or greater or different benefits. Within sixty (60) days after receipt by the Committee of said petition, the Committee shall afford the Participant (and his counsel, if any) an opportunity to present his position to the Committee orally or in writing, and said Participant (or his counsel) shall have the right to review the pertinent documents, and the Committee shall notify the Participant of its decision in writing within said sixty (60) day period, stating specifically the basis of said decision written in a manner calculated to be understood by the Participant and the specific provisions of the Plan on which the decision is based. If, because of the need for a hearing, the sixty (60) day period is not sufficient, the decision may be deferred for up to another sixty (60) day period at the election of the Committee, but notice of this deferral shall be given to the Participant.

Section 6.9 Alternate Forms of Benefit Distribution. Participants shall have the right to petition the Committee to request methods of benefit distribution other than those provided to Participants pursuant to this Article 6.

Section 6.10 Distributions on Plan Termination. Notwithstanding anything in this Article 6 to the contrary, if the Plan is terminated, distributions shall be made in accordance with Section 9.2.

ARTICLE 7 FUNDING

Section 7.1 Source of Benefits. All benefits under the Plan shall be paid when due by the Company out of its assets or from an irrevocable trust established by the Company for that purpose. The Company may, but shall have no obligations to, make such advance provision for the payment of such benefit as the Board may from time to time consider appropriate.

Section 7.2 No Claim on Specific Assets. No Participant shall be deemed to have, by virtue of being a Participant in the Plan, any claim on any specific assets of the Company such that the Participant would be subject to income taxation on his benefits under the Plan prior to distribution and the rights of Participants and Beneficiaries to benefits to which they are otherwise entitled under the Plan shall be those of an unsecured general creditor of the Company.

ARTICLE 8 ADMINISTRATION AND FINANCES

Section 8.1 Administration. The Plan shall be administered by the Committee. The Company shall bear all administrative costs of the Plan other than those specifically charged to a Participant or Beneficiary.

Section 8.2 Powers of Committee. In addition to the other powers granted under the Plan, the Committee shall have all powers necessary to administer the Plan, including, without limitation, powers:

(a) to interpret the provisions of the Plan;

(b) to establish and revise the method of accounting for the Plan and to maintain the Accounts; and

(c) to establish rules for the administration of the Plan and to prescribe any forms required to administer the Plan.

Not in limitation, but in amplification of the foregoing and of the authority conferred upon the Committee in Section 8.1, the Company specifically intends that the Committee have the greatest permissible discretion to construe the terms of the Plan and to determine all questions concerning eligibility, participation and benefits. Any such decision made by the Committee is intended to be subject to the most deferential standard of judicial review. Such standard of review is not to be effected by any real or alleged conflict of interest on the part of the Company or any member of the Committee.

Section 8.3 Actions of the Committee. Except as modified by the Company, all determinations, interpretations, rules, and decisions of the Committee shall be conclusive and binding upon all persons having or claiming to have any interest or right under the Plan.

Section 8.4 Delegation. The Committee, or any officer designated by the Committee, shall have the power to delegate specific duties and responsibilities to officers or other employees of the Company or other individuals or entities. Any delegation may be rescinded by the Committee at any time. Each person or entity to whom a duty or responsibility has been delegated shall be responsible for the exercise of such duty or responsibility and shall not be responsible for any act or failure to act of any other person or entity.

Section 8.5 Reports and Records. The Committee and those to whom the Committee has delegated duties under the Plan shall keep records of all their proceedings and actions and shall maintain books of account, records, and other data as shall be necessary for the proper administration of the Plan and for compliance with applicable law.

ARTICLE 9 AMENDMENTS AND TERMINATION

Section 9.1 Amendments. The Company, by action of the Board, may amend the Plan, in whole or in part, at any time and from time to time. Any such amendment shall be filed with the Plan documents. No amendment, however, may be effective to eliminate or reduce the benefits of any retired Participant or the Beneficiary of any deceased Participant then eligible for benefits or the vested portion of the benefits, if any, in any active Participant's Account immediately before the effective date of such amendment, and each such Account will be credited to the date of such amendment in accordance with Section 4.2, whether or not such Account represents a Completed Deferral Cycle. Notwithstanding anything in this Section 9.1 to the contrary, the Committee may, in its discretion, amend the Plan to reduce the rates set forth in Section 4.2 effective for crediting of Accounts from the date of any such amendment. Notwithstanding anything in this Section 9.1 to the contrary, the Committee may, in its discretion, amend the Plan to reduce or eliminate the penalty described in Section 6.2 in accordance with the provisions of such Section 6.2, and amend the Plan to increase or reduce any assumed interest rate set forth in Section 6.4, in accordance with the provisions of such Section 6.4.

Section 9.2 Termination. The Company expects the Plan to be permanent, but necessarily must, and hereby does, reserve the right to terminate the Plan at any time by action of the Board. In all events, the Plan will be terminated if the existence of a trust causes a federal court to hold that the Plan is "funded" for ERISA purposes, as defined in Section 2.02-4 of the Trust and appeals from that holding are no longer timely or have been exhausted, and the trust is therefore terminated with respect to the Plan. Upon termination of the Plan, all deferrals and Company Contributions will cease and no future deferrals or Company Contributions will be made. Termination of the Plan shall not operate to eliminate or reduce benefits of any retired Participant or the Beneficiary of any deceased Participant then eligible for benefits. Active Participants shall become vested in their accrued benefits to the extent and in the manner provided in Section 9.3 as of the effective date of such termination and each account of an active Participant shall be credited, to the date of distribution of all benefits in each such Account, in accordance with Section 4.2., as it may be amended from time to time pursuant to Section 9.1, whether or not it represents a Completed Deferral Cycle.

If the Plan is terminated, payments from the Accounts of all Participants and Beneficiaries shall be made as soon as administratively convenient in the form of monthly payments over a five (5) year period; however, the Committee in its sole discretion may pay the benefits in a lump sum. Notwithstanding the preceding sentence, if the termination occurs because the Plan is held to be "funded" as described in the first paragraph of this Section 9.2, the distribution will be paid in a lump sum not later than ninety (90) days after such termination.

Section 9.3 Accelerated Vesting. Notwithstanding Article 5, upon termination of the Plan a Participant shall vest in Company Contributions according to the following schedule:

Years of Service	Percentage of Company Contributions Vested
Less than 1	None
1	20%
2	40%
3	60%
4	80%
5 or more	100%

Years of Service shall be credited in accordance with Section 5.1.

ARTICLE 10 ACCELERATED VESTING

Section 10.1 Accelerated Vesting. Notwithstanding Article 5, upon a Change of Control as defined in Section 10.2, a Participant shall be fully vested in Company Contributions.

Section 10.2 Change in Control. A Change in Control for any Participant shall occur if there is a Change in Control of the Company as defined in Section 1.01-2 of the Trust or there is a Change in Control of a Participating Subsidiary, as defined in Section 1.01-2 of the Trust, of the Participating Affiliate by whom the Participant is employed.

ARTICLE 11 MISCELLANEOUS

Section 11.1 No Guarantee of Employment. Neither the adoption and maintenance of the Plan nor the execution by the Company of a Permissible Deferral agreement with any Executive shall be deemed to be a contract of employment between the Company and any Participant. Nothing contained herein shall give any Participant the right to be retained in the employ of the

Company or to interfere with the right of the Company to discharge any Participant at any time, nor shall it give the Company the right to require any Participant to remain in its employ or to interfere with the Participant's right to terminate his employment at any time.

Section 11.2 Individual Account Plan. If it is determined that the Plan is not an unfunded deferred compensation plan maintained primarily for a select group of management or highly compensated employees as described in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, then the Plan is intended to be an individual account plan (other than a money purchase plan) as described in Section 301(a)(8) of ERISA and the vesting schedule set forth in Article 5 shall be replaced by the vesting schedule in the then current H&R Block, Inc. Employee Profit Sharing Plan.

Section 11.3 Release. Any payment of benefits to or for the benefit of a Participant or a Participant's Beneficiaries that is made in good faith by the Company in accordance with the Company's interpretation of its obligations hereunder, shall be in full satisfaction of all claims against the Company for benefits under this Plan to the extent of such payment.

Section 11.4 Notices. Any notice permitted or required under the Plan shall be in writing and shall be hand delivered or sent, postage prepaid, certified or registered mail with return receipt requested, to the principal office of the Company, if to the Company, or to the address last shown on the records of the Company, if to a Participant or Beneficiary. Any such notice shall be effective as of the date of hand delivery or mailing.

Section 11.5 Non-Alienation. No benefit payable at any time under this Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, levy, attachment, or encumbrance of any kind.

Section 11.6 Tax Liability. The Company may direct the trustee of the Trust to withhold from any payment of benefits under the Plan such amounts as the Company determines are reasonably necessary to pay any taxes (and interest thereon) required to be withheld or for which the trustee of the Trust may become liable under applicable law. The Company may also direct the trustee of the Trust to forward to the appropriate taxing authority any amounts required to be paid by the Company or the Trust under the preceding sentence. Any amounts withheld pursuant to this Section 11.6 in excess of the amount of taxes due (and interest thereon) shall be paid to the Participant or Beneficiary upon final determination, as determined by the Company, of such amount. No interest shall be payable by the Company to any Participant or Beneficiary by reason of any amounts withheld pursuant to this Section 11.6.

Section 11.7 Captions. Article and section headings and captions are provided for purposes of reference and convenience only and shall not be relied upon in any way to construe, define, modify, limit, or extend the scope of any provision of the Plan.

Section 11.8 Applicable Law. The Plan and all rights hereunder shall be governed by and construed according to the laws of the State of Missouri, except to the extent such laws are preempted by the laws of the United States of America.

SCHEDULE A - MINIMUM ANNUAL DEFERRAL

Fixed

	Minimum Annual Deferral
All ages	$3,000

Variable

Age	Minimum Annual Deferral
Up to 40	$3,000
41 - 50	3,900
51 - 60	5,500
60 - 65	6,400
66 - 70	7,300

SCHEDULE B - ANNUAL ADMINISTRATIVE CHARGES

Portfolio Gross Crediting Rate	Annual Administrative Charge
Up to 9.99%	1.40%
10.00% to 11.99%	1.00%
12.00% and above	0.00%

EXHIBIT 10(f)

H&R BLOCK

SUPPLEMENTAL DEFERRED COMPENSATION PLAN

FOR EXECUTIVES

H&R BLOCK
SUPPLEMENTAL DEFERRED COMPENSATION PLAN
FOR EXECUTIVES

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H&R BLOCK

SUPPLEMENTAL DEFERRED COMPENSATION PLAN

FOR EXECUTIVES

H&R Block, Inc. (the "Company") hereby establishes, effective May 1, 1994, a nonqualified deferred compensation plan for the benefit of specified Executives of the Company, and of the following indirect subsidiaries of the Company: HRB Management, Inc., H&R Block Tax Services, Inc., CompuServe Incorporated, Block Financial Corporation, MECA Software, Inc., and the U.S. subsidiaries of such indirect subsidiaries; and such other entities as may be designated by the Company from time to time. This plan shall be known as the "H&R Block Supplemental Deferred Compensation Plan for Executives" (the "Plan"). The Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as described in Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974 ("ERISA").

ARTICLE 1 DEFERRED COMPENSATION ACCOUNT

Section 1.1 Establishment of Account. The Company shall establish an account ("Account") for each Participant which shall be utilized solely as a device to measure and determine the amount of deferred compensation to be paid under the Plan.

