

H&R Block Acquires Major Southwest Franchise

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Transaction Covers Texas, Oklahoma and Arkansas

Transaction Supports Growth Strategy in Latino and Other Market Segments

KANSAS CITY, Mo.--(BUSINESS WIRE)--Sept. 3, 2008--H&R Block (NYSE:HRB) announced today it has signed a definitive agreement to acquire the operator of its franchise units in Texas, Oklahoma and Arkansas for approximately \$278 million in cash. In fiscal year 2008, H&R Block Houston LLC and a group of related companies ("Block Texas") served approximately 760,000 clients and had system-wide revenues of more than \$140 million. Because of the age of the Block Texas franchise agreement, it included an unusually low royalty blended rate of 6% on revenues, compared with a contractual rate of 30% on new franchise agreements.

The transaction is expected to close at or somewhat before the end of the Company's fiscal 2009 second quarter ending Oct. 31, 2008. Completion of the transaction is expected to add approximately \$34 million in after-tax free cash flow during fiscal 2009, and somewhat larger amounts in future years. The Company expects the transaction to add approximately \$0.05 to earnings per share in fiscal year 2009, and \$0.03 for fiscal 2010.

"We believe this transaction will generate an immediate financial benefit for our shareholders, and also offers long run strategic opportunities," said Richard C. Breeden, Chairman of H&R Block. "Over the long run we believe franchising represents a significant growth opportunity, and this one-off transaction offers us the chance to convert a major region of the country to our normal and much higher royalty rate prior to future franchise expansions," added Breeden.

Block Texas was founded in 1957, and it is the only remaining franchisee that operates such a large number of locations. The transaction was initiated by the ownership of Block Texas due in large part to a desire on the part of the major owner to retire. Block Texas currently operates 621 tax preparation offices, of which 236 offices are owned and operated by sub-franchisees from Block Texas.

The Company's office network in the Block Texas territory is currently less extensive than exists in other major markets, but Block Texas had the exclusive right to exploit this territory. As a result of this transaction, the Company anticipates that it will be able to add a considerable number of Block-branded locations, as well as large numbers of new Express Tax and other franchise opportunities.

"The Block Texas territory represents a rapidly growing and dynamic marketplace," said Russ Smyth, President and Chief Executive Officer of H&R Block. "As a result of this transaction we expect to be able to add at least 250 thousand new clients and more than 400 locations over the next five years. Given the demographics of this market, we see particular opportunities to accelerate our growth in the Latino market through both acquiring new clients and through expanding the number of Latino-owned franchises."

About H&R Block

H&R Block Inc. (NYSE:HRB) is the world's preeminent tax services provider, having served more than 400 million clients since 1955 and generating annual revenues of \$4.4 billion in fiscal year 2008. H&R Block provides income tax return preparation and related services and products via a nationwide network of approximately 13,000 company-owned and franchised offices and through TaxCut(R) online and software solutions. The company also provides business services through RSM McGladrey and certain consumer financial services. For more information visit our Online Press Center at www.hrblock.com.

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