

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED: APRIL 30, 2000

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER: 1-6089

H&R BLOCK, INC.

(Exact name of registrant as specified in its charter)

MISSOURI
(State or other jurisdiction of
incorporation or organization)

44-0607856
(I.R.S. Employer
Identification Number)

4400 MAIN STREET, KANSAS CITY, MISSOURI 64111
(Address of principal executive offices, including zip code)

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

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 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.

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, 2000, was \$2,927,823,165.

Number of shares of registrant's Common Stock, without par value, outstanding on June 1, 2000: 94,620,816.

Certain specified portions of the registrant's annual report to security holders for the fiscal year ended April 30, 2000, are incorporated herein by reference in response to Part I, Item 1, and Part II, Items 5 through 7 and Item 8, and certain specified portions of the registrant's definitive proxy statement filed within 120 days after April 30, 2000, 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 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 following a 1993 corporate restructuring. The second-tier holding company is H&R Block Group, Inc., a Delaware corporation and the direct or indirect owner of the operating subsidiaries that provide tax and financial services to the general public principally in the United States, but also in Canada, Australia, the United Kingdom and other foreign countries. Approximately 62% of the consolidated revenues of the Company in fiscal year 2000 were generated by subsidiaries involved in tax return preparation, electronic filing of income tax returns and other tax-related services. The Company's subsidiaries also offer investment services through broker-dealers, originate, purchase, service, sell and securitize mortgages, offer personal productivity software, purchase participation interests in refund anticipation loans made by a third-party lender, and offer accounting, tax and consulting services to business clients.

Developments during fiscal year 2000 within U.S. tax operations, International tax operations, Financial services and Business services are described in the section below entitled "Description of Business."

On August 2, 1999, the Company, through its wholly-owned, indirect subsidiary, RSM McGladrey, Inc. ("RSM"), purchased substantially all of the non-attest assets of McGladrey & Pullen, LLP ("McGladrey"), at that time the seventh largest accounting and consulting firm in the United States with more than 70 offices located primarily in the Eastern, Midwestern, Northern and Southwestern United States. The purchase price was \$240 million in cash payments over four years and the assumption of certain pension liabilities with a present value at the date of acquisition of \$52.7 million. The acquisition agreement also provides for contingent consideration based on earnings in years two, three and four after the acquisition. In addition, the Company made cash payments of \$65.5 million for outstanding accounts receivable and work-in-process balances that have been repaid to the Company as RSM collected these amounts in the ordinary course of business.

On December 1, 1999, the Company completed the acquisition of the outstanding capital stock of OLDE Financial Corporation ("OLDE Financial") and Financial Marketing Services, Inc. The purchase price was \$850 million in cash plus net tangible book value payments of \$48.5 million. The purchase agreement also provides for possible future consideration payable for up to five years after the acquisition based upon revenues generated from certain online brokerage services. The acquisition was initially funded with short-term borrowings and a portion of these borrowings were repaid upon

the issuance of \$500 million in Senior Notes in the fourth quarter of fiscal 2000. OLDE Financial is the parent company of OLDE Discount Corporation ("OLDE Discount"), the fourth largest discount brokerage firm in the United States at the time of the acquisition. OLDE Discount offers brokerage services and other financial services through its network of registered representatives in branch offices in 35 states and the District of Columbia.

On March 27, 2000, the Company's Board of Directors authorized the

repurchase of 12 million shares of the Company's Common Stock. The number of shares purchased will depend upon a number of factors including the price of the stock, availability of excess cash, the ability to maintain financial flexibility, securities law restrictions and other capital structure and investment considerations.

After the conclusion of fiscal year 2000, the Company announced that Henry W. Bloch would retire as Chairman of the Board of Directors of the Company and as a director in September 2000. On June 21, 2000, the Board of Directors approved a succession plan for senior management under which Frank L. Salizzoni will succeed Henry Bloch as Chairman of the Board of Directors in September 2000 and retire as Chief Executive Officer on December 31, 2000. Mr. Salizzoni will continue in the role of Chairman of the Board of Directors following his retirement as Chief Executive Officer. The plan calls for Mark A. Ernst, currently President and Chief Operating Officer, to assume the role of President and Chief Executive Officer of the Company effective January 1, 2001.

During the fiscal year ended April 30, 2000, the Company was not involved in any bankruptcy, receivership or similar proceedings or any material reclassifications, mergers or consolidations, and the Company did not acquire or dispose of any material amount of assets during such year otherwise than in the ordinary course of business or in connection with the OLDE and the McGladrey transactions.

The information contained in this Form 10-K and the exhibits hereto may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements are based upon current information, expectations, estimates and projections regarding the Company, the industries and markets in which the Company operates, and management's assumptions and beliefs relating thereto. Words such as "will," "plan," "expect," "remain," "intend," "estimate," "approximate," and variations thereof and similar expressions are intended to identify such forward-looking statements. These statements speak only as of the date on which they are made, are not guarantees of future performance, and involve certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results could materially differ from what is expressed, implied or forecast in such forward-looking statements. Such differences could be caused by a number of factors including, but not limited to, the uncertainty of laws, legislation, regulations, supervision and licensing by Federal, state and local authorities and their impact on any proposed or possible transactions and the lines of business in which the Company's subsidiaries are involved; unforeseen compliance costs; changes in economic, political or regulatory environments; changes in competition and the effects of such changes; the inability of the Company's subsidiaries to successfully expand the financial planning and investment services business, the national accounting practice, the retail mortgage business, and the core tax business; the inability to implement the Company's strategies with respect to such expansion and other strategies; changes in management and management strategies; the Company's inability to successfully design, create, modify and operate its computer systems and networks; litigation involving the Company; the inability of the Company to purchase shares of its Common Stock pursuant to the share repurchase program and risks described

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from time to time in reports and registration statements filed by the Company and its subsidiaries with the Securities and Exchange Commission ("SEC"). Readers should take these factors and risks into account in evaluating any such forward-looking statements. The Company undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

FINANCIAL 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

Consolidated Financial Statements in the Company's annual report to security holders for the fiscal year ended April 30, 2000, and is hereby incorporated herein by reference.

NUMBER OF EMPLOYEES

The Company itself has no employees. Its direct and indirect wholly owned subsidiaries, have approximately 10,000 regular full-time employees. The highest number of persons employed by the subsidiaries during the fiscal year ended April 30, 2000, including seasonal employees, was approximately 103,000.

DESCRIPTION OF BUSINESS

U.S. TAX OPERATIONS

Generally. This reportable operating segment provides to the general public in the United States income tax return preparation services, electronic filing services and other services related to income tax return preparation, purchases participation interests in refund anticipation loans made to tax clients by a third-party lending institution, offers online tax preparation, electronic filing, mortgage products and brokerage services through the web site at www.hrblock.com, and sells to the general public tax return preparation software and other personal productivity computer software.

Tax Services. The income tax return preparation and related services business is the original core business of the Company. These services are provided to the public in the United States through a system of offices operated by H&R Block Tax Services, Inc. and other tax operations subsidiaries, which are collectively referred to as "Tax Services," or by others to whom Tax Services has granted franchises. Tax Services and its franchisees (collectively referred to herein as "H&R Block") provide to the general public H&R Block income tax return preparation services, electronic filing services, the Peace of Mind program (described below) and other services relating to income tax return preparation. For U.S. returns, H&R Block offers a refund anticipation loan service, the Refund Rewards program (described below) and an electronic refund service in conjunction with its electronic filing service. H&R Block also markets its knowledge of how to prepare income tax returns through its income tax training schools.

Taxpayers Served. H&R Block served approximately 16,933,000 taxpayers in the United States during fiscal year 2000, an increase from 16,542,000 taxpayers served in fiscal year 1999 and 15,835,000 taxpayers served in fiscal 1998. "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.

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Tax Return Preparation. During the 2000 income tax filing season (January 2 through April 30), H&R Block offices in the United States prepared approximately 16,276,000 individual income tax returns, compared to the preparation of 15,761,000 returns in fiscal year 1999, and 14,838,000 returns in fiscal year 1998. These returns constituted about 14% of an IRS estimate of total individual income tax returns filed as of April 30, 2000 compared to 13.7% in fiscal 1999. The following table shows the approximate number of income tax returns prepared at H&R Block offices during the last five tax filing seasons:

Tax Season Ended April 30
(in thousands)

	1996	1997	1998	1999	2000
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Returns Prepared	13,360	14,302	14,838	15,761	16,276

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 tax return is prepared on a computer in the presence of the customer, in most instances in less than one hour, on the basis of information furnished by the customer. Pursuant to the one-stop service offered at company-owned offices, the return is reviewed for accuracy and presented to the customer for signature and filing during his or her initial visit to the office.

H&R Block Premium. In addition to its regular offices, H&R Block offers tax return preparation services at H&R Block Premium offices in the United States. Appealing to taxpayers with more complicated returns, H&R Block Premium stresses the convenience of appointments, year-round tax service from the same preparer and private office interviews. The number of H&R Block Premium offices decreased in fiscal year 2000 to 555, compared to 617 in fiscal year 1999, and 598 in fiscal 1998. In fiscal 2000, the number of H&R Block Premium clients decreased to approximately 619,000, compared to approximately 719,000 in fiscal year 1999 and approximately 647,000 in fiscal year 1998.

Electronic Filing. 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.

An eligible electronic filing customer may also apply for a refund anticipation loan ("RAL") at an H&R Block office. Under the 2000 RAL program, Tax Services' electronic filing customers who meet certain eligibility criteria are offered the opportunity to apply for loans from Household Bank ("Household") in amounts based upon the customers' anticipated Federal income tax refunds. Income tax return information is simultaneously transmitted by H&R Block to the IRS and the lending bank. Within a few days after the date of filing, a check in the amount of the loan, less the bank's transaction fee and H&R Block's tax return preparation fee (and, where applicable, electronic filing fee), is received by the RAL customer. The IRS then directly 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.

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Tax Services received a \$9.00 fee per RAL from Household for sublicense of patent rights, the license of trademarks and certain expenses incurred in connection with the making of RALs.

H&R Block was named a partner in the IRS's "Debt Indicator" pilot program for the 2000 tax season. The Debt Indicator program is designed to increase the number of electronically filed returns and aid the IRS, H&R Block and other IRS partners in screening for electronic filing fraud. Under the program, the IRS advises its partners if a requested refund will be reduced by an offset, such as back taxes, delinquent student loans or overpayment from federal agencies. Household uses the Debt Indicator in determining whether to make a refund anticipation loan. Participation in the program resulted in an approximate 40% overall reduction in refund anticipation loan pricing for clients in the 2000 tax season. In exchange for access to the Debt Indicator, tax preparers agree to help in strengthening anti-fraud efforts and increasing the number of electronically filed returns.

H&R Block also offers an electronic refund service pursuant to which an eligible electronic filing service customer's income tax refund is directly deposited into an account at a bank (Tax Services used Household in 2000) within approximately three weeks after the tax return is electronically filed. A check is thereafter issued to the taxpayer in the amount of the refund, less the

bank's transaction fee and H&R Block's tax return preparation fee (and, where applicable, electronic filing fee).

H&R Block filed approximately 12,592,000 U.S. tax returns electronically in fiscal 2000 compared to 11,139,000 in fiscal 1999 and 9,423,000 in fiscal 1998. Approximately 4,814,000 refund anticipation loans were processed in fiscal 2000 by H&R Block, compared to 2,811,000 in fiscal 1999 and 2,420,000 in fiscal 1998. Approximately 1,499,000 electronic refunds were processed in fiscal 2000 by H&R Block, compared to 1,916,000 in fiscal 1999 and 1,855,000 in fiscal 1998.

In 2000, H&R Block offered a service to transmit state income tax returns electronically to state tax authorities in 39 states and the District of Columbia (compared to 38 states and the District of Columbia in fiscal 1999 and 35 states and the District of Columbia in fiscal 1998) and plans to continue to expand this program as more states make this filing alternative available to their taxpayers.

Refund Rewards Program. Under the Refund Rewards(TM) program, H&R Block clients who electronically file their returns can choose to have the amount of their refunds, less the tax preparation fee (and, where applicable, the electronic filing fee) directly deposited into an account at Household Bank and then loaded onto a prepaid buying card. The card can then be used when making purchases with the program's participating retail merchants, including General Motors and Sears Roebuck & Co. ("Sears"), to receive special discounts, to obtain cash at an ATM or to make purchases anywhere MasterCard(TM) is accepted.

H&R Block Guarantee and "Peace of Mind" Program. 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 (except under its "Peace of Mind" Program described below), it guarantees payment of the interest and penalties.

In addition to H&R Block's standard guarantee to pay penalty and interest attributable to errors made by an H&R Block preparer, under the "Peace of Mind" program, H&R Block agrees to pay additional taxes owed by the customer (for which liability would not ordinarily accrue) resulting from

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such errors. The Peace of Mind program has a per customer cumulative limit of \$4,000 (\$5,000 at H&R Block Premium offices) in additional taxes paid with respect to the Federal, state and local tax returns prepared by H&R Block for the taxable year covered by the Program.

Income Tax Courses. H&R Block offers to the public income tax return preparation courses that teach taxpayers how to prepare their own income tax returns, as well as provide H&R Block with a source of trained income tax return preparers. During the 2000 fiscal year, 175,200 students enrolled in H&R Block's basic and advanced income tax courses in the United States, compared to 159,216 students during fiscal year 1999 and 130,884 students during fiscal year 1998.