Section 1.2 Property of Company and Participating Affiliates. Any amounts so set aside for benefits payable under the Plan are the property of the Company and its participating affiliates ("Participating Affiliates"), except, and to the extent, of any assignment of such assets to an irrevocable trust.

ARTICLE 2 DEFINITIONS, GENDER, AND NUMBER

Section 2.1 Definitions. Whenever used in the Plan, the following words and phrases shall have the meanings set forth below unless the context plainly requires a different meaning, and when a defined meaning is intended, the term is capitalized.

2.1.1 "Account" means the device established under Section 1.1 and used to measure and determine the amount of deferred compensation to be paid to a Participant or Beneficiary under the Plan, and may refer to the separate Accounts that represent amounts deferred by a Participant under separate Permissible Deferral elections or by the Company pursuant to Section 4.1.

2.1.2 "Affiliates" or "Affiliate" means a group of entities, including the Company, which constitutes a controlled group of corporations (as defined in section 414(b) of the Code), a group of trades or businesses (whether or not incorporated) under common control (as defined in section 414(c) of the Code), and members of an affiliated service group (within the meaning of section 414(m) of the Code).

2.1.3 "Age" of a Participant means the number of whole calendar years that have elapsed since the date of the Participant's birth.

2.1.4 "Annual Deferral Amount" means the amount a Participant elects to defer each Plan Year under a Permissible Deferral. The Annual Deferral Amount is equal to an amount or percentage of Base Salary that is not greater than 35% of the Participant's Base Salary.

2.1.5 "Base Salary" of a Participant for any Plan Year means the total annual salary and wages paid by all Affiliates to such individual, as determined as of the date on which the Participant first becomes eligible to participate in the Plan, including any amount which would be included in the definition of Base Salary, but for the individual's election to defer some of his or her salary pursuant to this Plan or some other deferred compensation plan established by an Affiliate; but excluding any other remuneration paid by Affiliates, such as overtime, net commissions, bonuses, stock options, distributions of compensation previously deferred, restricted stock, allowances for expenses (including moving, travel expenses, and automobile allowances), and fringe benefits payable in a form other than cash. In the case of an individual who is a participant in a plan sponsored by an Affiliate which is described in Section 401(k) of the Code, the term Base Salary shall include any amount which would be included in the definition of Base Salary, but for the individual's election to reduce his or her salary and have the amount of the reduction contributed to the 401(k) plan on his or her behalf.

2.1.6 "Beneficiary" or "Beneficiaries" means the persons or trusts designated by a Participant in writing pursuant to Section 6.6.4 of the Plan as being entitled to receive any benefit payable under the Plan by reason of the death of a Participant, or, in the absence of such designation, the persons specified in Section 6.6.5 of the Plan.

2.1.7 "Board" means the Board of Directors of the Company as constituted at the relevant time.

2.1.8 "Bonus" or "Bonuses" of a Participant for any Plan Year means the total remuneration paid under the various annual management bonus programs ("annual bonuses") by Affiliates to such individual for that Plan Year including any amount which would be included in the definition of Bonus, but for the individual's election to defer some or all of his or her annual bonus pursuant to this Plan or some other deferred compensation plan established by an Affiliate; but excluding any other remuneration paid by Affiliates, such as Base Salary, overtime, net commissions, stock options, distributions of compensation previously deferred, restricted stock, allowances for expenses (including moving, travel expenses, and automobile allowances), and fringe benefits payable in a form other than cash.

2.1.9 "Change in Control" means a "Change in Control" (as defined in Section 1.01-2 of the Trust Agreement) of the Participating Affiliate by whom the Participant is employed.

2.1.10 "Closing Price" means the closing price of the Company's Common Stock on the New York Stock Exchange as of the applicable date; provided, however, that if no closing price is available for such date, "Closing Price" means the closing price of the Company's Common Stock as of the next most recent date for which a price is available.

2.1.11 "Code" means the Internal Revenue Code of 1986, as amended from time to time and any successor statute. References to a Code section shall be deemed to be to that section or to any successor to that section.

2.1.12 "Committee" means the Compensation Committee of the Company's Board.

2.1.13 "Common Stock" means the common stock of the Company.

2.1.14 "Company" means H&R Block, Inc., a Missouri corporation.

2.1.15 "Completed Deferral Cycle" means total deferrals made and completed as specified by the Participant in his or her Permissible Deferral election for four (4), five (5), six (6), seven (7) or eight (8) consecutive Plan Years.

2.1.16 "Deferred Compensation Unit" means a unit equal in value to one share of Common Stock and posted to a Participant's Account for the purpose of measuring the benefits payable under the Plan.

2.1.17 "Disabled" or "Disability" with respect to a Participant shall have the same definition as in the Company's then existing long term group disability insurance program.

2.1.18 "Early Retirement Date" of a Participant means the first day of the first calendar month commencing on or after the date on which (a) the Participant has reached Age 55 while in the employ of an Affiliate; (b) the Participant has completed at least ten (10) Years of Service; and (c) the Participant has a Completed Deferral Cycle.

2.1.19 "Effective Date" means the date on which this Plan became effective, i.e., May 1, 1994.

2.1.20 "Enrollment Period" for a Plan Year commencing on January 1 means the immediately preceding period of October 1 through December 15. For the Plan Year beginning May 1, 1994, "Enrollment Period" means the period from April 4 through April 29, 1994.

2.1.21 "Executive" means a person with substantial responsibility in the management of a Participating Affiliate employed on a full-time basis by that Participating Affiliate.

2.1.22 "Hours of Service" means hours of service determined in accordance with the provisions of the then existing H&R Block Profit Sharing Retirement Plan.

2.1.23 "Normal Retirement Date" of a Participant means the last day of the calendar month in which the Participant reaches the Age of 65 while in the employ of an Affiliate and has a Completed Deferral Cycle.

2.1.24 "Participant" means an Executive who is eligible to participate in the Plan and has elected to participate in the Plan.

2.1.25 "Participating Affiliate" or "Participating Affiliates" means the Company and the following indirect subsidiaries of the Company: HRB Management, Inc., H&R Block Tax Services, Inc., CompuServe Incorporated, Block Financial Corporation, MECA Software, Inc., and the U.S. subsidiaries of such indirect subsidiaries; and such other entities as may be designated as such by the Company from time to time.

2.1.26 "Permissible Deferral" means, with respect to a Plan Year, a deferral in that Plan Year and each of the next three (3), four (4), five (5), six (6), or seven (7) consecutive Plan Years of an Annual Deferral Amount. The aggregate of all deferrals under this Plan may not exceed two hundred eighty percent (280%) of Base Salary.

In general, deferrals are made from Base Salary; however, if a Participant has elected to make deferrals from Base Salary, he or she may use Bonuses to "prepay" Annual Deferral Amounts as described below. Deferral elections must specify the percentages (stated as integers) or dollar amounts of the deferral that are intended to be deducted from Base Salary and Bonus, respectively. Deferrals made from Base Salary shall be made in installments, as instructed by the Participant and approved by the Committee, and shall be applied to the Annual Deferral Amount for the

Plan Year in which the deferrals are made. Deferrals made from Bonuses shall be made in a single sum deferral at the time that the Bonus would otherwise be paid to the

Participant and shall be applied to Annual Deferral Amounts such that the amounts designated to be deferred last from Base Salary under a Permissible Deferral election are paid first by the deferred Bonus. For example, if a Participant elects a four-year Permissible Deferral, Bonuses deferred in year one are applied first towards the Annual Deferral Amount for year four and the excess, if any, to the annual Deferral Amount for year three, then to year two, and so on. If, in our example, the Participant's Bonus deferral in year one was not sufficient to pay the entire Annual Deferral Amount for year four, and the Participant again elected to defer some or all of a Bonus in year two, the amounts deferred would be applied first to any amount remaining in the Annual Deferral Amount for year four, and any excess would be applied toward the Annual Deferral Amount for year three. Each installment of a deferral shall be rounded to the nearest whole dollar amount. Deferrals from Base Salary will be adjusted for any year in which a Bonus deferral has prepaid a portion of that year's Annual Deferral Amount. Elections to defer from Bonuses shall be made annually during the Enrollment Period prior to the Plan Year during which the Bonus would otherwise be paid to the Participant.

2.1.27 "Plan" means the "H&R Block Supplemental Deferred Compensation Plan for Executives" as set forth herein and as amended or restated from time to time.

2.1.28 "Plan Year" means the calendar year; provided, however, that the initial Plan Year shall begin May 1, 1994, and end December 31, 1994.

2.1.29 "Primary Plan" means the "H&R Block Deferred Compensation Plan for Executives" established August 1, 1987, as such plan may be amended from time to time.

2.1.30 "Standard Form of Benefit" as to any Participant means semimonthly cash payments for a fifteen (15) year period.

2.1.31 "Trust" means the trust established pursuant to the Trust Agreement.

2.1.32 "Trust Agreement" means the H&R Block, Inc. Deferred Compensation Trust Agreement effective December 13, 1988, as it may be amended from time to time.

2.1.33 "Years of Service" means the number of consecutive Plan Years (including calendar years prior to the Effective Date of this Plan) for which the Participant had at least 1,000 Hours of Service.

Section 2.2 Gender and Number. Except as otherwise indicated by context, masculine terminology used herein also includes the feminine and neuter, and terms used in the singular may also include the plural.

ARTICLE 3 PARTICIPATION

Section 3.1 Who May Participate. Participation in the Plan is limited to Executives who are Participants in the Primary Plan and whose aggregate deferrals under the Primary Plan have been completed during a prior Plan Year.

Section 3.2 Time and Conditions of Participation. An eligible Executive shall become a Participant only upon (a) the individual's completion of a Permissible Deferral election for the succeeding Plan Year or Plan Years during an Enrollment Period, in accordance with a form established by the Company from time to time, and (b) compliance with such terms and conditions as the Committee may from time to time establish for the implementation of the Plan, including, but not limited to, any condition the Committee may deem necessary or appropriate for the Company to meet its obligations under the Plan. An individual may make a Permissible Deferral election for any succeeding Plan Year or Years during an Enrollment Period provided the total Permissible Deferral elections do not exceed the limitations set forth in Section 2.1.26.

Section 3.3 Termination of Participation. Once an individual has become a Participant in the Plan, participation shall continue until the first to occur of (a) payment in full of all benefits to which the Participant or Beneficiary is entitled under the Plan, or (b) the occurrence of an event specified in Section 3.4 which results in loss of benefits. Except as otherwise specified in the Plan, the Company may not terminate an individual's participation in the Plan.

Section 3.4 Missing Persons. If the Company is unable to locate the Participant or his Beneficiary for purposes of making a distribution, the amount of a Participant's benefits under this Plan that would otherwise be considered as non-forfeitable shall be forfeited effective four (4) years after (a) the last date a payment of said benefit was made, if at least one such payment was made, or (b) the first date a payment of said benefit was directed to be made by the Company pursuant to the terms of the Plan, if no payments had been made. If such person is located after the date of such forfeiture, the benefits for such Participant or Beneficiary shall not be reinstated hereunder.

Section 3.5 Relationship to Other Plans. Participation in the Plan shall not preclude participation of the Participant in any other fringe benefit program or plan sponsored by an Affiliate for which such Participant would otherwise be eligible.

ARTICLE 4 ACCOUNTS

Section 4.1 Contributions.

Section 4.1.1 Deferrals. The Company shall post to the Account of each Participant a number of Deferred Compensation Units equivalent to the amount of Base Salary and Bonuses to be deferred as designated by the Participant's Permissible Deferral election in effect for each Plan Year. Deferrals from Base Salary (and the corresponding number of Deferred Compensation Units) shall be posted by pay period, and deferrals from Bonuses (and the corresponding number of Deferred Compensation Units) shall be posted annually at the time the Bonus would otherwise have been paid to the Participant. The number of Deferred Compensation Units posted during each calendar month shall be calculated by dividing: (a) the dollar amount deferred during that month; by (b) the Closing Price on the first business day of the following calendar month.

Section 4.1.2 Company Contributions. The Company shall also post to the Account of each Participant once each Plan Year the difference, if any, between (a) the amount for such Plan Year that would have been contributed on behalf of the Participant to any profit sharing plan that is deemed to be a "qualified plan" under the Code if the Participant had not made a Permissible Deferral election under the Plan; and (b) the amount for that Plan Year contributed on behalf of the Participant to such a plan.

Section 4.1.3 Disability. During the first 90-day period in which a Participant is Disabled, deferrals shall continue to be posted as described in Section 4.1.1. If a Participant continues to be Disabled after such 90-day period, posting of deferrals will be suspended. A Participant may resume deferrals upon his or her return to work.

Section 4.2 Valuation of Accounts. A Participant's Account will be valued as if his or her Account were invested in shares of Common Stock equal to the number of Deferred Compensation Units posted to his or her Account. The value of a Participant's Account will vary with the value of the Company's Common Stock. The Participant's Account will be credited, as of the applicable dividend payment date, with additional Deferred Compensation Units equal in value to any dividends declared on the Company's Common Stock based on the number of Deferred Compensation Units posted to the Participant's Account as of the record date with respect to the declaration of such dividend. As of any date of valuation, the value of a Participant's Account will be equal to the value (at the Closing Price on such date) of the number of shares of Common Stock represented by the Deferred Compensation Units credited to the Account as of that date.

Section 4.3 Valuation Upon Retirement, Death, Disability or Termination of Employment with all Affiliates as a Result of a Change in Control. If a Participant terminates employment at or after Normal Retirement Date or Early Retirement Date, or is Disabled, his or her Account shall be valued as described in Section 4.2. If a Participant dies prior to termination of employment, his or her Account shall be valued as of date of death, as described in Section 4.2. If a Participant terminates employment with all Affiliates before Normal Retirement Date or Early Retirement Date as a result of a Change in Control, the Participant's Account, regardless of whether or not such Accounts represent Completed Deferral Cycles, shall be valued as described in Section 4.2 up to the date of the Change in Control and earnings on such Accounts after the date of the Change in Control shall be credited at an interest rate set annually by the Chief Financial Officer of the Company in his discretion, which shall not be less than the rate then payable on Investment Savings Accounts of $1,000 or less at Commerce Bank of Kansas City, N.A., Kansas City, Missouri, or any successor thereto.

Section 4.4 Valuation Upon Resignation or Discharge.

Section 4.4.1 Except as described in Section 4.4.2, if a Participant terminates employment with all Affiliates before Normal Retirement Date or Early Retirement Date for reasons other than death, Disability, or a Change in Control, the portion of the Participant's Account that represents Completed Deferral Cycles shall be valued as described in Section 4.2 up to the date of termination of employment. Earnings after the date of posting for the portion of the Account that does not represent Completed Deferral Cycles and earnings after the date of termination of employment for the portion of the Account that represents Completed Deferral Cycles shall be credited at an interest rate set annually by the Chief Financial Officer of the Company in his discretion, which shall not be less than the rate then payable on Investment Savings Accounts of $1,000 or less at Commerce Bank of Kansas City, N.A., Kansas City, Missouri, or any successor thereto.

Section 4.4.2 If a Participant terminates employment on or after Age 55 having completed at least ten (10) Years of Service, but all Permissible Deferrals do not satisfy a Completed Deferral Cycle, the Participant will be deemed to have a Completed Deferral Cycle for all Permissible Deferrals if the Participant elects either:

(a) in compliance with terms and conditions as established from time to time by the Committee to defer sufficient additional Base Salary and/or Bonuses (to be earned prior to termination and subsequent to such election) to complete the Permissible Deferrals elected under Section 3.2; or

(b) to have the such Permissible Deferrals constitute a reduced Completed Deferral Cycle, provided such Permissible Deferrals satisfy a minimum amount, as determined by the Committee.

A Participant must make the election described in (b) of this paragraph no later than thirty (30) days following termination of employment. In the event the Participant fails to make either election described in this Section 4.4.2, his or her Account will be credited in the manner described in Section 4.4.1.

ARTICLE 5 VESTING

Section 5.1 Vesting in Participant Deferrals. Participant deferrals pursuant to Section 4.1.1 are fully vested immediately.

Section 5.2 Vesting in Company Contributions. A Participant's interest in any Company contributions described in Section 4.1.2 shall vest according to the vesting schedule contained in the profit sharing plan to which such Company contributions relate.

ARTICLE 6 DISTRIBUTION OF BENEFITS

Section 6.1 Payments After Termination of Employment. Payment of benefits to a Participant shall be made by the Company only upon the termination, voluntary or involuntary, of the Participant's employment with all Affiliates, except where a Participant is Disabled, or as provided by Section 6.7.

Section 6.2 Form of Benefits Upon Retirement or Disability. Payments from the Account shall be made in accordance with the Standard Form of Benefit for a Participant who terminates employment on or after his or her Normal Retirement Date or Early Retirement Date or are Disabled. However, no less than 13 months prior to such termination of employment, the Participant may petition the Committee for, and the Committee may approve at such time, an optional form of benefit.

Notwithstanding any other provisions of the Plan, a Participant who terminates employment on or after Normal Retirement Date or Early Retirement Date may, at any time before or after a Change in Control, elect to receive an immediate lump-sum cash payment of the value of said Participant's Account reduced by a penalty, which shall be forfeited to the Company, in lieu of payments in accordance with the Standard Form of Benefit or such optional form of benefit as may have previously been approved by the Committee under this Section 6.2. The penalty shall be equal to ten percent (10%) of the value of such Account if the election is made before a Change in Control and shall be equal to five percent (5%) of the value of such Account if the election is made after a Change in Control. However, the penalty shall not apply if the Committee determines, based on advice of counsel or a final determination or filing by the Internal Revenue Service or any court of competent jurisdiction, that by reason of the provisions of this paragraph any Participant has recognized or will recognize gross income for federal income tax purposes under this Plan in advance of payment to the Participant of Plan benefits. The Company shall notify all Participants of any such determination by the Committee and shall thereafter refund all penalties which were imposed hereunder in connection with any lump-sum payments made at any time during or after the first year to which the Committee's determination applies (i.e., the first year for which, by reasons of the provisions of this paragraph, gross income under this Plan is recognized for federal income tax purposes in advance of payment of benefits). Interest

compounded annually shall be paid by the Company to the Participant (or the Participant's Beneficiary if the Participant is deceased) on any such refund from the date of the Company's payment of the lump sum at an annual rate set at the time of the refund by the Chief Financial Officer of the Company in his discretion, which rate shall not be less than the rate then payable on Investment Savings Accounts of $1,000 or less at Commerce Bank of Kansas City, N.A., Kansas City, Missouri, or any successor thereto. The Committee may also reduce or eliminate the penalty if it determines that the right to elect an immediate lump-sum payment under this paragraph, with the reduced penalty or with no penalty, as the case may be, will not cause any Participant to recognize gross income for federal income tax purposes under this Plan in advance of payment to the Participant of Plan benefits.

Section 6.3 Form of Benefits Upon Resignation or Discharge, or Termination of Employment with all Affiliates as a Result of Change in Control. Upon a Participant's termination of employment with all Affiliates following a Change in Control, payments from the Account shall be made in a lump-sum cash payment within ninety (90) days after date of the termination of employment. If a Change in Control has not occurred, for Participants who terminate employment with all Affiliates before the Normal Retirement Date or the Early Retirement Date for reasons other than Disability or death, payments from the Account shall be in the form of (a) semimonthly cash payments over a three (3) year period for Permissible Deferrals that satisfy a Completed Deferral Cycle, or (b) a lump sum for Permissible Deferrals that do not satisfy a Completed Deferral Cycle.

Section 6.4 Amount of Benefit. Except for distributions in the form of a lump sum, benefit payments shall be in the form of semimonthly cash installments paid during the applicable payment period. The amount of each installment payment will be level during each 12-month period of the payment period, but will vary from year to year.

The amount of each level benefit payment for each 12-month period will be calculated using the balance in the Account at the beginning of the 12-month period and dividing it by the total periods remaining in the entire payment period. The benefit payment shall be adjusted each subsequent 12-month period to reflect the value of the Account as of such time.

Generally, the Account shall continue to be valued during the payment period as provided in Section 4.3; provided, however, that if a Participant receives benefits pursuant to Section 6.3, the Account shall be valued as provided in Section 4.4.1. Except as provided otherwise, if a Participant dies, Section 6.6 shall apply.

Section 6.5 Time of Payment. Generally, benefit payments to a Participant shall begin no later than six (6) months after termination of employment. In the case of a Disabled Participant, benefits shall commence no later than six (6) months after the Participant's Early Retirement Date.

A Participant may elect at the time of each Permissible Deferral election to defer commencement of the payment of benefits after termination of employment with respect to such Permissible Deferral election until the earlier of: (a) five (5) years after termination of employment; or (b) Age 70. If the Participant has made such an election, the Committee upon written petition of the Participant may begin benefit payments at an earlier time after termination if it determines that compelling reasons exist for such earlier payments.

Section 6.6 Death Benefits.

6.6.1 Death After Benefit Commencement. In the event a Participant dies after benefit payments have commenced (other than payments made pursuant to Section 6.7), the remaining benefit payments, if any, shall be paid to the Participant's Beneficiary in the same manner such benefits would have been paid to the Participant had the Participant survived. A Beneficiary may petition the Committee for an alternative method of payment. If such benefits were payable pursuant to Section 6.3, the Account shall continue to be valued during the payout period as provided in Section 4.4, except that, if such benefits were payable because of the Participant's termination of employment with all Affiliates following a Change in Control, the Account shall continue to be valued as provided in Section 4.3. If such benefits were payable pursuant to Section 6.2, earnings on the Account shall be credited from the date of the Participant's death at a rate set by the Chief Financial Officer of the Company in his discretion, which shall not be less than the rate then payable on Investment Savings Accounts of $1,000 or less at Commerce Bank of Kansas City, N.A., Kansas City, Missouri, or any successor thereto. If such benefits were payable pursuant to Section 6.2 to a Participant whose employment terminated on or after Normal Retirement Date or Early Retirement Date, the Participant's Beneficiary may make the election to receive an immediate lump-sum payment of the balance of said Participant's Account in accordance with the provisions of Section 6.2 and all provisions set forth therein relating to penalties shall apply to any such election.

6.6.2 Death Prior to Benefit Commencement. In the event a Participant dies before benefit payments have commenced, the Company shall pay a pre-retirement death benefit to the Participant's Beneficiary. The amount of such pre-retirement death benefit is the Participant's Account as of the date of the Participant's death annuitized over a ten-year period at an interest rate set by the Chief Financial Officer of the Company in his discretion, which shall not be less than the rate then payable on Investment Savings Accounts of $1,000 or less at Commerce Bank of Kansas City, N.A., Kansas City, Missouri, or any successor thereto.