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 2000, H&R Block also operated 756 offices in department stores in the United States, including offices in Sears stores operated as "Sears Income Tax Service by H&R Block." During the 2000 tax season, the Sears'

facilities constituted approximately eight percent of the tax office locations of H&R Block. Tax Services is a party to a license agreement with Sears relating to Tax Service's operation in Sears' locations throughout the United States. Such license agreement expires on December 31, 2004, subject to termination rights of both parties for a limited period of time after each tax season. 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 17, 2000, there were 9,210 H&R Block offices in operation in the United States compared to 8,923 offices in operation on April 15, 1999, and 8,780 offices in operation on April 15, 1998. Of the 9,210 offices, 5,162 were owned and operated by Tax Services (compared to 4,880 in fiscal year 1999 and 4,640 in fiscal year 1998) and 4,048 were owned and operated by independent franchisees (compared to 4,043 in fiscal 1999 and 4,140 in fiscal 1998). Of such franchised offices in fiscal 2000, 2,749 were operated by "satellite" franchisees of Tax Services (described below), 818 were operated by "major" franchisees (described below) and 481 were operated by satellite franchisees of major franchisees.

Two types of franchises have principally been granted by the Company and its subsidiaries. "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 its office or offices. Since March 1993, HRB Royalty, Inc., an indirect subsidiary of the Company, has been the franchisor under the major franchise agreements.

In smaller localities, Tax Services has granted what it terms "satellite" franchises. A satellite franchisee receives from Tax Services signs, designated equipment, specialized forms, local

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advertising, initial training, and supervisory services and, consequently, pays Tax Services a higher percentage of his or her gross tax return preparation and related service revenues as a franchise royalty than do major franchisees. Many 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 Tax Services 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.

From time to time, Tax Services has acquired the operations of existing franchisees and other tax return preparation businesses, and it will continue to do so if future conditions warrant such acquisitions and satisfactory terms can be negotiated. In October 1999, Tax Services acquired a major tax franchise operation serving parts of North and South Carolina through 90 offices operated by major franchisees and their subfranchisees. The Company issued 475,443 shares of its Common Stock from treasury shares, with a value of approximately \$21.0 million, for the purchase. In fiscal year 2000, Tax Services also acquired 11 satellite franchise offices and 13 offices of other tax businesses.

E-Commerce Initiatives. The Company's subsidiaries offer online tax preparation, electronic filing of tax returns, mortgage products and brokerage services through its web site at www.hrblock.com. In January 2000, these subsidiaries launched an upgraded web site which is organized into three main

areas: Tax, Mortgage and Investment Centers.

The Tax Center offers a program that enables individuals to prepare federal and state income tax returns online, file federal and many state tax returns electronically, receive tax tips, subscribe to a tax newsletter and use withholding and refund calculators for tax planning. The web site also offers a program called Electronic Refund Advance ("ERA"), a unique loan product that allows users to have a tax refund advance of up to \$5,000 deposited directly into their bank accounts usually within two days after the IRS accepts the taxpayer's electronically filed return. ERA is a loan and the lending institution, Household, charges a \$19.95 fee for each transaction during the 2000 tax season. Household paid Block Financial Corporation ("BFC") a license fee for each approved ERA of \$7.21 for the sublicense of patent rights, the license of trademarks and certain expenses incurred in connection with the making of ERAs.

Pursuant to a three-year agreement announced in March 2000, BFC has teamed with Microsoft Corporation ("Microsoft") to provide exclusive web-and desktop-based tax preparation products for its customers who use the MSN(TM) Money Central(TM) personal finance service and Microsoft(R) Money. Microsoft and BFC plan to collaborate on integration capabilities between Microsoft financial products and BFC's software and online-based tax preparation products. As a result of this alliance, Microsoft has indicated its intention to cease further development of its Microsoft(R) TaxSaver(TM) tax preparation software, a product competitive with BFC's TaxCut(R) tax preparation software.

The Mortgage Center enables users to apply for mortgages online and track the status of their applications through the web site. Block Financial has teamed with E-Loan, Inc. ("E-Loan"), a leading online lender, to provide a competitive mortgage marketplace where users can shop with more than 70 loan providers for low rates on mortgages. The Mortgage Center also includes interactive calculators to estimate the tax implications and benefits of home ownership, e-mail notification when the desired loan

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rate becomes available, a tool that recommends the best loan types for a borrower's situation, customized rate quotes and a mortgage comparison feature.

The Investment Center provides online brokerage services through H&R Block Financial Corporation, a subsidiary of OLDE Financial. Users can monitor investment portfolios, calculate unrealized profits and losses and open a variety of investment accounts with access to stocks, bonds and mutual funds. Trades at H&R Block Financial Corporation are executed and cleared by, and accounts are carried by, OLDE Discount on a fully disclosed basis.

BFC has arranged with InsWeb, a leading Internet insurance marketplace, to offer through the Company's web site free, multiple insurance quotes for term-life, homeowners and automobile insurance products from leading insurers.

Software Products. BFC develops and markets the TaxCut tax preparation software package (known as Kiplinger TaxCut during fiscal year 2000) and markets Kiplinger's Home Legal Advisor(SM), Kiplinger's Small Business Attorney(R), Kiplinger's NetWealth(SM) and Kiplinger's WILLPower(SM) and Names & Dates(R) software products. H&R Block Investments, Inc. a wholly owned subsidiary of BFC and a federally registered investment advisor markets Kiplinger's NetWealth(SM).

Refund Anticipation Loan Participations. BFC is a party to a July 1996 agreement with Household to purchase a participation interest in RALs provided by Household to H&R Block tax customers. See "Electronic Filing" under "Tax Services" above for a discussion of RALs. In the 10-year agreement, BFC agreed to purchase an initial 40% participation interest in such RALs, which interest would be increased to nearly 50% in specified circumstances. Beginning in fiscal 1999, the participation interest was increased to 49.9% in company-owned RALs, and BFC participated in 25% of major franchise RALs. BFC's purchases of the

participation interests are financed through short-term borrowings. BFC bears all of the risks associated with its interests in the RALs. BFC's total RAL revenue in fiscal year 2000 was approximately \$89.8 million (compared to revenue of \$90.2 million in fiscal 1999 and \$53.3 million in fiscal 1998), generating approximately \$45.8 million in pretax profits (compared to \$19.1 million in pretax profits in fiscal year 1999 and \$6.4 million in pretax profits in fiscal year 1998).

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 eight or 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.

BFC's income tax return preparation software, online tax preparation and RAL participation businesses are also seasonal, with the substantial portion of the revenues from these businesses generated during the tax season.

Service Marks and Trademarks. HRB Royalty, Inc., a Delaware corporation, claims ownership of the following service marks and trademark registered on the principal register of the United States Patent and Trademark Office:

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Accufile
Alguien En Quien Confiar
Block Mortgage
Executive (when used in connection with the preparation of
income tax returns for others)
H&R Block in Two Distinct Designs
H&R Block Premium
Rapid Refund H&R Block and Design
Someone You Can Count On
The Income Tax People

In addition, HRB Royalty, Inc., claims ownership of the following unregistered service marks and trademarks:

America's Largest Tax Service
BlockBonus
H&R Block in a Third Distinct Design
Nation's Largest Tax Service
Refund Rewards
We know. Do you?

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

BFC claims ownership of the following services marks and trademarks registered on the principal register of the United States Patent and Trademark Office:

Audit Buster	Names & Dates
B and Design (2)	Small Business Attorney
Block Financial (2)	Tax Cut
Block Financial and B Design (2)	TaxCut and Design
Conductor	Web
Conductor and Baton Design	WebBank
Conductor and Hand-Held Baton Design	WebCard
Conductor Card Review	WebPay

Financial Finder

BFC also claims ownership of the following unregistered service marks and trademarks:

CONDUCTOR.COM	WebAccount
DittoCard	WebBroker
Download Depot	WebBuyer
Fast Lane	WebCheck
Home Legal Advisor	WebChecking
NetGuard	WebQuote
NetWealth	WILLPower
NetWealth and Design	Your Complete Personal
Solve Your Everyday Business Problems	Legal Resource
The Fastest and Easiest Way To Do Your Taxes	
The Easy Way to Financial Success	

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BFC also claims ownership of the patent "SYSTEM FOR ON-LINE FINANCIAL SERVICES USING DISTRIBUTED OBJECTS" registered as Patent No. 5,706,442 on January 6, 1998, on the principal register of the United States Patent and Trademark Office.

In connection with BFC's sale of its credit card portfolio in January 1999, it granted to Providian National Bank non-exclusive, non-transferable and royalty-free licenses to use the mark "Conductor and Baton Design" for up to two years, the patent "SYSTEM FOR ON-LINE FINANCIAL SERVICES USING DISTRIBUTED OBJECTS" for a period of ten years, and the mark "CONDUCTOR.COM" perpetually.

Competitive Conditions. The tax return preparation and electronic filing businesses are highly competitive. There are a substantial number of tax return preparation firms and accounting firms that offer tax return preparation services. Many tax return preparation 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 2000, it is the largest provider of electronic filing services in the United States.

The software and e-commerce businesses are highly competitive and consist of a large number of companies. In the software industry, Intuit, Inc. is a dominant supplier of personal financial software. The online tax preparation market is a relatively new market, and BFC expects increased competition in this area as more competitors enter the market or existing providers of online tax preparation services consolidate.

Government Regulation. Several states have enacted, or have considered, legislation regulating commercial tax return preparers. Primary efforts toward the regulation of such preparers have historically been made at the Federal level. Federal legislation requires income tax return preparers to, among other things, set forth their signatures and identification numbers on all tax returns prepared by them, and retain for three years all tax returns prepared. Federal laws also subject income tax return preparers to accuracy-related penalties in connection with the preparation of income tax returns. Preparers may be enjoined from further acting as income tax return preparers if the preparers continuously and repeatedly engage in specified misconduct. With certain exceptions, the Internal Revenue Code also prohibits the use or disclosure by income tax return preparers of certain income tax return information without the prior written consent of the taxpayer.

The Company believes that the Federal legislation regulating commercial

tax return preparers has not had and will not have a material adverse effect on the operations of H&R Block. In addition, no present state statutes of this nature have had a material adverse effect on the business of H&R Block. However, the Company cannot predict what the effect may be of the enactment of new statutes or adoption of new regulations.

The Federal government regulates the electronic filing of income tax returns in part by specifying certain criteria for individuals and businesses to participate in the government's electronic filing program for U.S. individual income tax returns. Individuals and businesses must, upon

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application, be accepted into the electronic filing program. Once accepted, electronic filers must comply with all publications and notices of the IRS applicable to electronic filing, provide certain information to the taxpayer, comply with advertising standards for electronic filers, and be subjected to possible monitoring by the IRS, penalties for disclosure or use of income tax return preparation and other preparer penalties, and suspension from the electronic filing program.

The Federal statutes and regulations also regulate an electronic filer's involvement in refund anticipation loans. Electronic filers must clearly explain that the refund anticipation loan is in fact a loan, and not a substitute for or a quicker way of receiving an income tax refund. The Federal laws place restrictions on the fees that an electronic filer may charge in connection with refund anticipation loans.

States that have adopted electronic filing programs for state income tax returns have also enacted laws that regulate electronic filers. In addition, some states and localities have enacted laws and adopted regulations that regulate refund anticipation loan facilitators and/or the advertisement and offering of electronic filing and refund anticipation loans.

The Company believes that the Federal, state and local legislation regulating electronic filing and the facilitation of refund anticipation loans has not, and will not in the future, materially adversely affect the operations of H&R Block. However, the Company cannot predict what the effect may be of the enactment of new statutes or the adoption of new regulations pertaining to electronic filing and/or refund anticipation loans.

The repayment of RALs generally depends on IRS direct deposit procedures. The IRS may from time to time change its direct deposit procedures or may determine not to make direct deposits of all or portions of a borrower's Federal income tax refund. The failure of the IRS to make direct deposits of refunds may impair the lender's ability to collect a RAL and result in a loss to BFC in connection with its purchases of interests in RALs and a loss to Tax Services for tax preparation fees not collected. However, the Company believes that Federal statutes and regulations regulating electronic filing and RALs have not had and will not have a material adverse effect on the operations of BFC or Tax Services. However, the Company cannot predict what the effect may be of the enactment of new Federal or state statutes or the adoption of new regulations.

As noted above under "Owned and Franchised Offices," many of the income tax return preparation offices operating in the United States under the name "H&R Block" are operated by franchisees. Certain aspects of the franchisor/franchisee relationship have been the subject of regulation by the Federal Trade Commission and by various states. The extent of such regulation varies, but relates primarily to disclosures to be made in connection with the grant of franchises and limitations on termination by the franchisor under the franchise agreement. To date, no such regulation has materially affected the business of the Company's subsidiaries. However, the Company cannot predict what the effect may be of the enactment of new statutes or adoption of new regulations pertaining to franchising.

From time to time, and especially in election years, the subjects of tax reform, tax simplification, the restructuring of the tax system, a flat tax, a consumption tax, a value-added tax or a national sales tax surface. While each flat tax proposal and most other tax simplification proposals have fallen short of adoption, such issues have received serious attention in recent years. Historically, changes in tax laws have increased H&R Block's business. The immediate result of tax law changes

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has been an increase in complexity. The transition from the current system to a new, untested system is likely to take a number of years and, under most serious tax reform proposals, Americans will still need to file Federal and state tax returns. The Company believes that customers will still come to H&R Block for convenience, accuracy and answers to tax questions. However, if enacted, the effect of tax reform or simplification legislation on the business of the Company's subsidiaries over time is uncertain, and such legislation could have a material adverse effect on the Company's business, financial position and results of operations.