The pre-retirement death benefit shall be paid semimonthly for a ten-year period. The Beneficiary may petition the Committee for an alternative method of payment. If the pre-retirement death benefit is computed pursuant to 6.6.2(a), earnings on the Account shall continue to be credited during the payment period at an interest rate set by the Chief Financial Officer of the Company in his discretion. which shall not be less than the rate then payable on Investment Savings Accounts of $1,000 or less at Commerce Bank of Kansas City, N.A., Kansas City, Missouri or any successor thereto. Commencement of benefits under this Section 6.6.2 shall begin no later than six (6) months following the death of the Participant notwithstanding any election which the Participant may have made to defer benefits pursuant to Section 6.5.

6.6.3 Marital Deduction. Any benefits which become payable under this Article 6 to the surviving spouse of a Participant shall be paid in a manner which will qualify such benefits for a marital deduction in the estate of a deceased Participant under the terms of Section 2056 of the Code, and unless specifically directed by a Participant to the contrary pursuant to an effective beneficiary designation, any portion of a Participant's death benefit payable to a surviving spouse which remains unpaid at the death of such spouse shall be paid to the spouse's estate.

6.6.4 Designation by Participant. Each Participant has the right to designate primary and contingent Beneficiaries for death benefits payable under the Plan. Such Beneficiaries may be individuals or trusts for the benefit of individuals. A beneficiary designation by a Participant shall be in writing on a form acceptable to the Committee and shall only be effective upon delivery to the Company. A beneficiary designation may be revoked by a Participant at any time by delivering to the Company either written notice of revocation or a new beneficiary designation form. The beneficiary designation form last delivered to the Company prior to the death of a Participant shall control.

6.6.5 Failure to Designate Beneficiary. In the event there is no beneficiary designation on file with the Company, or all Beneficiaries designated by a Participant have predeceased the Participant, the benefits payable by reason of the death of the Participant shall be paid to the Participant's spouse, if living; if the Participant does not leave a surviving spouse, to the Participant's issue by right of representation; or, if there are no such issue then living, to the Participant's estate. In the event there are benefits remaining unpaid at the death of a sole Beneficiary and no successor Beneficiary has been designated, either by the Participant or the Participant's spouse pursuant to 6.6.3, the remaining balance of such benefit shall be paid to the deceased Beneficiary's estate; or, if the deceased Beneficiary is one of multiple concurrent Beneficiaries, such remaining benefits shall be paid proportionally to the surviving Beneficiaries.

Section 6.7 Hardships. Upon the application of any Participant, the Committee, in accordance with its uniform, non-discriminatory policy, may permit such Participant to terminate future deferrals or to withdraw his total Account. A Participant must give a written petition of the termination of his or her Permissible Deferral election at least thirty (30) days prior to the next monthly (for Base Salary) or single sum (for Bonuses) deferral. A Participant must give a written petition of the intent to withdraw the Account at least sixty (60) days (or such shorter time as permitted by the Committee) prior to the date of withdrawal. No termination or withdrawal shall be made under the provisions of this Section except for the purpose of enabling a Participant to meet immediate needs created by a financial hardship for which the Participant does not have other reasonably available sources of funds as determined by the Committee in accordance with uniform rules. The term financial hardship shall include the need for funds to: meet uninsured medical expenses for the Participant or his dependents, meet a significant uninsured casualty loss for the Participant or his dependents, and meet other catastrophes of a "sudden and serious nature."

If the Committee permits a termination of a Participant's Permissible Deferral election, the Participant shall be entitled to have the deferrals made pursuant to the Permissible Deferral election constitute a reduced Completed Deferral Cycle, provided the deferrals satisfy a minimum amount, as determined by the Committee. If the deferrals do not satisfy such a minimum amount, no termination of a Participant's Deferral election will be allowed without a withdrawal. The Committee may permit a withdrawal of any deferrals. If a withdrawal is permitted, earnings on a Participant's deferrals shall be valued at the lesser of (a) the amount as described in Section 4.2; or (b) an amount calculated using an interest rate set by the Chief Financial Officer of the Company in his discretion, which shall not be less than the rate then payable on Investment Savings Accounts of $1,000 or less at Commerce Bank of Kansas City, N.A., Kansas City, Missouri, or any successor thereto. Withdrawals shall be distributed in the form of a lump sum as soon as is reasonably convenient.

If a termination of deferrals or a withdrawal is made under this Section, the Participant may not enter into a new Permissible Deferral election for two (2) complete Plan Years from the date of the termination or withdrawal.

Section 6.8 Claims Procedure. The Committee shall notify a Participant in writing within ninety (90) days of the Participant's written application for benefits of his eligibility or non-eligibility for benefits under the Plan. If the Committee determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth (a) the specific reasons for such denial, (b) a specific reference to the provision of the Plan on which the denial is based, (c) a description of any additional information or material necessary for the claimant to perfect his claim, and a description of why it is needed, and (d) an explanation of the Plan's claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have his claim reviewed. If the Committee determines that there are special circumstances requiring additional time to make a decision, the Committee shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional 90-day period. If a Participant is determined by the Committee to be not eligible for benefits, or if the Participant believes that he is entitled to greater or different benefits, he shall have the opportunity to have his claim reviewed by the Committee by filing a petition for review with the Committee within sixty (60) days after receipt by him of the notice issued by the Committee. Said petition shall state the specific reasons the Participant believes he is entitled to benefits or greater or different benefits. Within sixty (60) days after receipt by the Committee of said petition, the Committee shall afford the Participant (and his counsel, if any) an opportunity to present his position to the Committee orally or in writing, and said Participant (or his counsel) shall have the right to review the pertinent documents, and the Committee shall notify the Participant of its decision in writing within said sixty (60) day period, stating specifically the basis of said decision written in a manner calculated to be understood by the Participant and the specific provisions of the Plan on which the decision is based. If, because of the need for a hearing, the sixty (60) day period is not sufficient, the decision may be deferred for up to another sixty (60) day period at the election of the Committee, but notice of this deferral shall be given to the Participant.

Section 6.9 Alternate Forms of Benefit Distribution. Participants shall have the right to petition the Committee to request methods of benefit distribution other than those provided to Participants pursuant to this Article 6.

Section 6.10 Distributions on Plan Termination. Notwithstanding anything in this Article 6 to the contrary, if the Plan is terminated, distributions shall be made in accordance with Section 9.2.

ARTICLE 7 FUNDING

Section 7.1 Source of Benefits. All benefits under the Plan shall be paid when due by the Company out of its assets or from an irrevocable trust established by the Company for that purpose. The Company may, but shall have no obligations to, make such advance provision for the payment of such benefit as the Board may from time to time consider appropriate.

Section 7.2 No Claim on Specific Assets. No Participant shall be deemed to have, by virtue of being a Participant in the Plan, any claim on any specific assets of the Company such that the Participant would be subject to income taxation on his benefits under the Plan prior to distribution and the rights of Participants and Beneficiaries to benefits to which they are otherwise entitled under the Plan shall be those of an unsecured general creditor of the Company.

ARTICLE 8 ADMINISTRATION AND FINANCES

Section 8.1 Administration. The Plan shall be administered by the Committee. The Company shall bear all administrative costs of the Plan other than those specifically charged to a Participant or Beneficiary.

Section 8.2 Powers of Committee. In addition to the other powers granted under the Plan, the Committee shall have all powers necessary to administer the Plan, including, without limitation, powers:

(a) to interpret the provisions of the Plan;

(b) to establish and revise the method of accounting for the Plan and to maintain the Accounts; and

(c) to establish rules for the administration of the Plan and to prescribe any forms required to administer the Plan.

Not in limitation, but in amplification of the foregoing and of the authority conferred upon the Committee in Section 8.1, the Company specifically intends that the Committee have the greatest permissible discretion to construe the terms of the Plan and to determine all questions concerning eligibility, participation, and benefits. Any such decision made by the Committee is intended to be subject to the most deferential standard of judicial review. Such standard of review is not to be affected by any real or alleged conflict of interest on the part of the Company or any member of the Committee.

Section 8.3 Actions of the Committee. Except as modified by the Company, all determinations, interpretations, rules, and decisions of the Committee shall be conclusive and binding upon all persons having or claiming to have any interest or right under the Plan.

Section 8.4 Delegation. The Committee, or any officer designated by the Committee, shall have the power to delegate specific duties and responsibilities to officers or other employees of the Company or other individuals or entities. Any delegation may be rescinded by the Committee at any time. Each person or entity to whom a duty or responsibility has been delegated shall be responsible for the exercise of such duty or responsibility and shall not be responsible for any act or failure to act of any other person or entity.

Section 8.5 Reports and Records. The Committee and those to whom the Committee has delegated duties under the Plan shall keep records of all their proceedings and actions and shall maintain books of account, records, and other data as shall be necessary for the proper administration of the Plan and for compliance with applicable law.

ARTICLE 9 AMENDMENTS AND TERMINATION

Section 9.1 Amendments. The Company, by action of the Board, may amend the Plan, in whole or in part, at any time and from time to time. Any such amendment shall be filed with the Plan documents. No amendment, however, may be effective to eliminate or reduce the benefits of any retired Participant or the Beneficiary of any deceased Participant then eligible for benefits or the vested portion of the benefits, if any, in any active Participant's Account immediately before the effective date of such amendment, and each such Account will be credited to the date of such amendment in accordance with Section 4.2, whether or not such Account represents a Completed Deferral Cycle. Notwithstanding anything in this Section 9.1 to the contrary, the Committee may, in its discretion, amend the Plan to reduce or eliminate the penalty described in Section 6.2 in accordance with the provisions of such Section 6.2, and amend the Plan to increase or reduce any assumed interest rate set forth in Section 6.4, in accordance with the provisions of such Section 6.4.

Section 9.2 Termination. The Company expects the Plan to be permanent, but necessarily must, and hereby does, reserve the right to terminate the Plan at any time by written action of the Board. In all events, the Plan will be terminated if the existence of a trust causes a federal court to hold that the Plan is "funded" for ERISA purposes, as defined in Section 2.02-4 of the Trust Agreement, and appeals from that holding are no longer timely or have been exhausted, and the trust is therefore terminated with respect to the Plan. Upon termination of the Plan, all deferrals and Company Contributions will cease and no future deferrals or Company Contributions will be made. Termination of the Plan shall not operate to eliminate or reduce benefits of any retired Participant or the Beneficiary of any deceased Participant then eligible for benefits. Active Participants shall become vested in their accrued benefits to the extent and in the manner provided in Article 5 as of the effective date of such termination and each account of an active Participant shall be credited, to the date of distribution of all benefits in each such Account, in accordance with Section 4.2., as it may be amended from time to time pursuant to Section 9.1, whether or not it represents a Completed Deferral Cycle.

If the Plan is terminated, payments from the Accounts of all Participants and Beneficiaries shall be made as soon as administratively convenient in the form of monthly payments over a five (5) year period; however, the Committee in its sole discretion may pay the benefits in a lump sum. Notwithstanding the preceding sentence, if the termination occurs because the Plan is held to be "funded" as described in the first paragraph of this Section 9.2, the distribution will be paid in a lump sum not later than ninety (90) days after such termination.

ARTICLE 10 MISCELLANEOUS

Section 10.1 No Guarantee of Employment. Neither the adoption and maintenance of the Plan nor the execution by the Company of a Permissible Deferral agreement with any Executive shall be deemed to be a contract of employment between the Company and any Participant. Nothing contained herein shall give any Participant the right to be retained in the employ of the Company or to interfere with the right of the Company to discharge any Participant at any time, nor shall it give the Company the right to require any Participant to remain in its employ or to interfere with the Participant's right to terminate his employment at any time.

Section 10.2 Individual Account Plan. If it is determined that the Plan is not an unfunded deferred compensation plan maintained primarily for a select group of management or highly compensated employees as described in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, then the Plan is intended to be an individual account plan (other than a money purchase plan) as described in Section 301(a)(8) of ERISA.

Section 10.3 Release. Any payment of benefits to or for the benefit of a Participant or a Participant's Beneficiaries that is made in good faith by the Company in accordance with the Company's interpretation of its obligations hereunder, shall be in full satisfaction of all claims against the Company for benefits under this Plan to the extent of such payment.

Section 10.4 Notices. Any notice permitted or required under the Plan shall be in writing and shall be hand delivered or sent, postage prepaid, certified or registered mail with return receipt requested, to the principal office of the Company, if to the Company, or to the address last shown on the records of the Company, if to a Participant or Beneficiary. Any such notice shall be effective as of the date of hand delivery or mailing.

Section 10.5 Non-Alienation. No benefit payable at any time under this Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, levy, attachment, or encumbrance of any kind.

Section 10.6 Tax Liability. The Company may direct the trustee of the Trust to withhold from any payment of benefits under the Plan such amounts as the Company determines are reasonably necessary to pay any taxes (and interest thereon) required to be withheld or for which the trustee of the Trust may become liable under applicable law. The Company may also direct the trustee of the Trust to forward to the appropriate taxing authority any amounts required to be paid by the Company or the Trust under the preceding sentence. Any amounts withheld pursuant to this Section 10.6 in excess of the amount of taxes due (and interest thereon) shall be paid to the Participant or Beneficiary upon final determination, as determined by the Company, of such amount. No interest shall be payable by the Company to any Participant or Beneficiary by reason of any amounts withheld pursuant to this Section 10.6.

Section 10.7 Captions. Article and section headings and captions are provided for purposes of reference and convenience only and shall not be relied upon in any way to construe, define, modify, limit, or extend the scope of any provision of the Plan.

Section 10.8 Applicable Law. The Plan and all rights hereunder shall be governed by and construed according to the laws of the State of Missouri, except to the extent such laws are preempted by the laws of the United States of America.

H&R BLOCK, INC.

Date: April 29, 1994

By/s/ Thomas M. Bloch

Thomas M. Bloch
Its President and
Chief Executive Officer

EXHIBIT 11

CALCULATION OF PRIMARY EARNINGS PER SHARE

	Year Ended April 30,		
	1994	1993	1992
Net earnings	$200,528,000	$180,705,000	$162,253,000
Average number of shares outstanding - primary:			
Average number of common shares outstanding	105,882,000	106,579,000	107,495,000
Dilutive effect of stock options after application of treasury stock method	887,000	1,065,000	1,659,000
Average number of shares outstanding	106,769,000	107,644,000	109,154,000
Earnings per share:			
Primary	$1.88	$1.68	$1.49

EXHIBIT 11

CALCULATION OF FULLY DILUTED EARNINGS PER SHARE

	Year Ended April 30,		
	1994	1993	1992
Net earnings	$200,528,000	$180,705,000	$162,253,000
Average number of shares outstanding - fully diluted: Shares used in calculating primary earnings per share	106,769,000	107,644,000	109,154,000
Additional effect of stock options after application of treasury stock method	203,000	-	-
Average number of shares outstanding	106,972,000	107,644,000	109,154,000
Earnings per share:			
Fully diluted	$1.87	$1.68	$1.49

EXHIBIT 13

COMMON STOCK DATA

	Stock Price High	Stock Price Low	Cash Dividend Paid per Share
1993 Fiscal Year:			
Quarter ended 7/31/92	34 7/8	30 5/8	.22
Quarter ended 10/31/92	38 1/4	32 3/8	.25
Quarter ended 1/31/93	40 5/8	37 3/8	.25
Quarter ended 4/30/93	42 3/8	33 1/4	.25
1994 Fiscal Year:			
Quarter ended 7/31/93	37 1/2	31 7/8	.25
Quarter ended 10/31/93	41 1/2	35 3/4	.28
Quarter ended 1/31/94	44 1/2	37 5/8	.28
Quarter ended 4/30/94	48 3/4	41 3/4	.28

<FN>
Traded on the New York Stock Exchange; Ticker Symbol: HRB
</FN>

SELECTED FINANCIAL DATA

	Year Ended April 30				
	1994	1993	1992	1991	1990
FOR THE YEAR:					
Total revenues	$1,238,677	$1,074,263	$986,109	$ 925,262	$820,356
Net earnings from continuing operations<F1>	$ 163,995	$ 171,017	$153,744	$ 131,255	$114,435
Net earnings	$ 200,528	$ 180,705	$162,253	$ 140,108	$123,529
AT YEAR END:					
Total assets	$1,074,704	$1,005,834	$962,664	$1,035,781	$941,530
Cash and marketable securities	$ 620,091	$ 439,526	$391,386	$ 354,916	$342,717
Long-term debt	-	-	-	-	$ 4,937
Stockholders' equity	$ 707,875	$ 650,488	$613,713	$ 573,589	$503,348
Shares outstanding	106,149	106,355	106,598	106,487	105,628
MEASUREMENTS:					
Per share of common stock:					
Net earnings from continuing operations<F1>	$1.54	$1.59	$1.41	$1.22	$1.07
Net earnings	$1.88	$1.68	$1.49	$1.31	$1.15
Cash dividends declared	$1.09	$ .97	$ .85 1/2	$ .74 1/2	$ .61
Return on total revenues	13.2%	15.9%	15.6%	14.2%	13.9%
Return on beginning stockholders' equity	30.8%	29.4%	28.3%	27.8%	27.7%

<FN>
<F1>1994 includes a charge to earnings of $25,072, or $.24 per share, for purchased research and development in connection with the acquisition of MECA Software, Inc. See notes to financial statements.

Data has been adjusted to give effect to the two-for-one stock split applicable to fiscal year 1991.
</FN>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

Two significant transactions occurred in fiscal 1994: the sale of the Company's wholly-owned subsidiary, Interim Services Inc., through an initial public offering and the acquisition of MECA Software, Inc. The Company's net earnings for the year include a net gain of $27.3 million, or $.26 per share, from the sale of Interim and a charge to earnings which is not deductible for income tax purposes of $25.1 million, or $.24 per share, for purchased research and development related to the acquisition of MECA Software, Inc. Interim's results are reflected as discontinued operations, and all amounts for prior periods have been similarly reported. Interim's operations contributed $.09 per share up to the date of sale compared to $.09 per share in 1993 and $.08 per share in 1992.

Consolidated revenues increased 15.3% to a record $1.239 billion, compared to $1.074 billion in 1993 and $986.1 million in 1992. Consolidated net earnings increased 11.0% to $200.5 million, compared to $180.7 million in 1993 and $162.3 million in 1992. Earnings per share increased 11.9% to $1.88 compared to $1.68 in 1993 and $1.49 in 1992.

Net earnings from continuing operations decreased 4.1% to $164.0 million, compared to $171.0 million in 1993 and $153.7 million in 1992. Earnings per share from continuing operations were $1.54 compared to $1.59 in 1993 and $1.41 in 1992. The decrease in earnings and earnings per share from continuing operations was due to a nonrecurring charge of $25.1 million, or $.24 per share, for purchased research and development.

Additional information on each of the Company's operating segments follows:

TAX SERVICES
Revenues increased 3.0% to $755.5 million, compared to $733.4 million in 1993 and $698.3 million in 1992. The increases in revenues in 1994 and 1993 over the preceding year resulted primarily from increases in tax preparation fees, electronic filing fees, and franchise royalties. In Canada, discounted return fees decreased 35.4% as compared to 1993 due to tax law changes which eliminated many discounted returns. Due to the decline in Canada, the total number of returns prepared worldwide fell fractionally from the previous year. Pretax earnings increased 3.9% to $198.7 million, compared to $191.3 million in 1993 and $183.8 million in 1992. The increase this year as compared to last year was adversely affected by a significant decrease in Canadian earnings due to the decline in refunds discounted. Pretax earnings as a percent of revenues was 26.3% this year, compared to 26.1% in 1993 and 26.3% in 1992. The increase in margins in 1994 resulted from better control of facility and supply expenses.

COMPUTER SERVICES
Revenues increased 36.3% to $429.9 million, compared to $315.4 million in 1993 and $280.9 million in 1992. The increase in each year as compared to the preceding year was due to growth in consumer and network services revenues. The consumer services customer base rose 46.1% in fiscal 1994. Network customers increased to 586 from 484 last year.

Pretax earnings increased 38.2% to $102.3 million, compared to $74.0 million in 1993 and $55.4 million in 1992. The record results were attributable primarily to the continued strong performances of the Consumer and Network divisions. The pretax margin was 23.8% this year, compared to 23.5% in 1993 and 19.7% in 1992. The increase in margins in each year over the preceding year resulted primarily from the exceptional increases in revenues which outpaced expenses, a significant portion of which are fixed.

FINANCIAL SERVICES
Revenues increased 66.3% to $42.3 million from $25.4 million last year. The increase resulted from new credit card revenues, greater fees from services provided to franchises, and the personal finance software revenues of MECA Software, Inc. from date of acquisition.

Pretax earnings decreased 13.9% to $8.7 million from $10.1 million in 1993. The decrease was due to losses from the personal finance software business attributable to development expenses associated with software updates, and start-up costs associated with credit card operations.

OTHER SERVICES
Results in 1994 represent the operations of the personal tax software business of MECA Software, Inc. from date of acquisition.

INVESTMENT INCOME
Investment income increased 1.4% to $15.3 million, compared to $15.0 million in 1993 and $20.1 million in 1992. The increase was due to more funds available for investment, particularly in the fourth quarter due to the sale of Interim, although yields were slightly lower than last year. The decrease in 1993 reflected lower interest rates, partially offset by more funds available for investment.

CORPORATE & ADMINISTRATIVE EXPENSES
The corporate and administrative pretax loss increased 14.8% to $16.7 million, compared to $14.6 million in 1993 and $12.5 million in 1992. The increase in

1994 as compared to 1993 resulted primarily from increases in legal and employee benefits expenses and lower miscellaneous income. The increase in 1993 as compared to 1992 resulted from increases in employee compensation and benefits.

INCOME TAX EXPENSE

The effective tax rate for continuing operations increased to 42.1%, compared to 38.0% in 1993 and 37.7% in 1992. The increase in 1994 as compared to 1993 resulted from a one percent increase in the federal income tax rate and the charge for purchased research and development which is not deductible for income tax purposes. The increase in 1993 as compared to 1992 was due to a decrease in tax exempt income.

In August, 1993, the Clinton Administration enacted the Omnibus Budget Reconciliation Act of 1993. Its provisions increase the federal statutory income tax rate from 34% to 35% and allow for deduction from taxable income goodwill amortization arising from certain business acquisitions. This legislation increased the Company's effective tax rate, but management anticipates a slight decrease in the long-term as goodwill amortization related to certain future business acquisitions will be deductible.

EFFECTS OF INFLATION

The effects of inflation on the Company's operations were not significant during 1994, 1993 or 1992.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position remains strong with cash and marketable securities of $620.1 million at April 30, 1994, compared to $439.5 million and $391.4 million at the end of 1993 and 1992, respectively. The significant increase in cash and marketable securities in 1994 as compared to 1993 is due to the net proceeds from the sale of Interim of $188.5 million, and from the repayment of the term loan from Interim of $30.0 million, partially offset by a reduction in borrowings. Stockholders' equity at April 30, 1994, 1993, and 1992 was $707.9 million, $650.5 million and $613.7 million, respectively.