INTERNATIONAL TAX OPERATIONS

Generally. This reportable operating segment provides the preparation of tax returns, electronic filing and related services to the general public in Canada, Australia and the United Kingdom. Tax preparation of U.S. tax returns and related services are offered by franchisees in ten countries. The electronic filing of U.S. income tax returns is offered at franchised offices located in Europe, and the electronic filing of Australian, Canadian and United Kingdom income tax returns is offered at H&R Block offices in Australia, Canada and the United Kingdom, respectively.

The returns prepared at 1,404 company-owned and franchised offices in countries outside of the United States constituted 12.3% of the total returns prepared by H&R Block in the last fiscal year (compared to 12.8% in fiscal year 1999 and 13.8% in fiscal year 1998).

Canadian Operations. H&R Block Canada, Inc. ("Block Canada") and its franchisees prepared approximately 1,805,000 Canadian regular and discounted returns filed with Revenue Canada during the 2000 income tax filing season, compared to 1,858,000 Canadian returns prepared during fiscal year 1999, and 1,945,000 Canadian returns prepared in fiscal 1998. The number of offices operated by H&R Block Canada decreased in fiscal year 2000 to 966 from 1,032 in fiscal year 1999 (928 in 1998). Of the 966 offices in Canada, 537 were owned and operated by Block Canada and 429 were owned and operated by franchisees. H&R Block operated 142 offices in department stores in Canada in fiscal year 2000, including 79 offices in Sears' facilities.

Block Canada and its franchisees offer a refund discount ("CashBack") program to their customers in Canada. 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 (i) 85% of that portion of the anticipated refund which is less than or equal to \$300 and (ii) 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 borrowings. In some parts of Canada, CashBack services are offered at offices identified as "H&R Block Express." The number of returns discounted under the CashBack program increased to approximately 547,000 in fiscal year 2000 from 516,000 in fiscal year 1999 and 532,000 in fiscal year 1998.

Block Canada also provides check-cashing and other low-end financial

services through its subsidiary Cashplan Systems Inc. These services are offered in offices operated under the name "Financial Stop," where no tax return preparation services are offered, as well as in some H&R Block Express offices.

Australian Operations. The number of returns prepared by H&R Block Limited, the Company's indirect subsidiary in Australia, and by franchisees in Australia, increased to approximately 455,000 in fiscal year 2000 from 428,000 in fiscal 1999 and 406,000 in fiscal year 1998. The number of offices operated by H&R Block in Australia in fiscal year 2000 was 349, compared to 347 offices operated in fiscal 1999 and 334 offices operated in fiscal 1998. Of the 349 offices, 219 were owned and operated by H&R Block Limited and 130 were franchised offices.

United Kingdom Operations. The Tax Team Limited, a Horsham-based firm acquired by an indirect subsidiary of the Company, provides tax return preparation services in the United Kingdom. The Tax Team operated 26 offices in fiscal year 2000, the same number it operated in fiscal year 1999 (compared to 28 offices in 1998).

Seasonality of Business. Revenues in this segment are seasonal in nature with peak revenues occurring during the applicable tax seasons (January through April in Canada; July through October in Australia; and August through March in the United Kingdom).

Competitive Conditions. The tax return preparation business is highly competitive, with a substantial number of firms offering tax preparation services. Block Canada and H&R Block Limited believe that they operate the largest tax return preparation business in their respective countries. The Tax Team Limited believes that it is one of the largest providers of tax preparation services in the United Kingdom.

Government Regulation. Statutes and regulations relating to income tax return preparers, electronic filing, franchising and other areas affecting the income tax business also exist outside of the United States. In addition, the Canadian government regulates the refund discounting program in Canada, as discussed under "Canadian Operations," above. These laws have not materially affected the international tax operations conducted by subsidiaries of the Company.

FINANCIAL SERVICES

Generally. The financial services reportable operating segment consists of investment services and mortgage operations and such segment provides financial planning, investment advice, brokerage services and the origination, purchase, servicing, securitization and sale of conforming and nonconforming mortgage loans in the United States. The investment services business is conducted primarily through OLDE Discount and Birchtree Financial Services, Inc. ("Birchtree"). The mortgage business is conducted primarily through the Company's indirect subsidiaries: Option One Mortgage Corporation ("Option One") and H&R Block Mortgage Corporation ("H&R Block Mortgage") (formerly Assurance Mortgage Corporation of America).

Investment Services

Generally. The Company's commitment to becoming a full service provider of financial services was exemplified during fiscal year 2000 by the December 1, 1999 purchase of OLDE Financial, a Detroit-based financial services holding company incorporated in the State of Michigan on August 5, 1986, and Financial Marketing Services, Inc., a Michigan corporation incorporated in 1971. See the discussion of the acquisition under "General Development of Business," above.

OLDE Discount. OLDE Discount, a Michigan corporation and the principal subsidiary of OLDE Financial, is one of the largest discount brokers in the United States. OLDE Discount is a

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registered broker-dealer with the SEC and is a member of the New York Stock Exchange, other national securities exchanges and the National Association of Securities Dealers, Inc. ("NASD"). OLDE Discount currently has no operations outside of the United States. Effective August 1, 2000, OLDE Discount will change its name to H&R Block Financial Advisors, Inc., but will be referred to herein as OLDE Discount.

Revenues from OLDE Discount's discount brokerage activities are generated through customer purchases and sales of stocks, bonds, options, mutual funds, investment trusts, certificates of deposit and other financial products. Commissions may be charged on both listed and over-the-counter ("OTC") transactions executed on an agency basis. Registered representatives receive compensation in the form of commissions on OLDE Discount's revenues from customer transactions and may receive additional compensation on customer transactions in securities recommended by OLDE Discount or for which OLDE Discount provides research as a result of the firm's market making activities.

Discount Brokerage Business and Securities Trading. OLDE Discount engages in a discount brokerage business primarily for retail customers throughout the United States. OLDE Discount is also a dealer and engages in market making activities in common stocks regularly trading in securities on a principal basis and for its own account in the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), OTC market and on regional stock exchanges. OLDE Discount acts as a qualified dealer in certain listed securities on the Cincinnati Stock Exchange. In addition, OLDE Discount regularly trades in corporate and municipal bonds, various U.S. Government and U.S. Government Agency securities and certificates of deposit.

OLDE Discount is a full service broker dealer which effects transactions on an unsolicited or solicited basis for its customers at commission rates lower than the rates full-commission brokerage firms charge. Although OLDE Discount offers discount brokerage services to retail customers, OLDE Discount also offers services and products typically offered by full-commission firms such as investment research with regard to individual securities. Other services and products offered include money market funds with sweep provisions for settlement of customer transactions; fixed-income products; mutual funds; margin accounts; checking privileges; option accounts; stock research; account access/review via the Internet; dividend reinvestment plans and individual retirement accounts with no annual fees ("IRAs").

When OLDE Discount executes transactions as a dealer on a principal basis, it may charge mark-ups or mark-downs which are equivalent to its discounted commission schedule. Under certain circumstances, customers may be eligible to effect securities transactions in which commissions, mark-ups and/or mark-downs are not charged. OLDE Discount selects the stocks in which it makes a market based upon fundamental and market factors. For those stocks in which OLDE Discount makes a market, it may derive revenue from the spread which is the difference between the bid and offer prices. However, due to the nature of the activity and the volatility of the securities markets, OLDE Discount may realize losses as a result of adverse market fluctuations.

Online Brokerage Services and Other Business. H&R Block Financial Corporation ("H&R Block Financial"), a subsidiary of OLDE Financial, provides online brokerage services through the Company's web site located at www.hrblock.com. H&R Block Financial introduces its accounts to OLDE Discount. OLDE Discount carries H&R Block Financial's accounts and provides clearing and execution services to H&R Block Financial on a fully disclosed basis. The Investment Center on the Company's web site is powered by SmartVest, a convenient, user-friendly and powerful online

investment service. H&R Block Financial is licensed in 49 states and the District of Columbia. Additional information regarding online operations is provided under the "E-Commerce Initiatives" in the "U.S. Tax Operations" section, above.

Other Services. OLDE Discount also acts as custodian, as well as broker, for IRAs and charges no annual fee. The OLDE Custodian Fund (the "Fund"), organized as a Massachusetts business trust, operates as a diversified, open-end management investment company and consists of three series of shares of beneficial interest: OLDE Money Market Series, OLDE Premium Money Market Series and OLDE Premium Plus Money Market Series. All three series are offered as "no load" funds. OLDE Money Market Series commenced operations in October 1989; OLDE Premium Plus Money Market Series in July 1990; and OLDE Premium Plus Money Market Series in January 1992. Each series of the Fund is managed by OLDE Asset Management, Inc., a subsidiary of OLDE Financial and a registered investment adviser. The shares of the Fund are underwritten by OLDE Discount and distributed exclusively by OLDE Discount.

Advertising and Marketing. Advertising and marketing play a significant role in expanding OLDE Discount's client base as well as in introducing new products and services. OLDE Discount uses a combination of media including newspapers, magazines, the yellow pages, direct mail, television and its Internet home page at www.olde.com. When an investor contacts OLDE Discount, the investor receives a package including an account application and a brochure containing information on the services and products offered by OLDE Discount. Additional detailed information is available upon request and can be tailored to match the client's investment preferences.

Retail Branch Offices and H&R Block Financial Centers. OLDE Discount is authorized to do business as a broker-dealer in all 50 states and the District of Columbia. At fiscal year end, OLDE Discount operated in 198 offices located in 35 states and the District of Columbia. Ninety-three of these offices were H&R Block Financial Centers, and the remaining offices are planned to be converted to Financial Centers over the next two years. These locations offer services year-round to clients including financial products and services, tax preparation and, in some offices, mortgage services. OLDE Discount believes that the existence of branch offices contributes to its growth and client satisfaction. The existence of a branch office generally results in an increase in unsolicited customer transactions in the geographic area near the branch. Many clients prefer to conduct business with personnel in local rather than distant offices. Clients may use branch offices to receive and deliver checks and deliver securities.

Birchtree Financial Services, Inc. Birchtree, a full service investment firm headquartered in Kansas City, Missouri, offers stocks, bonds, mutual funds and other securities and insurance products through a network of registered representatives across the country. Included among Birchtree's registered representatives are employees of H&R Block's tax subsidiaries. These employees are tax preparers who are licensed to sell securities, mutual funds and insurance products.

Mortgage Operations

Generally. Mortgage operations originate, purchase, service, securitize and sell conforming and nonconforming mortgage loans in the United States. Conforming mortgages are those that may be offered through government sponsored loan agencies. Nonconforming mortgages are those that may not be offered through

government-sponsored loan agencies, and typically involve borrowers with impaired credit, who have substantial equity in the property which will be used to secure the loan. Retail and wholesale mortgage origination services were offered in fiscal year 2000 through a network of mortgage brokers in 48 states, H&R Block Financial Center offices in 12 states, and branch offices in 15 states.

Option One Mortgage Corporation. Option One, based in Irvine, California, has a network of more than 7,500 mortgage brokers in 48 states. Option One originates and purchases loans through wholesale channels. Option One originated \$5.7 billion in mortgage loans in fiscal year 2000, compared to \$3.6 billion in fiscal 1999 and approximately \$1.9 billion in fiscal year 1998 after its acquisition. The average Option One loan during fiscal year 2000 had a \$106,700 principal balance (compared to \$108,000 in fiscal 1999), and was secured by a first lien on a single-family residence. During fiscal 2000, Option One sold or securitized approximately \$6.1 billion of mortgage loans, as compared to \$3.6 billion sold in fiscal 1999 and \$1.8 billion in fiscal 1998 after its acquisition. At the end of fiscal year 2000, Option One's servicing portfolio was 114,300 loans totaling more than \$11.3 billion, compared to 65,300 loans totaling \$6.5 billion at the end of fiscal 1999 and 42,800 loans totaling \$4.3 billion at the end of fiscal 1998.

Wholesale originations and purchases represented the substantial majority of Option One's total loan production. Wholesale loan originations involve a broker who assists the borrower in completing the loan application, the gathering of necessary information and identifying a lender that offers a loan product which is best suited to the borrower's financial needs. Brokers are free to submit an application to one or more nonconforming lenders, such as Option One. Upon receipt of an application from a broker, Option One's branch office processes and underwrites the loan. Based upon this review, Option One advises the broker whether the loan application meets with Option One's underwriting guidelines and product description by issuing a loan approval or denial, and in some cases, issues a "conditional approval," which requires the submission of additional information or clarification. Option One sells virtually all of its loan production through a combination of securitization and bulk sales of whole loans to institutional purchasers.

In July 1999, the Company announced that it was evaluating strategic alternatives for Option One, including a possible sale or joint venture with a business partner. On March 27, 2000, the Company announced that no expression of interest regarding the acquisition of Option One resulted in an offer considered to be in the best interests of the Company's shareholders. The Company also announced plans for off-balance sheet financing arrangements and whole-loan sale arrangements relating to Option One. Option One received commitments from three banks totaling \$2 billion for external warehouse financing for its subprime mortgage production over a 12-month period. Option One has also received commitments from two investment banks to purchase subprime mortgage loans ranging from a minimum of \$2.5 billion to a maximum of \$6 billion over a 12-month period.

H&R Block Mortgage Corporation. On February 1, 2000, Assurance Mortgage Corporation, which BFC acquired on March 5, 1999, changed its name to H&R Block Mortgage Corporation ("H&R Block Mortgage"). H&R Block Mortgage is a retail mortgage lender for conventional,

nonconventional and government loans and is licensed to conduct business in 48 states. H&R Block Mortgage is an approved seller/servicer for Fannie Mae and Freddie Mac, and is HUD authorized to originate and underwrite FHA and VA mortgage loans. In fiscal year 2000, H&R Block Mortgage originated retail mortgage loans from various sales channels, including 35 branch offices in 15 states, and two regional call centers located in Tampa, Florida and Pleasanton, California, and by teaming with E-Loan over the Internet at www.hrblock.com. See "E-Commerce Initiatives" under "U.S. Tax Operations," above.