The Company maintains seasonal lines of credit to support short-term borrowing facilities in the United States and Canada. The balance of these lines fluctuates according to the amount of borrowing outstanding during each respective year. United States borrowings are utilized by Block Financial Corporation (BFC) to purchase interests in a trust to which certain Refund Anticipation Loans (RALs) made by Mellon Bank (DE) National Association are sold. BFC purchased an interest of just under 50% in those RALs subject to its agreement with Mellon. RALs are loans made by financial institutions that are expected to be retired by an income tax refund. BFC financed these purchases through short-term borrowing in the third and fourth quarters of fiscal 1994 and 1993. Canadian borrowings are utilized to purchase refunds due its clients. The client assigns to the Company the full tax refund to be issued by Revenue Canada. This program is also financed by short-term borrowing, with maturities ranging from 30 to 90 days. Net accounts receivable at April 30, 1994 and 1993 include amounts due from Revenue Canada of $28.5 million and $95.3 million, respectively. Collections occur substantially in the last month of the fiscal year and the first quarter of the subsequent fiscal year.

The Company also maintains a year-round $100 million line of credit to support various financial activities conducted by BFC.

The Company has historically generated sufficient funds to provide for the off-season working capital needs of the Company's largest segment which experiences losses for the period May through December, capital investments, and the operating and expansion needs of its subsidiaries, where applicable, while also enabling the Company to maintain a strong dividend policy and provide cash for acquisition requirements. Management believes that the

Company will continue to generate sufficient capital internally to finance its investment program and normal working capital requirements. However, the Company will continue to use short-term financing in the United States to finance RAL activity and various other financial activities conducted by BFC and in Canada to finance the Canadian refund discount program.

In May 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This Statement addresses the accounting and reporting for certain investments in debt and equity securities by requiring such investments to be classified in held-to-maturity, available-for-sale or trading categories. It is effective for the Company's financial statements for the fiscal year beginning May 1, 1994. The Company intends to categorize all of its marketable securities as available-for-sale. Had the Company adopted this Statement as of April 30, 1994, stockholders' equity would have increased by approximately $5.5 million net of taxes, representing the aggregate excess market value over carrying value for the Company's marketable securities. Net earnings for the fiscal year ended April 30, 1994 would have been unchanged.

The Company announced in December 1993 its intention to repurchase from time to time up to 10 million of its shares on the open market. Other than the possible repurchase of the Company's common stock, there are no material commitments for capital investments as of April 30, 1994.

CONSOLIDATED STATEMENTS OF EARNINGS
Amounts in thousands, except per share amounts

	Year Ended April 30		
	1994	1993	1992
Revenues:			
Service revenues	$1,118,566	$ 956,534	$865,914
Royalties	96,766	92,529	90,024
Investment income	15,256	15,038	20,089
Other income	8,089	10,162	10,082
	1,238,677	1,074,263	986,109
Expenses:			
Employee compensation and benefits	404,367	369,476	359,745
Occupancy and equipment	242,391	203,350	174,863
Marketing and advertising	60,783	47,118	44,869
Supplies, freight and postage	60,182	53,470	62,362
Other	162,698	124,955	97,483
Purchased research and development	25,072	-	-
	955,493	798,369	739,322
Earnings from continuing operations before taxes	283,184	275,894	246,787
Taxes on earnings	119,189	104,877	93,043
NET EARNINGS FROM CONTINUING OPERATIONS	163,995	171,017	153,744
Net earnings from discontinued operations (less applicable taxes of $8,706, $9,688 and $8,964)	9,268	9,688	8,509
Net gain on sale of discontinued operations (less applicable taxes of $16,711)	27,265	-	-
NET EARNINGS	$ 200,528	$ 180,705	$162,253
Earnings per share from continuing operations	$1.54	$1.59	$1.41
Earnings per share	$1.88	$1.68	$1.49

<FN>
See notes to consolidated financial statements.
</FN>

CONSOLIDATED BALANCE SHEETS
Amounts in thousands, except share data

	April 30, 1994	April 30, 1993
ASSETS		
CURRENT ASSETS:		
Cash (including certificates of deposit of $23,519 and $36,074)	$ 41,343	$ 43,417
Marketable securities	473,043	291,347
Receivables, less allowance for doubtful accounts of $12,744 and $12,000	165,858	228,691
Prepaid expenses	19,551	26,483
Total current assets	699,795	589,938
INVESTMENTS AND OTHER ASSETS:		

Investments in marketable securities	105,705	104,762
Excess of cost over fair value of net tangible assets acquired, less accumulated amortization of $43,429 and $36,249	67,679	125,628
Other	36,301	37,120
	209,685	267,510
Property and Equipment, at cost less accumulated depreciation and amortization of $192,481 and $172,444	165,224	148,386
	$1,074,704	$1,005,834
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	$ -	$ 37,167
Accounts payable, accrued expenses and deposits	160,592	132,321
Accrued salaries, wages and payroll taxes	55,195	53,495
Accrued taxes on earnings	120,425	106,943
Total current liabilities	336,212	329,926
Other Noncurrent Liabilities	30,617	25,420
STOCKHOLDERS' EQUITY:		
Common stock, no par, stated value $.01 per share: authorized 200,000,000 shares	1,089	1,089
Additional paid-in capital	90,552	101,038
Retained earnings	719,724	643,757
	811,365	745,884
Less cost of common stock in treasury	103,490	95,396
	707,875	650,488
	$1,074,704	$1,005,834

<FN>
See notes to consolidated financial statements.
</FN>

CONSOLIDATED STATEMENTS OF CASH FLOWS
Amounts in thousands

	Year Ended April 30		
	1994	1993	1992
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 200,528	$ 180,705	$ 162,253
Adjustments to reconcile net earnings to net cash provided:			
Depreciation and amortization	57,117	54,698	44,262
Provision for deferred taxes on earnings	(2,735)	(2,915)	(2,778)
Gain on sale of subsidiaries	(27,265)	-	(328)
Purchased research and development	25,072	-	-
Other noncurrent liabilities	5,197	4,276	4,392
Changes in assets and liabilities net of effects of purchase and disposition of subsidiaries:			
Receivables	2,284	43,171	114,455
Prepaid expenses	(412)	(4,619)	2,798
Net assets of discontinued operations	(17,370)	-	-
Accounts payable, accrued expenses and deposits	31,000	56,593	13,250
Accrued salaries, wages and payroll taxes	14,659	(6,672)	(1,913)
Accrued taxes on earnings	(300)	19,278	8,226
NET CASH PROVIDED BY OPERATING ACTIVITIES	287,775	344,515	344,617
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of marketable securities	(1,522,609)	(1,198,102)	(860,260)
Maturities of marketable securities	1,339,970	1,179,903	800,569
Purchases of property and equipment, net	(83,744)	(71,921)	(55,789)
Excess of cost over fair value of net tangible assets acquired, net of cash acquired	(46,570)	(10,981)	(12,224)
Proceeds from sale of subsidiaries	188,500	-	14,000
Proceeds from term loan to former subsidiary	30,000	-	-
Other, net	(24,198)	(13,241)	(4,410)
NET CASH USED IN INVESTING ACTIVITIES	(118,651)	(114,342)	(118,114)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of notes payable	(2,435,254)	(1,717,226)	(901,698)
Proceeds from issuance of notes payable	2,398,087	1,653,061	779,495
Dividends paid	(115,451)	(103,462)	(91,842)
Payments to acquire treasury shares	(68,899)	(94,763)	(86,505)
Proceeds from stock options exercised	50,319	62,158	55,810
Other, net	-	-	(4,984)
NET CASH USED IN FINANCING ACTIVITIES	(171,198)	(200,232)	(249,724)
Net increase (decrease) in cash	(2,074)	29,941	(23,221)
Cash at beginning of the year	43,417	13,476	36,697
Cash at end of the year	$ 41,343	$ 43,417	$ 13,476

	Year Ended April 30		
	1994	1993	1992
(continued)			
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Income taxes paid	$ 131,124	$ 98,202	$ 84,597
Interest paid	4,169	5,933	5,786

<FN>
See notes to consolidated financial statements.
</FN>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION
The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All material intercompany transactions and balances have been eliminated.

MARKETABLE SECURITIES
Marketable securities consist of municipal bonds and notes stated at amortized cost, marketable equity securities stated at the lower of aggregate cost or market value, and other investments stated at cost. Aggregate net unrealized loss related to noncurrent marketable equity securities, if applicable, is included in stockholders' equity. The cost of marketable securities sold is determined on the specific identification method and realized gains or losses are reflected in earnings.

In May 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This Statement addresses the accounting and reporting for certain investments in debt and equity securities by requiring such investments to be classified in held-to-maturity, available-for-sale, or trading categories. It is effective for the Company's financial statements for the fiscal year beginning May 1, 1994. The Company intends to categorize all of its marketable securities as available-for-sale. Had the Company adopted this Statement as of April 30, 1994, stockholders' equity would have increased by approximately $5.5 million net of taxes, representing the aggregate excess market value over carrying value for the Company's marketable securities. Net earnings for the fiscal year ended April 30, 1994 would have been unchanged.

FOREIGN CURRENCY TRANSLATION
Assets and liabilities of the Company's foreign branches and subsidiaries are translated into U.S. dollars at exchange rates prevailing at the end of the year. Revenue and expense transactions are translated at the average of exchange rates in effect during the period. Translation gains and losses are recorded directly to stockholders' equity.

EXCESS OF COST OVER FAIR VALUE OF NET TANGIBLE ASSETS ACQUIRED
The excess of cost of purchased subsidiaries, operating offices and franchises over the fair value of net tangible assets acquired is being amortized over periods of up to 40 years on a straight-line basis.

DEPRECIATION AND AMORTIZATION
Buildings and equipment are depreciated over the estimated useful lives of the assets using the straight-line method. Leasehold improvements are amortized over the period of the respective lease using the straight-line method.

REVENUE RECOGNITION
Service revenues are recorded in the period in which the service is performed. The Company records franchise royalties, based upon the contractual percentages of franchise revenues, in the period in which the franchise provides the service.

TAXES ON EARNINGS
The Company and its subsidiaries file a consolidated Federal income tax return on a calendar year basis. Therefore, the current liability for taxes on earnings recorded in the balance sheet at each year-end consists principally of taxes on earnings for the period January 1 to April 30 of the respective

year. Deferred taxes, which are not material, are provided for temporary differences between financial and tax reporting, which consist principally of amortization of accounting method changes (for tax purposes), differences between accrual and cash basis accounting, deferred compensation, and depreciation.

Prior to May 1, 1993, taxes on earnings were determined under Accounting Principles Board Opinion Number 11, whereby the income tax provision was calculated using the deferred method. Effective May 1, 1993, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," which provides for the recognition of deferred tax assets and liabilities for the tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The cumulative effect of the change in method as of May 1, 1993 was not material.

EARNINGS PER SHARE
Earnings per share are computed based on the weighted average number of common and common equivalent shares outstanding during the respective years (106,769,000 in 1994, 107,644,000 in 1993, and 109,154,000 in 1992). Earnings per share assuming full dilution have not been shown as there would be no material dilution.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash.