In April 2000, H&R Block Mortgage entered into a strategic alliance with Countrywide Home Loans, Inc. ("Countrywide") to sell 95% of its qualifying conforming mortgage loans to Countrywide. The majority of mortgage loans sold to Countrywide are underwritten through an automated system under which H&R Block Mortgage's representations and warranties relating to compliance with Countrywide's underwriting guidelines are assumed by Countrywide. This alliance allows H&R Block Mortgage, on average, an increase of 50 basis points in execution due to price, efficiencies in delivery, and elimination of redundancies in operations.

H&R Block Mortgage maintains a committed warehouse financing facility with GE Capital Mortgage Services, Inc. and an off-balance sheet financing arrangement with Prudential Securities Credit Corp. H&R Block Mortgage sells substantially all of its mortgage loans servicing-released into the secondary market.

NCS Mortgage Services, LLC. The mortgage loan origination operations and certain assets of NCS Mortgage Services, a wholesale originator of subprime mortgage loans, were sold by BFC to Centura Banks, Inc. of Rocky Mount, North Carolina in March 2000.

Service Marks and Trademarks. OLDE Discount claims ownership of the following service marks and trademarks registered on the principal register of the United States Patent and Trademark Office:

Chevron Design	SmartTrading
IRA United	SmartVest
The OLDE Investors Account	SmartVestor
SmartBroker	SmartViews
SmartRetirement	SmartWire
SmartTrade	

In addition, Smart Travel, Inc., a wholly-owned subsidiary of OLDE Financial, claims ownership of the following registered mark: Smart Travel.

Birchtree Financial Services, Inc. claims ownership of the following unregistered service marks and trademarks: Birchtree Financial Services (logo) and Birchtree.com.

Option One claims ownership of the following service marks and trademarks registered on the principal register of the United States Patent and Trademark Office:

AppOne
CorOne

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Highway 1
HouseKeeper
No Sweat 95!
Option One and Design
PartnerPlus
SumOne
The Big 2

Competitive Conditions. OLDE Discount competes directly with a broad range of companies seeking to attract consumer financial assets, including full-service discount brokerage firms, mutual fund companies, investment banking firms, commercial and savings banks, insurance companies and others. The financial services industry has become considerably more concentrated as numerous securities firms have been acquired by or merged into other firms. Some

of these competitors have greater financial resources than OLDE Discount and offer certain additional financial products and services. In addition, OLDE Discount expects competition from domestic and international commercial banks to increase as a result of recent legislative and regulatory initiatives in the U.S. (including the passage of the Gramm-Leach-Bliley Act in November 1999) to remove or relieve certain restrictions on mergers between commercial banks and other types of financial services providers. OLDE Discount primarily competes with these firms on the basis of quality of customer service, breadth of products and services offered, prices, accessibility through delivery channels, and technological innovation and expertise.

Discount brokerage firms and online-only financial services providers compete vigorously with OLDE Discount with respect to commission charges. Full-commission brokerage firms also offer discounted commissions and on-line services to selected retail brokerage customers. In addition, some competitors in both the full-commission and discount brokerage industries have substantially increased their spending on advertising and direct solicitation of customers.

Competition in the online-trading business has become similarly intense as recent expansion and customer acceptance of conducting financial transactions online has attracted new brokerage firms to the market. Price competition continues to intensify in online investing as traditional brokerage firms have entered the market and existing competitors have aggressively sought to gain market share.

The securities business is directly affected by economic and political conditions, trends in business and finance and changes in the conditions of the securities markets in which OLDE Discount's customers trade.

Both the conventional and sub-prime sectors of the residential mortgage loan market are highly competitive. The principal methods of competition are in service, quality and price. There are a substantial number of companies competing in the residential loan market, including mortgage banking companies, commercial banks, savings associations, credit unions and other financial institutions. No one firm is a dominant supplier of conforming and nonconforming mortgage loans.

Seasonality of Business. The financial services operating segment does not, as a whole, experience significant seasonal fluctuations.

Residential mortgage volume is subject to seasonal trends, with real estate sales being generally lower in the first calendar quarter of the calendar year, peaking in the spring and summer seasons, and

then declining again in November and December. Accordingly, the revenues of the mortgage operations reporting segment are generally higher in the peak months, but the seasonal trends do not have a material impact on overall results of the Company.

Government Regulation. The securities industry is subject to extensive regulation covering all aspects of the securities business, including registration of OLDE Discount's and Birchtree's offices and personnel, sales methods, the acceptance and execution of customer orders, the handling of customer funds and securities, trading practices, capital structure, record keeping policies and practices, margin lending, execution and settlement of transactions, the conduct of directors, officers and employees, and the supervision of employees. The various governmental authorities and industry self-regulatory organizations which have supervisory and regulatory jurisdiction over the Company's broker-dealer subsidiaries generally have broad enforcement powers to censure, fine, issue cease-and-desist orders or suspend or expel a broker-dealer or any of its officers or employees who violate applicable laws or regulations.

The Securities and Exchange Commission is the federal agency responsible for the administration of the federal securities laws. OLDE Discount is registered as broker-dealer, and OLDE Asset Management, Inc. is a registered investment adviser with the SEC. Much of the regulation of broker-dealers has been delegated by the SEC to self-regulatory organizations, principally the Municipal Securities Rulemaking Board, the National Association of Securities Dealers ("NASD") and the New York Stock Exchange ("NYSE"), which has been designated by the SEC as OLDE Discount's primary regulator. These self-regulatory organizations adopt rules (subject to approval by the SEC) that govern the industry and conduct periodic examinations of the operations of OLDE Discount's brokerage and clearing activities. Securities firms are also subject to regulation by state securities administrators in those states in which they conduct business.

As a registered broker-dealer, OLDE Discount is subject to the net capital rule (Rule 15c3-1) promulgated by the SEC and adopted through incorporation by reference in NYSE Rule 325. The Rule, which specifies minimum net capital requirements for registered brokers and dealers, is designed to measure the financial soundness and liquidity of a broker-dealer and requires at least a minimum portion of its assets be kept in liquid form.

OLDE Discount has elected to compute net capital under the alternative method of computation permitted by Rule 15c3-1 which required that net capital be not less than the greater of \$1,000,000 or 2% of aggregate debit balances (primarily receivables from customers and other broker-dealers). In computing net capital, various deductions are made from net worth and qualifying subordinated indebtedness. These deductions include the book value of assets not readily convertible into cash and prescribed percentages of securities owned or sold short. Any failure of OLDE Discount to maintain the required net capital may subject OLDE Discount to suspension or revocation of registration or other limitations on the firm's activity by the SEC, and suspension or expulsion by the NYSE, NASD or other regulatory bodies, and ultimately could require the broker-dealer's liquidation. OLDE Discount could also be prohibited from paying dividends and redeeming stock. OLDE Discount would be prohibited from prepaying or making payments of principal on subordinated indebtedness if its net capital were to become less than the greater of 5% of combined aggregate debit balances, or \$1,000,000.

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Under NYSE Rule 326, OLDE Discount is required to reduce its business if its net capital is less than 4% of aggregate debit balances, and is prohibited from expanding business or redeeming subordinated indebtedness if its net capital is less than 5% of its aggregate debit balances.

Net capital rules could limit OLDE Discount's ability to engage in new activities and expansion, and could restrict the Company's ability to withdraw capital from its brokerage subsidiaries. Such a restriction in turn, could limit the Company's ability to repay or reduce indebtedness (including subordinated debentures of the Company) and pay dividends. Further, a significant operating loss or an extraordinary charge against net capital could adversely affect OLDE Discount's ability to expand or maintain its current levels of business. At April 30, 2000, OLDE Discount's net capital of \$340.4 million, which was 11.46% of aggregate debit items, exceeded by \$281 million its minimum required net capital of \$59.4 million. OLDE Discount has declared a dividend of \$33.3 million payable to OLDE Financial on or before July 31, 2000. Had the anticipated dividend occurred at April 30, 2000, OLDE Discount's net capital ratio would have been 10.34%

H&R Block Financial Corporation is subject to SEC Uniform Net Capital Rule 15c3-3, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital (net capital ratio), shall not exceed 15 to 1. At April 30, 2000, H&R Block Financial Corporation had net capital of \$1.9 million, which was \$1.7 million in excess of its required

net capital of \$250,000. The ratio of aggregate indebtedness to net capital was .03 to 1.

Birchtree is subject to substantially the same laws and regulations as OLDE Discount.

The Company believes that Federal and state statutes and regulations governing mortgage lending have not had and will not have a material adverse effect on the operations of its mortgage subsidiaries. However, the Company cannot predict what the effect may be of the enactment of new statutes or the adoption of new regulations.

Applicable state laws generally regulate interest rates and other charges, require certain disclosure and, unless an exemption is available, require licensing of the originators of certain mortgage loans. In addition, most states have other laws, public policies and general principles of equity relating to the protection of consumers, unfair and deceptive practices, and practices that may apply to the origination, servicing and collection of mortgage loans. The mortgage loans purchased or originated by of the Company's mortgage subsidiaries are also subject to Federal laws, including, without limitation, the Federal Truth in Lending Act and Regulation Z promulgated thereunder, the Equal Credit Opportunity Act and Regulation B promulgated thereunder, the Fair Credit Reporting Act, the Real Estate Settlement Procedures Act, the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, and certain other laws and regulations. Under environmental legislation and case law applicable in certain states, it is possible that liability for environmental hazards in respect of real property may be imposed on a holder of a mortgage note secured by real property.

BUSINESS SERVICES

Generally. The business services operating segment provides accounting, tax and consulting services to business clients, primarily mid-sized companies, and tax, estate planning and financial planning services to individuals in the United States through a network of 100 offices.

In addition to providing these services to the public, the subsidiaries involved in the business services segment provide management and administrative services to the public accounting firms from which non-attest assets have been acquired. The subsidiaries receive fees from the public accounting firms, which continue to provide to the public "attest" services that constitute the practice of public accounting which H&R Block and its subsidiaries, by regulation, generally cannot provide.

RSM McGladrey, Inc. On August 2, 1999, the Company made its largest acquisition in the accounting sector when it completed the purchase of substantially all of the non-attest assets of McGladrey & Pullen, LLP. At the time of the acquisition, McGladrey was the nation's seventh largest accounting and consulting firm with more than 70 offices located primarily in the Eastern, Midwestern, Northern and Southwestern United States. The purchase price was \$240 million in cash payments over four years and the assumption of certain pension liabilities with a present value of approximately \$52.7 million at the time of the acquisition. See "General Development of Business," above for additional details regarding the acquisition. Prior to the McGladrey acquisition, HRB Business Services, Inc., an indirect subsidiary of the Company, had acquired regional accounting firms in Kansas City, Chicago, Indianapolis, Buffalo, Dallas, Baltimore and Philadelphia.

The Company is in the process of integrating its previously acquired regional accounting firms into RSM. Upon completion of the integration, RSM will have 100 offices and offer services in 13 of the top 25 U.S. markets. This national accounting firm will also share a single client service philosophy and

have more than 470 managing directors and approximately 4,000 employees.

In January 2000, RSM acquired Toback CPAs, P.C., a Phoenix-based accounting firm recognized throughout the Southwest United States for serving the accounting and business consulting needs of closely-held, privately owned businesses. Toback's attest business was combined with that of McGladrey.

RSM continues to be a member of RSM International, the world's tenth largest accounting and consulting organization with 400 offices in 75 countries. McGladrey's attest business (including audit, reviews and other engagements in which the firm issues written opinions evaluating client financial statements) remains in a partnership owned by the McGladrey & Pullen, LLP partners and is not affiliated with the Company.

As noted above, in the Company's acquisition of certain assets of McGladrey in August 1999, it did not acquire assets of McGladrey relating to McGladrey's audit business because of regulatory and other concerns. In connection with this acquisition and the evaluation of the regulatory restrictions and environment, the Company and McGladrey had discussions with the staff of the SEC regarding appropriate disclosure of the policy and procedures being implemented by McGladrey, RSM and the Company to safeguard McGladrey's independence and integrity as an audit firm in compliance with applicable regulations and professional responsibilities.

While such discussions have not yet resulted in any definitive pronouncement by the SEC staff on this matter, investors should be aware that the Company and McGladrey are tentatively considered by the SEC staff to be one entity for purposes of applying applicable auditor independence rules with respect to McGladrey and its clients who are required to file audited financial statements with the SEC ("SEC Audit Clients"). Because of this consideration, any financial interest or business relationship of the Company or its officers, directors, principal shareholders, control persons or affiliates with a SEC

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Audit Client will be regarded by the SEC staff as a financial interest or business relationship between McGladrey and the SEC Audit Client for purposes of applying the SEC's rules regarding auditor independence. Under such rules, McGladrey and its partners are precluded from holding certain financial interests in and entering into certain business relationships with a SEC Audit Client for whom McGladrey performs audit services. As presently interpreted by the SEC staff, any such financial interest or business relationship, whether held or engaged by McGladrey or its partners or by the Company, its officers, directors, principal shareholders, control persons or affiliates, would threaten to impair McGladrey's independence as an auditor of the SEC Audit Client so involved.