DISCLOSURE REGARDING FINANCIAL INSTRUMENTS
For purposes of disclosing the estimated fair value of marketable securities, the Company uses quoted market prices obtained primarily from published sources. For all other financial instruments, including certificates of deposit and notes payable, the carrying value is considered to approximate fair value due to the relatively short maturity of the respective instruments.

MARKETABLE SECURITIES
The cost, market value and carrying value of marketable securities at April 30, 1994 and 1993 are summarized below:

	1994			1993		
	Cost	Market	Carrying Value	Cost	Market	Carrying Value
CURRENT:						
Municipal bonds and notes	$239,057	$238,258	$238,092	$151,469	$151,142	$150,981
Other short-term investments	234,952	234,960	234,951	140,366	140,346	140,366
	474,009	473,218	473,043	291,835	291,488	291,347
NONCURRENT:						
Municipal bonds	94,501	94,014	92,154	94,297	97,039	90,952
Preferred stock	1,511	1,795	1,511	1,921	2,213	1,921
Common stock	7,479	14,766	7,479	7,334	16,247	7,334
Other long-term investments	4,561	3,912	4,561	4,555	4,594	4,555
	108,052	114,487	105,705	108,107	120,093	104,762
	$582,061	$587,705	$578,748	$399,942	$411,581	$396,109

The net unrealized gain on long-term equity securities at April 30, 1994 and 1993 of $7,571 and $9,205, respectively, represents all unrealized gains. Net realized gains or losses on investments during 1994, 1993 and 1992 were a gain of $307, a loss of $123, and a gain of $2,034, respectively.

PROPERTY AND EQUIPMENT
A summary of property and equipment follows:

	April 30	
	1994	1993
Land	$ 6,060	$ 5,698
Buildings	30,027	33,440
Equipment	293,573	254,445
Leasehold improvements	28,045	27,247
	357,705	320,830
Less accumulated depreciation and amortization	192,481	172,444
	$165,224	$148,386

Depreciation and amortization expense for 1994, 1993 and 1992 amount to $52,091, $43,522, and $32,045, respectively.

OTHER NONCURRENT LIABILITIES

The Company has a deferred compensation plan which permits directors and certain management employees to defer portions of their compensation and earn interest on the deferred amounts. The salaries, together with Company matching of deferred salaries, have been accrued, and the only expenses related to this plan are the Company match and the interest on the deferred amounts, which are not material to the financial statements. Included in Other Noncurrent Liabilities is $22,854 at the end of 1994 and $22,192 at the end of 1993 to reflect the liability under this plan. The Company purchased whole-life insurance contracts on the related directors and employees to recover distributions made or to be made under the plan, and has recorded the cash surrender value of the policies in Other Assets. If all the assumptions regarding mortality, interest rates, policy dividends, and other factors are realized, the Company will ultimately realize its full investment plus a factor for the use of its money.

STOCKHOLDERS' EQUITY

Changes in the components of stockholders' equity during the three years ended April 30, 1994 are summarized below:

	Common stock		Additional paid-in capital	Retained earnings	Treasury stock	
	Shares	Amount			Shares	Amount
Balances at May 1, 1991	107,792,080	$1,078	$90,234	$507,278	(1,305,212)	($ 25,001)
Net earnings for the year	-	-	-	162,253	-	-
Stock options exercised	1,058,619	11	26,795	-	1,430,210	29,004
Unrealized loss on translation	-	-	-	(3,312)	-	-
Acquisition of treasury shares	-	-	-	-	(2,500,000)	(86,505)
Stock issued for acquisition	122,000	-	3,720	-	-	-
Cash dividends paid - $.851/2 per share	-	-	-	(91,842)	-	-
Balances at April 30, 1992	108,972,699	1,089	120,749	574,377	(2,375,002)	(82,502)
Net earnings for the year	-	-	-	180,705	-	-
Stock options exercised	-	-	(19,711)	-	2,387,407	81,869
Unrealized loss on translation	-	-	-	(7,863)	-	-
Acquisition of treasury shares	-	-	-	-	(2,629,868)	(94,763)
Cash dividends paid - $.97 per share	-	-	-	(103,462)	-	-
Balances at April 30, 1993	108,972,699	1,089	101,038	643,757	(2,617,463)	(95,396)
Net earnings for the year	-	-	-	200,528	-	-
Stock options exercised	-	-	(10,486)	-	1,677,674	60,805
Unrealized loss on translation	-	-	-	(9,110)	-	-
Acquisition of treasury shares	-	-	-	-	(1,883,816)	(68,899)
Cash dividends paid - $1.09 per share	-	-	-	(115,451)	-	-
Balances at April 30, 1994	108,972,699	$1,089	$90,552	$719,724	(2,823,605)	($103,490)

STOCK OPTION PLANS

The Company has three stock option plans: the 1993 Long-Term Executive Compensation Plan, the 1989 Stock Option Plan for Outside Directors, and a plan for eligible seasonal employees. The 1993 plan was approved by the shareholders in September 1993 to replace the 1984 Long-Term Executive Compensation Plan, which terminated at that time except with respect to outstanding awards thereunder. Under the 1993 and 1989 plans, options may be granted to selected employees and outside directors to purchase the Company's common stock for periods not exceeding ten years at a price that is not less than 100 percent of fair market value on the date of grant. The options are exercisable each year starting one year from the date of grant, or on a cumulative basis at the annual rate of 33 1/3 percent of the total number of optional shares.

The plan for eligible seasonal employees, as amended, provided for the granting of options on June 30, 1994, 1993 and 1992 at the market price on the date of the grant. The options are exercisable during September in each of the two years following the calendar year of grant.

Changes during the years ended April 30, 1994, 1993 and 1992 under these plans were as follows:

	1994	1993	1992
Options outstanding, beginning of year	3,901,373	4,835,777	4,479,702
Options granted	2,410,317	2,327,340	3,121,632
Options exercised	(1,677,674)	(2,387,407)	(2,488,829)
Options which expired	(1,095,675)	(874,337)	(276,728)
Options outstanding, end of year	3,538,341	3,901,373	4,835,777
Shares exercisable, end of year	2,807,255	2,958,418	3,669,567
Shares reserved for future grants, end of year	18,417,233	12,736,987	14,189,990
Options prices per share:			
Exercised during the year	$5.515-35.75	$5.515-28.75	$1.77-27.50
Outstanding, end of year	$5.515-44.00	$5.515-35.375	$5.515-33.75

SHAREHOLDER RIGHTS PLAN

On July 14, 1988, the Company's Board of Directors adopted a shareholder rights plan to deter coercive or unfair takeover tactics and to prevent a potential acquiror from gaining control of the Company without offering a fair price to all of the Company's stockholders. The plan was amended by the Board of Directors on May 9, 1990 and on September 11, 1991. Under the plan, a dividend of one right (a "Right") per share was declared and paid on each share of the Company's Common Stock outstanding on July 25, 1988. As to shares issued after such date, rights will automatically attach to them after their issuance.

Under the plan, as amended, registered holders of each Right may purchase from the Company one two-hundredths of a share of a new class of the Company's Participating Preferred Stock, without par value, at a price of $60.00, subject to adjustment, when the Rights become exercisable. They become exercisable when a person or group of persons acquires 10% or more of the outstanding shares of the Company's Common Stock without the prior written approval of the Company's Board of Directors (an "Unapproved Stock Acquisition"), and after ten business days following the commencement of a tender offer that would result in an Unapproved Stock Acquisition. If a person or group of persons makes an Unapproved Stock Acquisition, the registered holder of each Right then also has the right to purchase for the exercise price of the Right a number of shares of the Company's Common Stock having a market value equal to twice the exercise price of the Right. Following an Unapproved Stock Acquisition, if the Company is involved in a merger, or 50% or more of the Company's assets or earning power are sold, the registered holder of each Right has the right to purchase for the exercise price of the Right a number of shares of the common stock of the acquiring company having a market value equal to twice the exercise price of the Right.
After an Unapproved Stock Acquisition, but before any person or group of persons acquires 50% or more of the outstanding shares of the Company's Common Stock, 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. Upon any such exchange, the right of any holder to exercise a Right terminates.

The Company may redeem the Rights at a price of $.005 per Right at any time prior to an Unapproved Stock Acquisition (and after such time in certain circumstances). The Rights expire on July 25, 1998, unless extended by the Board of Directors. Until a Right is exercised, the holder thereof, as such, has no rights as a stockholder of the Company, including the right to vote or to receive dividends. The issuance of the Rights alone has no dilutive effect and does not affect reported earnings per share.

OTHER EXPENSES
Included in other expenses are the following:

	Year Ended April 30		
	1994	1993	1992
Royalties	$39,827	$25,326	$18,006
Bad debts	24,977	16,312	11,314
Travel and entertainment	15,039	10,420	9,931
Taxes and licenses	13,285	11,033	9,722
Amortization of goodwill	5,026	3,115	4,952
Interest	3,798	6,580	5,276
Legal and professional	14,445	9,486	4,425
Loss on sale of subsidiary	-	-	2,324

TAXES ON EARNINGS
The components of earnings from continuing operations before taxes on earnings upon which Federal and foreign income taxes have been provided are as follows:

	Year Ended April 30		
	1994	1993	1992
United States	$276,329	$261,981	$231,566
Foreign	6,855	13,913	15,221
	$283,184	$275,894	$246,787

Deferred income tax provisions (benefits) reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The current and deferred components of the provision for income taxes from continuing operations is comprised of the following:

	Year Ended April 30		
	1994	1993	1992
Currently payable:			
Federal	$ 96,807	$ 80,915	$70,474
State	22,091	20,736	18,734
Foreign	3,026	6,141	6,613
	121,924	107,792	95,821
Deferred:			
Capitalized research and development	172	991	(1,473)
Deferred compensation	(2,319)	(1,892)	(964)
Depreciation	(335)	(1,565)	(298)
Inter-company profit upon sale of fixed assets	(257)	(539)	(31)
Other	4	90	(12)
	(2,735)	(2,915)	(2,778)
	$119,189	$104,877	$93,043

Provision is not made for possible income taxes payable upon distribution of unremitted earnings of foreign subsidiaries. Such unremitted earnings aggregated $71,282 at December 31, 1993. Management believes that the cost to repatriate these earnings would not be material.

The following table reconciles the U.S. Federal income tax rate to the Company's effective tax rate:

	Year Ended April 30		
	1994	1993	1992
Statutory rate	35.0%	34.0%	34.0%
Increases (reductions) in income taxes resulting from:			
State income taxes, net of Federal income tax benefit	5.1%	5.0%	5.0%
Foreign taxes, net of Federal income tax benefit	.2%	.5%	.6%
Purchased research and development	3.1%	-	-
Nontaxable Federal income	(.9%)	(1.1%)	(1.9%)
Other	(.4%)	(.4%)	-
Effective rate	42.1%	38.0%	37.7%

ACQUISITIONS

On November 24, 1993, the Company acquired MECA Software, Inc. for $45,384 in cash. The transaction was accounted for as a purchase and, accordingly, the consolidated statements of earnings includes MECA's results since the date of acquisition. The purchase price has been allocated to assets acquired and liabilities assumed based on their fair value at the date of acquisition. The excess of the purchase price over the fair value of the net tangible assets acquired was $55,978, of which $25,072 was allocated to purchased research and development, $4,900 was allocated to various other intangibles including technology, software and trademarks, and the remainder was allocated to goodwill. Goodwill and other intangibles will be amortized on a straight-line basis over their estimated useful lives of 3 to 15 years. The consolidated statements of earnings includes a charge for the purchased research and development which is not deductible for income tax purposes. The fair value of assets acquired, including intangibles, was $62,004; liabilities assumed were $16,620. Liabilities assumed in connection with the acquisition were non-cash items excluded from the consolidated statements of cash flows. Pro forma results assuming MECA had been acquired as of the beginning of the periods presented would not be materially different from reported results.