The Company and McGladrey have enacted certain policies and controls to monitor and prevent violations by them of the SEC's auditor independence rules as so interpreted by the SEC staff. These policies and controls include the following:

- The Company has informed its officers, directors and affiliates (the Company has no principal shareholders or control persons for these purposes) of the SEC staff's interpretation that certain financial interests and business relationships with McGladrey SEC Audit Clients are prohibited in as much as they would be deemed to impair McGladrey's independence as an auditor.
- McGladrey's Independence and Relationship Policies and the Code of Conduct promulgated by the American Institute of Certified Public Accountants ("AICPA"), which address auditor independence issues, have been distributed to all of the Company's executive officers and directors.
- McGladrey's Prohibited Securities List, which lists securities of McGladrey SEC Audit Clients, is distributed to the Company's executive officers and directors on a monthly basis so that they

- can detect whether they own such securities and ensure that they do not acquire such securities.
- Each of the Company's executive officers, directors and affiliates periodically submits an Independence Compliance Questionnaire ("Questionnaire") that addresses auditor independence issues. Each Questionnaire is reviewed by McGladrey's partner responsible for independence matters.
 - McGladrey informs the audit committee of each SEC Audit Client, in writing, of the SEC staff's interpretation regarding the attribution to McGladrey, for purposes of McGladrey's auditor independence, of the financial interests and business relationships of the Company, its officers, directors and affiliates with SEC Audit Clients.
 - McGladrey informs the audit committee of each SEC Audit Client of the SEC staff's interpretation that ownership of the Company's stock by such SEC Audit Client or its officers, directors, controlling shareholders or affiliates could affect McGladrey's independence as an auditor, and McGladrey obtains confirmation and representations from such parties that they own no shares of the Company.
 - McGladrey has designated a partner responsible for independence matters who reports directly to its Managing Partner. The partner responsible for independence matters monitors changes in independence standards promulgated by the AICPA, the Independence Standards Board ("ISB") and the SEC. This partner periodically recommends corresponding modifications to McGladrey's Independence Relationship Policies that become effective upon the approval of McGladrey's Board of Directors.
 - RSM has agreed to comply and cause its employees to comply with the Independence and Relationship policies of McGladrey.

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- Employees of RSM and employees of McGladrey are informed of changes to McGladrey's Independence and Relationship Policies and its Prohibited Securities List on a monthly basis via electronic bulletin boards.
- Employees of RSM and partners and employees of McGladrey periodically complete an Independence Compliance Questionnaire that is reviewed and approved by McGladrey's National Office of Audit & Accounting. All exceptions are reviewed by and approved by McGladrey's partner responsible for independence matters, its Managing Partner and its Board of Directors.
- As mandated by its membership in the SEC Practice Section of the AICPA, McGladrey has implemented independence training programs and is in the process of implementing programs to test compliance with its Independence and Relationship Policies and the completeness and accuracy of Independence Compliance Questionnaires.
- McGladrey has established consultation procedures for the resolution of all identified exceptions to its policies and AICPA, ISB or SEC independence requirements. The Company and RSM have agreed to fully cooperate with McGladrey in the resolution of all exceptions and the implementation of any remedial actions, including disciplinary actions.

While the Company and McGladrey believe that their policies and controls in place regarding auditor independence are reasonable and adequate to address the matters involved, there can be no assurance (and the SEC staff has indicated that it cannot provide any assurance) that such policies and controls will positively ensure complete compliance by the Company, RSM and McGladrey

with the SEC auditor independence rules as so interpreted by the SEC staff. Any noncompliance by the Company, RSM or McGladrey with such rules may impair McGladrey's independence as an auditor of SEC Audit Clients and may adversely affect the ability of McGladrey to attract and retain such clients and perform audits of financial statements filed with the SEC.

Seasonality of Business. Revenues for this segment are seasonal in nature, with peak revenues occurring during January through April.

Service Marks and Trademarks. RSM claims ownership of the following service marks and trademarks registered on the principal register of the United States Patent and Trademark Office:

Don't Be A Sitting Duck	Pulsemark
M (and design)	Pyramid (and design)
Med-Rate	Renaissance
Operations Diagnosis	Roger

RSM claims ownership of the following unregistered service marks and trademarks:

Business Recovery Planning System	E-Accounting
Business Continuity Planning System	PersonProsperity
E.Vantage!	Retirement Link

FERS Business Services, Inc. ("FERS"), a wholly owned subsidiary of HRB Business Services, Inc., claims ownership of the following service marks and trademarks registered on the principal register of the United States Patent and Trademark Office:

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Because Results Come First
FERS Profit Edge
Pension Resources
Tonelink

FERS also claims ownership of the following unregistered service mark and trademark:

Benelink

Practice Development Institute, a wholly owned subsidiary of HRB Business Services, Inc., claims ownership of the following unregistered service marks and trademarks:

Certified Profit Enhancement Consultant
CPEC
Turning Your Firm's Potential Into Profit

Toback, Inc., a wholly owned subsidiary of RSM, claims ownership of the following service marks and trademarks registered on the principal register of the United States Patent and Trademark Office:

Solutions for Today. Strategies for Tomorrow
The Local Firm with a National Reputation

Competitive Conditions. The accounting and consulting business is highly competitive. There are a substantial number of accounting firms offering similar services at the nationwide, regional and local levels.

Government Regulation. Many of the same Federal and state regulations relating to tax preparers and the information concerning tax reform discussed above in "Government Regulation" section of "U.S. Tax Operations" apply to

Business Services as well, except that accountants are not subject to the same prohibition on the use or disclosure of certain income tax return information as the Tax Services income tax return preparers are. These accounting firms are also subject to state and Federal regulations governing accountants, auditors and financial planners. The Company believes that these state and Federal regulations do not and will not have a material adverse effect on the operations of the Company and its subsidiaries, but it cannot predict what the effect of future regulations may be.

ITEM 2. PROPERTIES.

The executive offices of the Company, Tax Services, BFC and HRB Business Services, Inc. are located at 4400 Main Street, Kansas City, Missouri, in a multi-level building owned by Tax Services. The building was constructed in 1963 and expanded or redesigned in 1965, 1973, 1981, and 1996. Shortly after the end of the 1999 fiscal year, Tax Services entered into a 20-year lease for a newly constructed building located at 4400 East Blue Parkway, Kansas City, Missouri, which is being utilized by Tax Services and its affiliates as a service center. 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. BFC also leases other office space in Kansas City, Missouri.

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OLDE's executive offices are located at 751 Griswold, Detroit, Michigan in a building owned by OLDE. Many branch offices of OLDE Discount are located in facilities owned by various real estate subsidiaries of OLDE Financial and leased primarily to OLDE Discount. Some branch offices and H&R Block Financial Centers are operated in leased premises. OLDE Discount's branch offices and H&R Block Financial Centers are located in 35 states and the District of Columbia. Birchtree Financial Services, Inc. is headquartered in leased offices in Kansas City, Missouri.

Option One's executive offices are located in leased offices at 3 Ada, Irvine, California. Option One also leases offices for its branch office operations throughout the United States. H&R Block Mortgage Corporation is headquartered in leased offices in Burlington, Massachusetts. H&R Block Mortgage also leases offices in Arizona, California, Colorado, Connecticut, Florida, Illinois, Indiana, Massachusetts, Maine, Michigan, New Hampshire, New Jersey, Ohio and Virginia.

RSM's executive offices are located in leased offices at 3600 West 80th Street, Bloomington, Minnesota. Its administrative offices are located in leased offices at 220 North Main Street, Davenport, Iowa. RSM and the other accounting firm subsidiaries of HRB Business Services, Inc. lease office space in 22 states.

ITEM 3. LEGAL PROCEEDINGS.

CompuServe Corporation ("CompuServe"), certain current and former officers and directors of CompuServe and the Company have been named as defendants in six lawsuits pending before the state and Federal courts in Columbus, Ohio. All suits allege similar violations of the Securities Act of 1933 based on assertions of omissions and misstatements of fact in connection with CompuServe's public filings related to its initial public offering in April 1996. One state lawsuit also alleges certain oral omissions and misstatements in connection with such offering. Relief sought in the lawsuits is unspecified, but includes pleas for rescission and damages. One Federal lawsuit names the lead underwriters of CompuServe's initial public offering as additional defendants and as representatives of a defendant class consisting of all underwriters who participated in such offering. The Federal suits were consolidated, the defendants filed a motion to dismiss the consolidated suits, the district court stayed all proceedings pending the outcome of the state court suits, and the United States Court of Appeals for the Sixth Circuit affirmed such stay. The

four state court lawsuits also allege violations of various state statutes and common law of negligent misrepresentation in addition to the 1933 Act claims. The state lawsuits were consolidated for discovery purposes and defendants filed a motion for summary judgment covering all four state lawsuits. In July 1998, the state court certified a plaintiff class of all persons and entities who purchased shares of common stock of CompuServe between April 18, 1996 and July 16, 1996 pursuant to the initial public offering or on the open market, and who were damaged thereby, excluding the named defendants and their affiliates. The named plaintiffs in three of the state court cases were designated class representatives.

On July 24, 2000, after the end of fiscal year 2000, the class representatives and the defendants in the class action pending in state court, by their authorized counsel, entered into a Stipulation of Settlement, pursuant to which the defendants will pay a gross settlement amount of \$9.5 million in exchange for dismissal of the class action suit and a release of all claims. Payment of plaintiffs' attorneys' fees and expenses are to be paid out of the gross settlement fund. The gross settlement fund will be paid in its entirety by the Company's insurance carrier. Among other things, the settlement is subject to certain contingencies relating to the number of class members that choose to exclude themselves from the settlement and the final approval of the settlement by the court. The Stipulation is

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

As a part of the sale of its interest in CompuServe, the Company agreed to indemnify WorldCom and CompuServe against 80.1% of any losses and expenses incurred by them with respect to these lawsuits. In the opinion of management, the ultimate resolution of these suits through the agreed upon settlement or otherwise will not have a material adverse impact on the Company's consolidated financial position or results of operations. The lawsuits discussed herein were reported in the Company's Forms 10-Q for the first, second and third quarters of fiscal year 2000.

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, 2000.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT.

The names, ages and principal occupations (for the past five years) of 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 (77)	Chairman of the Board since August 1989; Chief Executive Officer from August 1989 through July 1992; Member of the Board of Directors since 1955. See Note 1.
Frank L. Salizzoni (62)	Chief Executive Officer since June 1996; President, from June 1996 through September 1999; Member of the Board of Directors since 1988. See Note 2.
Mark A. Ernst (42)	President of the Company since September 1999; Chief Operating Officer since September 1998; Executive Vice President from September 1998 until September 1999. See Note 3.

David F. Byers (37)	Senior Vice President and Chief Marketing Officer since June 1999. See Note 4.
Frank J. Cotroneo (41)	Senior Vice President and Chief Financial Officer since February 2000. See Note 5.
Gene S. Goldenberg (55)	Senior Vice President, Software and E-Commerce, Block Financial Corporation, since July 1999; Vice President and Publisher in Charge of Software

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Name and age -----	Office(s) -----
	Operations, Block Financial Corporation, July 1995 to July 1999. See Note 6.
Stephanie R. Otto (39)	Senior Vice President, Human Resources effective July 2000; Vice President, Human Resources August 1999 through June 2000; Vice President, National Director of Finance, HRB Business Services, Inc., October 1998 through August 1999; Director, Internal Audit, December 1995 until October 1998.
James D. Rose (49)	Senior Vice President and Chief Information Officer since July 1999; Vice President and Chief Information Officer from June 1997 through June 1999. See Note 7.
Robert E. Dubrish (48)	President and Chief Executive Officer, Option One Mortgage Corporation, since March 1996; Executive Vice President and Chief Operating Officer, Option One Mortgage Corporation, from December 1992 until March 1996. See Note 8.
David J. Kasper (48)	President, Financial Services Group, Block Financial Corporation, since February 2000. See Note 9.
Jeffery W. Yabuki (40)	President, H&R Block International since September 1999. See Note 10.
Thomas L. Zimmerman (50)	President, H&R Block Tax Services, Inc., since June 1996; Executive Vice President, Field Operations, H&R Block Tax Services, Inc. from May 1994 through May 1996.
Cheryl L. Givens (34)	Vice President and Corporate Controller since July 1998; Assistant Vice President and Assistant Controller from October 1996 until July 1998; Assistant Vice President and Corporate Controller from June 1996 until October 1996; Corporate Accounting Manager from May 1994 until May 1996.
James H. Ingraham (46)	Vice President, General Counsel since July 1999; Secretary since June 1990; Vice President, Legal from October 1996 through June 1999; Assistant Vice President, Corporate Legal and Human Resources from December 1995 until October 1996; Assistant Vice President, Legal from May 1994 until December 1995.

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Name and age -----	Office(s) -----
Linda M. McDougall (47)	Vice President, Communications since July 1999; Assistant Vice President, Communications from November 1995 through June 1999. See Note 11.
Brian N. Schell (34)	Vice President and Treasurer since December 1997; Director of Investor Relations since November 1996; Assistant Treasurer from November 1996 until December 1997; Director of Corporate Development from May 1995 until December 1997.
Robert A. Weinberger (56)	Vice President, Government Relations, since March 1996.
Bret G. Wilson (41)	Vice President, Corporate Planning and Development since September 1999; Vice President, Corporate Development, from December 1997 until September 1999; Vice President, Mortgage Operations, Block Financial Corporation, since March 1997; Vice President, Corporate Counsel and Secretary, Block Financial Corporation, from June 1994 until March 1997.
Robert D. Wilson (41)	Vice President, Business Development since July 1999; Vice President, Tax Services Marketing, H&R Block Tax Services, Inc., from September 1998 through June 1999; Assistant Vice President, Marketing, H&R Block Tax Services, Inc., from February 1996 until September 1998. See Note 12.