During fiscal 1994, 1993 and 1992, the Company made other acquisitions which were accounted for as purchases. Their operations, which are not material, are included in the consolidated statements of earnings.

SALE OF SUBSIDIARIES

On January 27, 1994, the Company completed the sale of its interest in its wholly-owned subsidiary, Interim Services Inc., through an initial public offering of 10,000,000 shares at $20 per share. The net proceeds from the sale and the receipt from the retirement of a term loan to Interim amounted to $218,500. The Company recorded a net gain on the sale of the stock of $27,265. Interim's results are reflected as discontinued operations, and all amounts for prior periods have been similarly reported. The net sales of Interim for fiscal years 1994, 1993 and 1992 were $399,573, $451,067 and $384,589, respectively.

On April 17, 1992, the Company sold substantially all of the operating assets of MicroSolutions, Inc. for $3,100. MicroSolutions was an operating division of CompuServe and the largest component of its Systems Integration Group. The pretax loss on the sale of $2,324 is included in other expenses.

On November 7, 1991, the Company sold substantially all of the operating assets of its wholly-owned subsidiary, Access Technology, Inc., for $14,000 in cash. The operating results of Access, which were included in the computer services segment, are reflected in the consolidated statements of earnings through date of disposition, and the gain on the sale of $2,652 is included in other income.

COMMITMENTS

Substantially all of the Company's operations are conducted in leased premises. Most of the operating leases are for a one-year period with renewal options of one to three years and provide for fixed monthly rentals. Lease commitments at April 30, 1994, for fiscal 1995, 1996, 1997, 1998 and 1999 aggregated $54,124, $44,341, $29,126, $16,115, and $5,839, respectively, with no significant commitments extending beyond that period of time. The Company's rent expense for the years 1994, 1993 and 1992 aggregated $63,655, $59,016 and $56,406, respectively.

The Company maintains a year-round $100 million line of credit to support various financial activities conducted by Block Financial Corporation.

QUARTERLY FINANCIAL DATA (UNAUDITED)

	Fiscal 1994 Quarter Ended				Fiscal 1993 Quarter Ended			
	April 30, 1994	Jan. 31, 1994	Oct. 31, 1993	July 31, 1993	April 30, 1993	Jan. 31, 1993	Oct. 31, 1992	July 31, 1992
Revenues	$774,716	$229,441	$131,206	$103,314	$698,861	$190,747	$102,223	$82,432
Continuing operations:								
Earnings (loss) before provision for income taxes (benefits)	316,881	(11,455)	(7,867)	(14,375)	296,327	8,045	(12,024)	(16,454)
Provision for income taxes (benefits)	122,536	6,479	(3,694)	(6,132)	114,578	2,350	(5,197)	(6,854)
Net earnings (loss)	194,345	(17,934)	(4,173)	(8,243)	181,749	5,695	(6,827)	(9,600)
Discontinued operations:								
Net earnings	-	3,225	3,241	2,802	1,491	2,888	2,820	2,489
Net gain on sale	-	27,265	-	-	-	-	-	-
Net earnings (loss)	194,345	12,556	(932)	(5,441)	183,240	8,583	(4,007)	(7,111)
Earnings (loss) per share from continuing operations	1.83	(.17)	(.04)	(.08)	1.69	.05	(.06)	(.09)
Earnings (loss) per share	1.82	.12	(.01)	(.05)	1.71	.08	(.04)	(.07)

SEGMENT INFORMATION

The principal business activity of the Company is providing services to the general public and business community. It operates in the following industry segments:

TAX SERVICES

This segment is engaged in providing tax return preparation, filing and related services to the general public on a fee basis. Revenues are seasonal in nature and represent fees of company-owned offices and royalties from franchised offices.

COMPUTER SERVICES

This segment is engaged in providing computer information and networking services to corporations and individual computer owners via a proprietary data network and host servers located in Columbus and Dublin, Ohio. It is the world's largest provider of on-line services and operates the only major on-line service with worldwide membership and network reach.

FINANCIAL SERVICES

This segment provides and invests primarily in financial products for existing customers and franchises. Through the purchases of interests in a trust to which certain Refund Anticipation Loans (RALs) made by Mellon Bank (DE) National Association are sold, this segment purchases a 50% interest in RALs subject to its agreement with Mellon. It also provides services to strengthen the Tax Services franchise network. These services include loans to franchises and insurance programs. During 1994 it sponsored 45,000 credit cards to existing Tax Services and CompuServe customers under two co-branding agreements. In addition, this segment includes those operations of MECA Software, Inc. which provide personal finance software to the general public.

OTHER

This segment includes those operations of MECA Software, Inc. which provide personal tax software to the general public.

IDENTIFIABLE ASSETS

Identifiable assets are those assets, including the excess of cost over fair value of net tangible assets acquired, associated with each segment of the Company's operations. The remaining assets are classified as corporate assets and consist primarily of cash, marketable securities and corporate equipment.

Identifiable assets at April 30, 1993 and 1992 do not include the assets of discontinued operations of $188,008 and $168,974, respectively, which are included in the consolidated balance sheets for the corresponding years. Information concerning the Company's operations by industry segment for the years ended April 30, 1994, 1993 and 1992, is as follows:

	1994	1993	1992
REVENUES:			
Tax services	$ 755,526	$ 733,449	$698,308
Computer services	429,885	315,399	280,852
Financial services	42,270	25,422	-
Other	8,739	-	-
Total operating revenues	1,236,420	1,074,270	979,160
Investment income	15,256	15,038	20,089
Corporate	186	759	771
Intersegment sales	(13,185)	(15,804)	(13,911)
TOTAL REVENUES	$1,238,677	$1,074,263	$986,109
OPERATING PROFIT:			
Tax services	$ 198,719	$ 191,288	$183,770
Computer services	102,317	74,039	55,380
Financial services	8,711	10,122	-
Other	1	-	-
Total operating profit	309,748	275,449	239,150
Investment income	15,256	15,038	20,089
Purchased research and development	(25,072)	-	-
Unallocated corporate and administrative expenses	(16,748)	(14,593)	(12,452)
EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES	$ 283,184	$ 275,894	$246,787
DEPRECIATION AND AMORTIZATION:			
Tax services	$ 24,899	$ 24,858	$ 20,373
Computer services	29,876	21,437	16,308
Financial services	1,147	-	-
Other	1,130	-	-
Corporate	65	342	316
TOTAL DEPRECIATION AND AMORTIZATION	$ 57,117	$ 46,637	$ 36,997
IDENTIFIABLE ASSETS:			
Tax services	$ 104,585	$ 176,727	$266,081
Computer services	208,469	148,814	127,055
Financial services	118,356	-	-
Other	16,315	19,682	-
Corporate	626,979	472,603	400,554
TOTAL ASSETS	$1,074,704	$ 817,826	$793,690

	1994	1993	1992
(continued)			
CAPITAL EXPENDITURES:			
Tax services	$ 11,411	$ 25,994	$ 29,374
Computer services	73,359	40,903	22,028
Financial services	354	-	-
Other	261	19	-
Corporate	126	289	201
TOTAL CAPITAL EXPENDITURES	$ 85,511	$ 67,205	$ 51,603

<FN>
Prior year amounts have been reclassified to conform to the 1994 presentation.
</FN>

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
H&R Block, Inc.
Kansas City, Missouri

We have audited the accompanying consolidated balance sheets of H&R Block, Inc. and subsidiaries as of April 30, 1994 and 1993, and the related consolidated statements of earnings and cash flows for each of the three years in the period ended April 30, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of H&R Block, Inc. and subsidiaries as of April 30, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 1994 in conformity with generally accepted accounting principles.

/s/Deloitte & Touche

Kansas City, Missouri
June 21, 1994

EXHIBIT 21

SUBSIDIARIES OF H&R BLOCK, INC.

The following is a list of the direct and indirect subsidiaries of H&R Block, Inc., a Missouri corporation. All active subsidiaries do business under their corporate names listed below or close derivatives thereof:

Name	Jurisdiction in which organized
H&R Block Group, Inc....................	Delaware (1)
Block Investment Corporation............	Delaware (1)
HRB Management, Inc.....................	Missouri (2)
H&R Block Tax Services, Inc.............	Missouri (2)
H&R Block Eastern Tax Services, Inc.....	Missouri (3)
H&R Block of Dallas, Inc................	Texas (3)
HRB Partners, Inc.......................	Delaware (4)
H&R Block and Associates, L.P...........	Delaware (5)
HRB Royalty, Inc........................	Delaware (3)
BWA Advertising, Inc....................	Missouri (3)
H&R Block Canada, Inc...................	Canada (3)
H&R Block (Nova Scotia), Incorporated...	Nova Scotia (6)
H&R Block (Guam), Inc...................	Guam (3)
H&R Block Limited.......................	New South Wales (7)
H&R Block The Income Tax People Limited.	New Zealand (3)
Block Financial Corporation.............	Delaware (2)
Franchise Partner, Inc..................	Nevada (8)
Companion Financial Corporation.........	Utah (8)
Companion Insurance, Ltd................	Bermuda (8)
BFC Investment, Inc.....................	Delaware (2)
MECA Software, Inc......................	Delaware (2)
Legal Knowledge Systems, Inc............	Pennsylvania (9)
Live Free or Die Software, Ltd..........	New Hampshire (9)
Great American Software, Inc............	New Hampshire (10)
Capitol Software, Inc...................	New Hampshire (10)
CompuServe Incorporated.................	Ohio (2)
CompuPlex Incorporated..................	Ohio (11)
CompuServe Systems Integration Group Southwest, Inc..................	Texas (11)
CompuServe Canada Limited...............	Canada (11)
CompuServe Consulting Services (UK) Limited.........................	United Kingdom (11)
CompuServe Information Services (UK) Limited.........................	United Kingdom (11)
CompuServe Information Services GMBH....	Germany (11)
CompuServe Information Services AG......	Switzerland (11)
CompuServe Information Systems SARL.....	France (11)
CompuServe AB...........................	Sweden (11)
CompuServe Information Services, B.V....	The Netherlands (11)
Access Technology, Inc..................	Massachusetts (12)
PM Industries, Inc......................	Kansas (12)

NOTES TO SUBSIDIARIES OF H&R BLOCK, INC.:

(1) Wholly-owned subsidiary of H&R Block, Inc.
(2) Wholly-owned subsidiary of H&R Block Group, Inc.
(3) Wholly-owned subsidiary of H&R Block Tax Services, Inc.
(4) Wholly-owned subsidiary of H&R Block of Dallas, Inc.
(5) Limited partnership in which H&R Block Tax Services, Inc. is a 1% general partner and HRB Partners, Inc. is a 99% limited partner.
(6) Wholly-owned subsidiary of H&R Block Canada, Inc.
(7) Wholly-owned subsidiary of HRB Royalty, Inc.
(8) Wholly-owned subsidiary of Block Financial Corporation.

(9) Wholly-owned subsidiary of MECA Software, Inc.
(10) Wholly-owned subsidiary of Live Free or Die Software, Ltd.
(11) Wholly-owned subsidiary of CompuServe Incorporated.
(12) Wholly-owned subsidiary of HRB Management, Inc.