- Note 1: Mr. Bloch will retire as Chairman of the Board of Directors and as a director in September 2000.
- Note 2: The Board of Directors of the Company has approved a succession plan pursuant to which Mr. Salizzoni will serve as Chairman of the Board and Chief Executive Officer of the Company from September 13, 2000 through December 31, 2000, and as Chairman of the Board thereafter. Mr. Salizzoni was President and Chief Operating Officer of USAir Group, Inc. and USAir, Inc. from March 1994 until April 1996. He served as Chairman of the Board of CompuServe Corporation from October 1996 until January 1998.
- Note 3: The Board of Directors of the Company has approved a succession plan pursuant to which Mr. Ernst will become President and Chief Executive Officer of the Company effective January 1, 2001. Mr. Ernst served as Senior Vice President, Third Party and International Distribution for American Express Company, Minneapolis, Minnesota, from July 1997 until June 1998; Senior Vice President, Workplace Financial Services,
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- American Express Company, from November 1995 until July 1997 and Vice President, Retail Services Group, American Express Company, from December 1993 until November 1995.
- Note 4: Mr. Byers was employed by Foote, Cone and Belding, an advertising agency in San Francisco, California, from June 1987 until May 1999, most recently serving as the Senior Vice President and Director of Business Development.
- Note 5: Mr. Cotroneo served as the Chief Financial Officer of MasterCard International, Inc., New York, New York from 1996 to February 2000 and as Regional Financial Officer, MasterCard International, Inc., Singapore, from 1992 to 1996.
- Note 6: Mr. Goldenberg was employed by The Kiplinger Washington Editors, Inc., in Washington, DC from 1985 through July 1995, most recently serving as Director, New Product Development.
- Note 7: Mr. Rose served as Vice President, Chief Information Officer, Integon Insurance Corporation, Winston-Salem, North Carolina, from May 1996 until June 1997, and as Director of Information Systems, National Association of Insurance Commissioners, Kansas City, Missouri, from November 1987 until May 1996.
- Note 8: Block Financial Corporation acquired Option One Mortgage Corporation on June 17, 1997, at which time Mr. Dubrish became an employee of a subsidiary of the Company.
- Note 9: Mr. Kasper was Executive Vice President, National Sales Manager, Norwest Investment Services, Inc., Minneapolis, Minnesota from 1998 to February 2000; and Senior Vice President, Regional Sales Manager, Norwest Investment Services, Inc., from 1989 to 1998.
- Note 10: Mr. Yabuki served as President and Chief Executive Officer of American Express Tax & Business Services, Inc., New York, New York, from 1998 to September 1999; Vice President, Mergers and Acquisitions, American Express, Minneapolis, Minnesota, from 1996 to 1998; and Regional Vice President, American Express Tax & Business Services, Inc., Los Angeles, California and Minneapolis, Minnesota, from 1991 to 1996.

Note 11: Ms. McDougall was the District Manager, Creative Services for AT&T Corp., Basking Ridge, New Jersey, from September 1993 until October 1995.

Note 12: Mr. Robert Wilson was Senior Product Manager for Thompson*Minwax from September 1993 until February 1996.

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PART II

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

The information called for by this item is contained in part in the Company's annual report to security holders for the fiscal year ended April 30, 2000, 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 12, 2000, there were 33,305 shareholders of record 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, 2000, 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, 2000, under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition," and is hereby incorporated by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

GENERALLY

In the operations of its subsidiaries and the reporting of its consolidated financial results, the Company is affected by changes in interest rates and currency exchange rates. The principal risks of loss arising from adverse changes in market rates and prices to which the Company and its subsidiaries are exposed relate to:

- interest rates on debt, cash equivalents, available-for-sale securities, trading securities, mortgage loan origination commitments, investments in mortgage loans for resale or securitization and residual interests in securitizations; and
- foreign exchange rates, generating translation gains and losses

Changes in interest rates and/or exchange rates have not, and are not expected to, materially impact the consolidated financial position, results of operations or cash flows of the Company.

The Company and its subsidiaries have market risk sensitive instruments entered into for "non-trading" and "trading" purposes. The Company's

broker-dealers hold marketable securities for trading purposes.

NON-TRADING

INTEREST RATES

The debt portfolio, rate-sensitive assets and related interest rate risk are managed centrally by the office of the Chief Financial Officer of the Company by taking into consideration investment opportunities and risks, tax consequences and the financing strategies approved by the Finance Committee of the Company's Board of Directors.

The available-for-sale investment portfolios of the Company and its subsidiaries at April 30, 2000, primarily consisted of cash equivalents and available-for-sale securities. Almost 31% of the Company's total cash and available-for-sale securities are classified as long-term, compared to 41% in 1999. A majority of the long-term portfolio is made up of residual interests in securitizations, 70% in 2000 and 54% in 1999. Assuming all cash equivalents and available-for-sale securities (excluding residual interests) held at year-end were variable rate investments, a 50 basis point change in interest (an approximate 10% decline in interest rates) would negatively impact consolidated pretax earnings by approximately \$1.9 million, or about one-half percent. In fiscal 1999, a 50 basis point change in interest (an approximate 10% decline in interest rates) would have negatively impacted 1999 consolidated pretax earnings by approximately \$2 million, or about one-half percent.

The residual interests in securitizations are exposed to interest rate risk related to the sensitivity of the residual interests to prepayments. A mortgage borrower has the option to prepay a mortgage loan at any time. This risk tends to increase when interest rates fall due to the benefits of refinancing. Since the future prepayment behavior of the mortgages is uncertain, the interest rate sensitivity of these residual interests can not be exactly determined. Management has developed a number of assumptions for use in its cash flow model to determine market value. Depending on the product or behavior in question, each assumption will reflect some combination of market data, research analysis and business judgment.

Under its risk management strategy, the Company may hedge its interest rate risk related to its fixed-rate mortgage portfolio and debt by selling short FNMA mortgage-backed securities and utilizing forward commitments. It is the Company's policy to utilize these financial instruments only for the purpose of offsetting or reducing the risk of loss associated with a defined or quantified exposure. They are purchased from certain broker-dealer counterparties. If the counterparties do not fulfill their obligations, the Company may be exposed to risk. As the risk of default depends on the creditworthiness of the counterparty, the Company's policy requires that such transactions may be entered into only with counterparties that are rated A or better (or an equivalent rating) by recognized rating agencies. As a matter of practice, the Company has limited the counterparties to major banks and financial institutions meeting such standards. All interest rate contracts conform to the standard International Swaps and Derivatives Association, Inc. documentation.

The Company's variable rate mortgage portfolios are generally short-term in nature, as it is the Company's policy to sell or securitize these loans quarterly, and such portfolios are carried at the lower of cost or market. Because the Company funds these short-term assets with short-term, variable rate debt, the Company is not significantly exposed to interest rate risk in this area. As a result, any change in interest rates would not materially impact the Company's consolidated pretax earnings.

The Company's long-term debt consists primarily of fixed-rate Senior notes; therefore, a change in interest rates would have no impact on consolidated pretax earnings.

The Company's broker-dealers hold interest bearing receivables from customers, brokers, dealers and clearing organizations which consist primarily of amounts due on margin and cash transactions and are generally short-term in nature. Because the Company funds these short-term assets with short-term variable rate liabilities from customers, brokers and dealers, the Company is not significantly exposed to interest rate risk in this area. As a result, any change in interest rate would not materially impact the Company's consolidated pretax earnings.

FOREIGN EXCHANGE RATES

The operation of the Company's subsidiaries in international markets provides exposure to volatile movements in currency exchange rates. The currencies involved are the Canadian dollar, the Australian dollar and the British pound. International tax operations constituted approximately 1.2% of the Company's fiscal year 2000 consolidated pretax earnings, compared to 1% in fiscal 1999. As currency exchange rates change, translation of the financial results of International tax operations into U.S. dollars does not presently materially affect, and has not historically materially affected, the consolidated financial results of the Company, although such changes do affect the year-to-year comparability of the operating results of the international businesses.

The Company does not hedge translation risks because (1) cash flows from international operations are generally reinvested locally and (2) the minimal exposure to material volatility to reported earnings does not justify the cost.

The Company estimates that a 10% change in foreign exchange rates by itself would impact reported pretax earnings from continuing operations by approximately \$425,000. Such impact represents approximately 9% of the pretax earnings of International tax operations for fiscal year 2000, and approximately .10% of the Company's pretax earnings for such year. In fiscal 1999, a 10% change in interest rates would have impacted fiscal 1999 pretax earnings by approximately \$200,000 or .05 percent.

TRADING

The Company's trading portfolio is effected by changes in market rates/prices. The risk is the loss of earnings arising from adverse changes in the value of the trading portfolio. The Company's broker-dealers hold the trading portfolio at quoted market prices and such represents .8% of the Company's total assets. The market value of the Company's trading portfolio at April 30, 2000 was approximately \$45.4 million. The impact of a 10% change in the market value of these investments would be approximately \$4.5 million, or about 1.1% of consolidated pretax earnings.

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, 2000, 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 with respect to directors of the Company and with respect to compliance with Section 16(a) of the Securities Exchange Act is included under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance," respectively, in the Company's definitive proxy statement filed pursuant to Regulation 14A not later than 120 days after April 30, 2000, and in Item 4a "Executive Officers of the Registrant" in 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 filed pursuant to Regulation 14A not later than 120 days after April 30, 2000, in the sections entitled "Directors' Meetings, Compensation and Committees" and "Compensation of Executive Officers," and is incorporated herein by reference, except that information contained in the section entitled "Compensation of Executive Officers" under the subtitles "Performance Graph" and "Compensation Committee Report on Executive Compensation" 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 filed pursuant to Regulation 14A not later than 120 days after April 30, 2000, 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 filed pursuant to Regulation 14A not later than 120 days after April 30, 2000, in the section titled "Election of Directors," and is incorporated herein by reference.

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 from the Company's annual report to

security holders for the fiscal year ended April 30, 2000:

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Consolidated Statements of Earnings	21
Consolidated Balance Sheets	22
Consolidated Statements of Cash Flows	23
Consolidated Statements of Stockholders' Equity	24
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2. Financial Statement Schedules

Report of Independent Accountants on Financial Statement Schedule for PricewaterhouseCoopers LLP, Certified Public Accountants

Independent Auditors' Consent and Report on Schedule for Deloitte & Touche LLP, Certified Public Accountants

Schedule VIII - Valuation and Qualifying Accounts

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

3.1 Restated Articles of Incorporation of H&R Block, Inc., as amended, filed as Exhibit 3(b) to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1996, are incorporated herein by reference.

3.2 Amended and Restated Bylaws of H&R Block, Inc., as amended, filed as Exhibit 3.1 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1999, are incorporated herein by reference.

4.1 Indenture dated as of October 20, 1997, among H&R Block, Inc., Block Financial Corporation and Bankers Trust Company, as Trustee, filed as Exhibit 4(a) to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1997, is incorporated herein by reference.

4.2 First Supplemental Indenture, dated as of April 18, 2000, among H&R Block, Inc., Block Financial Corporation, Bankers Trust Company and the Bank of New York, filed as Exhibit 4(a) to the Company's current report on Form 8-K dated April 13, 2000, is incorporated herein by reference.

4.3 Form of 6 3/4% Senior Note due 2004 of Block Financial Corporation, filed on October 23, 1997 as Exhibit 2.2 to the Company's current report on Form 8-K, is incorporated herein by reference.

4.4 Form of 8.50% Senior Note due 2007 of Block Financial Corporation, filed as Exhibit 4(b) to the Company's current report on Form 8-K dated April 13, 2000, is incorporated herein by reference.

4.5 Copy of Rights Agreement dated March 25, 1998 between H&R Block, Inc. and ChaseMellon Shareholder Services, L.L.C., filed on July 22, 1998 as Exhibit 1 to the Company's Registration Statement on Form 8-A, is incorporated herein by reference.

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

4.7 Form of Certificate of Amendment of Certificate of Designation,

Preferences and Rights of Participating Preferred Stock of H&R Block, Inc., filed as Exhibit 4(j) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1998 is incorporated by reference.

- 4.8 Form of Certificate of Designation, Preferences and Rights of Delayed Convertible Preferred Stock of H&R Block, Inc., filed as Exhibit 4(f) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated by reference.
- 10.1 The Company's 1993 Long-Term Executive Compensation Plan, as amended through September 8, 1999, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1999, is incorporated herein by reference.
- 10.2 The H&R Block Deferred Compensation Plan for Directors, as amended through March 9, 1994.
- 10.3 Amendment No. 2 to H&R Block Deferred Compensation Plan for Directors, filed as Exhibit 10(c) to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 1997, is incorporated herein by reference.
- 10.4 Amendment No. 3 to H&R Block Deferred Compensation Plan for Directors, filed as Exhibit 10(c) to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 1997, is incorporated herein by reference.
- 10.5 Amendment No. 4 to H&R Block Deferred Compensation Plan for Directors, filed as Exhibit 10(d) to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 1997, is incorporated herein by reference.
- 10.6 Amendment No. 5 to H&R Block Deferred Compensation Plan for Directors, filed as Exhibit 10(c) to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 1998, is incorporated herein by reference.

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- 10.7 Amendment No. 6 to H&R Block Deferred Compensation Plan for Directors, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2000, is incorporated by reference.
- 10.8 The H&R Block Deferred Compensation Plan for Executives, as Amended and Restated, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 1999, is incorporated herein by reference.
- 10.9 Amendment No. 1 to the H&R Block Deferred Compensation Plan for Executives, as Amended and Restated, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 1999, is incorporated herein by reference.
- 10.10 Amendment No. 2 to the H&R Block Deferred Compensation Plan for Executives, as Amended and Restated, filed as Exhibit 10.4 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1999, is incorporated herein by reference.
- 10.11 Amendment No. 3 to the H&R Block Deferred Compensation Plan for Executives, as Amended and Restated, filed as Exhibit 10.5 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1999, is incorporated herein by reference.
- 10.12 Amendment No. 4 to the H&R Block Deferred Compensation Plan for Executives, as Amended and Restated, filed as Exhibit 10.1 to the

Company's quarterly report on Form 10-Q for the quarter ended January 31, 2000, is incorporated herein by reference.

- 10.13 The H&R Block Short-Term Incentive Plan, filed as Exhibit 10(a) to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1996, is incorporated herein by reference.
- 10.14 The Company's 1989 Stock Option Plan for Outside Directors, as amended, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1998, is incorporated herein by reference.
- 10.15 The H&R Block Stock Plan for Non-Employee Directors, filed as Exhibit 10(e) to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1997, is incorporated herein by reference.
- 10.16 Employment Agreement dated October 11, 1996, between the Company and Frank L. Salizzoni, filed as Exhibit 10(b) to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1996, is incorporated herein by reference.
- 10.17 Employment Agreement dated July 16, 1998, between the Company and Mark A. Ernst, filed as Exhibit 10(a) to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 1998, is incorporated herein by reference.

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- 10.18 Employment Agreement dated January 20, 1998, between H&R Block Tax Services, Inc, and Thomas L. Zimmerman, filed as Exhibit 10.3 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2000, is incorporated herein by reference.
- 10.19 Employment Agreement dated September 7, 1999, between HRB Management, Inc. and Jeffery Yabuki, filed as Exhibit 10.4 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2000, is incorporated herein by reference.
- 10.20 Employment Agreement dated January 26, 2000, between HRB Management, Inc. and Frank J. Cotroneo, filed as Exhibit 10.5 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2000, is incorporated herein by reference.
- 10.21 Employment Agreement dated January 31, 2000, between Block Financial Corporation and David J. Kasper.
- 10.22 Employment Agreement dated May 15, 1998, between Terrence E. Putney and DMJK Business Services, Inc.
- 10.23 Senior Managing Director Employment Agreement dated August 2, 1999, between RSM McGladrey, Inc. and Thomas G. Rotherham.
- 10.24 Agreement dated February 21, 2000, between HRB Management, Inc. and Ozzie Wenich.
- 10.25 Asset Purchase Agreement dated June 28, 1999 by and among H&R Block, Inc., MGP Business Services, Inc., HRB Business Services, Inc., McGladrey & Pullen, LLP, MP Active Partner Trust, Clifford Newman, Trustee, and MP Retired Partner Trust, Clifford Newman, Trustee, filed as Exhibit 10.1 to the Company's Form 8-K on July 8, 1999, is incorporated herein by reference.
- 10.26 Stock Purchase Agreement dated August 31, 1999 among Block Financial Corporation, H&R Block, Inc., OLDE Financial Corporation, Financial

Marketing Services, Inc. and the Shareholders of OLDE Financial Corporation and Financial Marketing Services, Inc., filed as Exhibit 10.1 to the Company's Form 8-K filed September 10, 1999, is incorporated herein by reference.

12 Computation of Ratio of Earnings to Fixed Charges for the five years ended April 30, 2000.

13 That portion of the annual report to security holders for the fiscal year ended April 30, 2000 which is expressly incorporated by reference in this filing. Portions of such annual report to security holders not expressly incorporated by this reference in this filing are not deemed "filed" with the Commission.

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16 Letter regarding change in Certifying Accountants dated July 27, 1998 from Deloitte & Touche LLP addressed to the Securities and Exchange Commission, filed on July 27, 1998 as Exhibit 16.1 to the Company's current report on Form 8-K, is incorporated herein by reference. The statements contained in Item 4 of the Company's Form 8-K dated July 27, 1998 to which Deloitte & Touche LLP concurred in such letter are also contained in Item 9 of the Company's annual report on Form 10-K for the fiscal year ended April 30, 1998.

21 Subsidiaries of the Company.

23.1 Consent of PricewaterhouseCoopers LLP, Certified Public Accountants.

23.2 Consent of Deloitte & Touche LLP, Certified Public Accountants.

27 Financial Data Schedule.

(b) Reports on Form 8-K.

(1) The Company filed a current report on Form 8-K/A on February 14, 2000 to file certain audited Financial Statements of OLDE Financial Corporation and unaudited pro forma consolidated financial statements of H&R Block, Inc., in connection with the acquisition of OLDE Financial Corporation. Certain consents of PricewaterhouseCoopers, LLP, Certified Public Accountants; Deloitte & Touch LLP, Certified Public Accountants; and Ernst & Young LLP, Certified Public Accounts were included as Exhibit 23.1, and the press release dated December 1, 1999 announcing the completion of the acquisition of OLDE Financial and Financial Marketing Services, Inc. was included as Exhibit 99.1.

(2) The Company filed a current report on form 8-K on April 7, 2000, to file as exhibits certain consents of PricewaterhouseCoopers, LLP, Certified Public Accountants; Deloitte & Touche LLP, Certified Public Accountants; and Ernst & Young, LLP, Certified Public Accountants. No financial statements were filed as a part of the Form 8-K.

(3) The Company filed a current report on Form 8-K on April 17, 2000, to file as exhibits certain documents relating to 8.50% Senior Notes Due 2007 to be issued by Block Financial Corporation, an indirect, wholly-owned subsidiary of the Company. No financial statements were filed as a part of the Form 8-K.

Except for the Form 8-K/A filed on February 14, 2000, and the

Forms 8-K filed on April 7, 2000 and 17, 2000, the Company did not file any reports on Form 8-K during the fourth quarter of the year ended April 30, 2000.

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.

July 28, 2000 By /s/ Frank L. Salizzoni

Frank L. Salizzoni
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/ Frank L. Salizzoni ----- Frank L. Salizzoni	Chief Executive Officer and Director (principal executive officer)
/s/ G. Kenneth Baum ----- G. Kenneth Baum	Director
/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/ Mark A. Ernst ----- Mark A. Ernst	Director
/s/ Henry F. Frigon ----- Henry F. Frigon	Director
/s/ Roger W. Hale ----- Roger W. Hale	Director
/s/ Louis W. Smith ----- Louis W. Smith	Director
/s/ Morton I. Sosland ----- Morton I. Sosland	Director

(Signed as to each on July 28, 2000)

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Signature	Title
/s/ Frank J. Cotroneo ----- Frank J. Cotroneo	Senior Vice President and Chief Financial Officer (principal financial officer)
/s/ Cheryl L. Givens ----- Cheryl L. Givens	Vice President and Corporate Controller (principal accounting officer)

(Signed as to each on July 28, 2000)

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REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of

H&R Block, Inc.

Our audits of the consolidated financial statements referred to in our report dated June 20, 2000 appearing in the 2000 Annual Report to Shareholders of H&R Block, Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the information as of and for the years ended April 30, 2000 and April 30, 1999 presented in the financial statement schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information as of and for the years ended April 30, 2000 and 1999 set forth therein when read in conjunction with the related consolidated financial statements. The information included in the financial statement schedule as of and for the year ended April 30, 1998 was audited by other independent accountants whose report dated June 16, 1998 and July 12, 1999 (as to the effects of the discontinued credit card operations described in the note to the consolidated financial statements on the sale of subsidiaries) expressed an unqualified opinion on that information.

/s/ PricewaterhouseCoopers LLP

Kansas City, Missouri
June 20, 2000

INDEPENDENT AUDITORS' CONSENT AND REPORT ON SCHEDULE

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

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; 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; Registration Statement No. 33-54989 of H&R Block, Inc. and subsidiaries (relating to shares of Common Stock issued under the 1993 Long-Term Executive Compensation Plan) on Form S-8; Registration Statement No. 33-64147 of H&R Block, Inc. and subsidiaries (relating to shares of Delayed Convertible Preferred Stock issuable under the Spry, Inc. 1995 Stock Option Plan) on Form S-8; Registration Statement No. 333-62515 of H&R Block, Inc. and subsidiaries (relating to shares of Common Stock issuable under the Third Stock Option Plan for Seasonal Employees) on Form S-8; Registration Statement No. 333-42143 of H&R Block, Inc. and subsidiaries (relating to shares of Common Stock issued under the H&R Block Stock Plan for Non-Employee Directors) on Form S-8; and Registration Statements Nos. 333-33655 and 333-33655-01 of Block Financial Corporation and H&R Block, Inc., respectively, (relating to debt securities of Block Financial Corporation) on Form S-3 of our report dated June 16, 1998 (July 12, 1999 as to the effects of

the discontinued credit card operations described in the note on the sale of subsidiaries), appearing in this Annual Report on Form 10-K of H&R Block, Inc. and subsidiaries for the year ended April 30, 2000.

Our audit of the consolidated financial statements referred to in our aforementioned report also included the 1998 financial statement schedule of H&R Block, Inc., and subsidiaries, listed in Item 14. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, such 1998 financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

Kansas City, Missouri
July 27, 2000

H&R BLOCK, INC.
AND SUBSIDIARIES

SCHEDULE VII - VALUATION AND QUALIFYING ACCOUNTS

YEARS ENDED APRIL 30, 2000, 1999 AND 1998

Description	Balance Beginning Of Period	Additions		Deductions	Balance At End Of Period
		Charged to Costs and Expenses	Charged To Other		
Allowance for Doubtful Accounts - deducted from accounts receivable in the balance sheet					
2000	\$61,872,000	\$51,719,000	--	\$63,230,000	\$50,361,000
1999	\$45,314,000	\$71,662,000	--	\$55,104,000	\$61,872,000
1998	\$30,144,000	\$75,171,000	--	\$60,001,000	\$45,314,000

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, 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

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(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.

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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.

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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

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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 that 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

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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

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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 than 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

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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 commencement of the payment of benefits with respect to each such Permissible 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

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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 distribution 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 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.

6.4.5. 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

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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 6.4.3, 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 noneligibility 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 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 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

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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 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

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(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 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. Notwithstanding anything in this Section 9.1 to the contrary, the Committee may, in its discretion,

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amend the Plan to reduce the rates set forth in Section 4.2 for crediting the Accounts of active Participants effective for crediting from the date of any such amendment.

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

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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.

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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%

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is entered into as of the 31st day of January, 2000, by and between BLOCK FINANCIAL CORPORATION, a Delaware corporation ("BFC"), and David J. Kasper ("Executive").

ARTICLE ONE

EMPLOYMENT

1.01 - Agreement as to Employment. Effective February 14, 2000 or a later date as agreed upon by both parties (the "Employment Date"), BFC hereby employs Executive as its President, Financial Services Group, and Executive hereby accepts such employment by BFC, subject to the terms of this Agreement. Subject to the terms of Section 1.06 of this Agreement, either party may terminate this Agreement for any reason, or no reason, by providing not less than 45 days' prior written notice of such termination to the other party, and, if such notice is properly given, this Agreement and Executive's employment hereunder shall terminate as of the close of business on the 45th day after such notice is deemed to have been given or such later date as is specified in such notice. Any termination of this Agreement shall not be effective as to those portions of this Agreement which, by their express terms as set forth below, require performance by either party following termination of this Agreement.

1.02 - Duties.

(a) Executive is employed by BFC to serve as its President, Financial Services Group, subject to the authority and direction of the BFC's Board of Directors, the Chief Executive Officer of H&R Block, Inc., a Missouri corporation ("Block"), and the Chief Operating Officer of Block. Subject to the foregoing, the Executive shall have such authority and responsibility and duties as are normally associated with the position of President of an operating subsidiary.

(b) So long as he is employed under this Agreement, Executive agrees to devote his full business time and efforts exclusively on behalf of BFC and to competently and diligently discharge his duties hereunder. Executive shall not be prohibited from engaging in such personal, charitable, or other nonemployment activities that do not interfere with his full-time employment hereunder and that do not violate the other provisions of this Agreement. Executive shall comply fully with all reasonable policies of BFC as are from time to time in effect and applicable to his position.

1.03 - Compensation.

(a) Base Salary. BFC shall pay to Executive a gross salary at an annual rate of \$375,000 ("Base Salary"), payable semimonthly or at any other pay periods as BFC may use for its other executive employees. The Base Salary shall be reviewed for adjustment by the Board of Directors of Block (the Board") or appropriate committee thereof no less often than annually during

the term of Executive's employment hereunder and, if adjusted by the Board, such adjusted amount shall become the "Base Salary" for purposes of this Agreement.

(b) Additional Annual Payments. On the first, second, third, fourth, and fifth anniversary of the Employment Date, BFC shall pay to Executive \$63,500, plus an additional amount as is necessary to "gross up" such payment to cover the anticipated income tax liability resulting from such taxable income.

(c) Short-Term Incentive Compensation. As approved by the Compensation Committee of the Board, Executive shall participate in the H&R Block Short-Term Incentive Plan and the discretionary short-term incentive program. Under such Plan and program, the Executive shall have an aggregate target bonus for fiscal year 2000 of \$206,250 and an opportunity to earn 200% of such target bonus. The payment of the actual award under the Plan (20% of target) shall be based upon the actual consolidated pretax earnings of Block for its fiscal year 2000 compared to the actual consolidated pretax earnings of Block for its fiscal year 1999. The payment of the actual award under the discretionary program (80%) shall be based upon the performance of the Financial Service Group and Executive's individual performance, as determined by the Chief Operating Officer and Chief Executive Officer of Block and approved by the Compensation Committee. For purposes of Executive's participation in such Plan for the fiscal year ending April 30, 2000, Executive's actual incentive compensation shall be prorated based upon the number of months during such year that he is actually employed by BFC. Executive must remain employed through April 30, 2000 to receive payments under the Plan and program.

(d) Performance Grant. As approved by the Board and the Chief Operating Officer of Block, Executive shall participate in the Performance Grant Program, subject to the terms of that Program, and shall have a target cash award of \$500,000.

(e) Stock Options. As approved by the Compensation Committee of the Board and the Board itself, Executive shall be granted (i) on the Employment Date a stock option under Block's 1993 Long-Term Executive Compensation Plan (the "1993 Plan") to purchase 20,000 shares of Block's common stock at a price per share equal to its closing price on the New York Stock Exchange on the date of grant, such option to expire on the tenth anniversary of the date of grant; to vest and become exercisable as to 40% of the shares covered thereby on the third anniversary of the date of grant, as to an additional 30% of such shares on the fourth anniversary of the date of grant, and as to the remaining 30% of the shares on the fifth anniversary of the date of grant; to be an incentive stock option for the maximum number of shares permitted by Internal Revenue Code Section 422 and the regulations promulgated thereunder; and to otherwise be a nonqualified stock option; and (ii) a stock option to purchase a minimum of 20,000 shares of Block's common stock at a price per share equal to its closing price on the New York Stock Exchange on the date in fiscal year 2001 on which options are granted under the 1993 Plan to all or substantially all other senior executive officers of Block and its subsidiaries, such stock option to have terms and conditions consistent with the terms and conditions of options granted to such other

senior executive officers except as provided in Section 1.06(a).

(f) Restricted Stock. As approved by the Compensation Committee of the Board and the Board itself, Executive shall be awarded promptly after the Employment Date, 5,000 Restricted Shares of Block's common stock under

the 1993 Plan. One-third of the 5,000 shares shall vest, respectively, on each of the first three anniversaries following such employment commencement date. Prior to the time such Restricted Shares are so vested, (i) such Restricted Shares shall be nontransferable, and (ii) Executive shall be entitled to receive any cash dividends payable with respect to unvested Restricted Shares and vote such unvested Restricted Shares at any meeting of shareholders of Block.

(g) Relocation Benefits.

(i) BFC shall reimburse Executive for reasonable packing, shipping, transportation costs and other expenses incurred by Executive in relocating himself, his family and personal property to the Greater Kansas City Area, in accordance with the H&R Block Executive Relocation Program.

(ii) To the extent that Executive incurs taxable income related to any relocation benefits paid pursuant to this Agreement, BFC shall pay to Executive such additional amount as is necessary to "gross up" such benefits and cover the anticipated income tax liability resulting from such taxable income.

1.04 - Business Expenses. BFC shall promptly pay directly, or reimburse Executive for, all business expenses, to the extent such expenses are paid or incurred by Executive during the term hereof in accordance with Block policy in effect from time to time and to the extent such expenses are reasonable and necessary to the conduct by Executive of BFC's business.

1.05 - Fringe Benefits. During the term of Executive's employment hereunder, BFC shall make available to Executive such insurance, sick leave, deferred compensation, short-term incentive compensation, bonuses, stock options (also referred to in Subsection 1.03(e) above), retirement, vacation, and other like benefits as are approved by the Board or the Compensation Committee thereof and provided from time to time to the other executive-level employees of BFC or Block's other subsidiaries.

1.06 - Termination of Employment.

(a) Termination Due to a Change in Control or Without Cause.

(i) If Executive terminates Executive's employment under this Agreement during the 180-day period following the date of the occurrence of a "Change in Control" of Block, or if BFC terminates Executive's employment under this Agreement for any reason other than for "cause," then, upon any such termination of Executive's employment, (A)

BFC shall pay to Executive compensation at an annual rate equal to the sum of (I) the annual rate of Base Salary in effect upon such termination, and (II) the aggregate short-term incentive compensation (under the H&R Block Short-Term Incentive Plan and any discretionary incentive program) paid by BFC to Executive for the last fiscal year completed before the fiscal year in which the termination of employment occurs (or, if such termination occurs prior to end of the fiscal year in which the Employment Date occurs, the amount of actual aggregate short-term incentive compensation to which Executive would have been entitled (with any discretionary incentive compensation calculated at

target) had Executive remained employed through the last day of such fiscal year), such compensation to be paid throughout the one-year period following such termination at such periodic intervals as Base Salary would have been made had Executive remained employed by BFC hereunder; (B) any portion of any option to purchase shares of Block common stock granted pursuant to Subsections 1.03(e) or 1.05 of this Agreement and held by Executive at the time of such termination of employment that is not yet vested in accordance with its terms shall fully vest upon the date of such termination of employment, and shall be exercisable to the extent so vested for a period of three months after such date of termination of employment; (C) any Restricted Shares granted pursuant to Subsection 1.03(f) of this Agreement and held by Executive at the time of such termination of employment that are not yet vested (meaning the Shares are still subject to restrictions) shall fully vest upon the date of such termination of employment, and all restrictions on any Restricted Shares so vested shall terminate; and (D) HRB shall, during the one-year period following such termination, continue Executive's health, basic life, and disability insurance benefits (such health insurance benefits to be provided by BFC's payment (whether directly or by reimbursement) of Executive's premiums/contributions due as a result of Executive selecting continuation coverage (COBRA) under the plan providing such benefits) but only to the extent Executive does not obtain similar benefits paid for by a third party after such termination..

(ii) For the purpose of this subsection, a "Change of Control" shall mean:

(A) the acquisition, other than from Block, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of the then outstanding voting securities of Block entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by Block or any of its subsidiaries, or any employee benefit plan (or related trust) of Block or its subsidiaries, or any corporation with respect to which, following such acquisition, more than 50% of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners of the voting securities of Block immediately prior to such acquisition in substantially the same proportion as their ownership,

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immediately prior to such acquisition, of the then outstanding voting securities of Block entitled to vote generally in the election of directors, as the case may be; or

(B) individuals who, as of the date hereof, constitute the Board (as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual or individuals becoming a director subsequent to the date hereof, whose

election, or nomination for election by Block's shareholders, was approved by a vote of at least a majority of the Board (or nominating committee of the Board) shall be considered as though such individual were a member or members of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Block (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(C) approval by the shareholders of Block of (I) a reorganization, merger or consolidation of Block, in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the voting securities of Block immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such reorganization, merger or consolidation, (II) a complete liquidation or dissolution of Block, voluntary or involuntary, or (III) the sale or other disposition of all or substantially all of the assets of Block.

(iii) For the purpose of this subsection, "cause" shall mean any one or more of the following grounds:

(A) Executive's commission of an act materially and demonstrably detrimental to the good will of Block or any subsidiary of Block, which act constitutes gross negligence or willful misconduct by the Executive in the performance of his material duties to Block; or

(B) commission by Executive of any act of dishonesty or breach of trust resulting or intending to result in material personal gain or enrichment of Executive at the expense of Block or any subsidiary of Block; or

(C) Executive's conviction of a misdemeanor (involving an act of moral turpitude) or a felony; or

(D) for any reason (or no reason) at any time after the last day of Block's fiscal year during which Executive attains normal retirement age under

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Block's benefit plans; or

(E) Executive's death or total and permanent disability. The term "total and permanent disability" shall have the meaning ascribed thereto under any long-term disability plan maintained by BFC or Block for BFC executives.

(b) Termination Due to Mutual Agreement. The parties may terminate Executive's employment under this Agreement at any time by mutual written agreement.

(c) No Further Obligations. Upon termination of Executive's employment under this Agreement, BFC shall have no further obligations under

this Agreement and no further payments of Base Salary or other compensation or benefits shall be payable by BFC to Executive, except (i) as set forth in this Section 1.06, (ii) as required by the express terms of any written benefit plans or written arrangements maintained by BFC and applicable to Executive at the time of such termination of Executive's employment, (iii) as may be required by law, or (iv) as may be mutually agreed upon between the parties in a negotiated Employment Agreement Termination package.

ARTICLE TWO

LOAN

BFC shall loan \$250,000 to Executive on the Employment Date. Such loan and its terms shall be evidenced by a promissory note in the form attached hereto as Exhibit A, to be signed by Executive on the Employment Date.

ARTICLE THREE

CONFIDENTIALITY

3.01 - Background and Relationship of Parties. The parties acknowledge (for all purposes including, without limitation, Articles Three and Four of this Agreement) that Block and its subsidiaries have been and will be engaged in a continuous program of acquisition and development respecting their businesses, present and future, and that, in connection with Executive's employment by BFC, Executive will be expected to have access to all information of value to BFC and Block and that Executive's employment creates a relationship of confidence and trust between Executive and Block with respect to any information applicable to the businesses of Block and its subsidiaries. Executive will possess or have unfettered access to information that has been created, developed, or acquired by Block and its subsidiaries or otherwise become known to Block and its subsidiaries and which has commercial value in the businesses in which Block and its subsidiaries have been and will be engaged and has not been publicly disclosed by Block. All information described above is hereinafter called "Proprietary Information." By way of illustration, but not limitation, Proprietary Information includes trade secrets, customer lists and information, employee lists and information, developments, systems, designs, know-how, marketing plans,

product information, business and financial information and plans, strategies, forecasts, new products and services, financial statements, budgets, projections, prices, and acquisition and disposition plans. Proprietary Information shall not include any portions of such information which are now or hereafter made public by third parties in a lawful manner or made public by parties hereto without violation of this Agreement.

3.02 - Proprietary Information is Property of Block.

(a) All Proprietary Information shall be the sole property of Block (or the applicable subsidiary of Block) and its assigns, and Block (or the applicable subsidiary of Block) shall be the sole owner of all patents, copyrights, trademarks, names, and other rights in connection therewith and without regard to whether Block (or any subsidiary of Block) is at any particular time developing or marketing the same. Executive hereby assigns to Block any rights Executive may have or may acquire in such Proprietary Information. At all times, Executive will keep in strictest confidence and trust all Proprietary Information and Executive will not use or disclose any Proprietary Information without the written consent of Block, except as may be

necessary in the ordinary course of performing duties as an employee of BFC or as may be required by law or the order of any court or governmental authority.

(b) In the event of the termination of Executive's employment by BFC, Executive shall promptly deliver to BFC all copies of all documents, notes, drawings, specifications, documentation, data, and other materials of any nature belonging to Block or any subsidiary of Block and obtained during the course of Executive's employment with BFC. In addition, upon such termination, Executive will not remove from the premises of Block or any subsidiary of Block any of the foregoing or any reproduction of any of the foregoing or any Proprietary Information that is embodied in a tangible medium of expression.

ARTICLE FOUR

NON-HIRING; NO CONFLICTS; NONCOMPETITION

4.01 - General. The parties hereto acknowledge that, during the course of Executive's employment by BFC, Executive shall have access to information valuable to BFC and Block concerning the key employees of Block and its subsidiaries ("Block Employees") and, in addition to Executive's access to such information, Executive may, during (and in the course of) Executive's employment by BFC, develop relationships with such Block Employees whereby information valuable to Block and its subsidiaries concerning the Block Employees was acquired by Executive. Such information includes, without limitation: the identity, skills, and performance levels of the Block Employees, as well as compensation and benefits paid by Block to such Block Employees.

4.02 - Non-Hiring. During the period of Executive's employment hereunder and during the time Executive is receiving payments hereunder and for a period of one year after the

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later of termination by BFC or Executive of such employment or cessation of such payments, the Executive will not knowingly recruit, solicit, or hire any Block Employee or otherwise induce any such Block Employee to leave the employment of Block (or the applicable employer-subsidiary of Block) to become an employee of or otherwise be associated with any other party or with Executive or any company or business with which Executive is or may become associated.

4.03 - No Conflicts. Executive represents in good faith that, to the best of his knowledge, the performance by Executive of all the terms of this Agreement will not breach any agreement to which Executive is or was a party and which requires Executive to keep any information in confidence or in trust. Executive has not brought and will not bring with him to BFC or Block nor will Executive use in the performance of employment responsibilities at BFC any proprietary materials or documents of a former employer that are not generally available to the public, unless Executive has obtained express written authorization from such former employer for their possession and use. Executive has not and will not breach any obligation of confidentiality that Executive may have to former employers and Executive shall fulfill all such obligations during his employment with BFC.

4.04 - Non-Competition.

(a) During any period of Executive's employment with BFC, Executive shall not engage in, or own or control any interest in (except as a passive investor in publicly held companies, holding less than one percent of its outstanding securities), or act as an officer, director, or employee of, or consultant, advisor or lender to, any firm, corporation, institution, or

business which engages in any line of business which is competitive with any line of business of Block or any of its subsidiaries (or which Block or any subsidiary is engaged in evaluating or developing).

(b) During the one-year period immediately following the termination of Executive's employment hereunder by BFC or Executive, Executive will not own or control any interest in (except as a passive investor in publicly held companies, holding less than one percent of its outstanding equity securities) or act as an officer, director, or employee of, or consultant, advisor, or lender to, any firm, corporation, institution, or business which engages in the income tax return preparation business at the time Executive's employment terminates.

(c) During the one-year period immediately following the termination of Executive's employment hereunder by BFC or Executive, Executive will not own or control any interest in (except as a passive investor in publicly held companies, holding less than one percent of its outstanding equity securities) or act as an officer, director, or employee of, or consultant, advisor, or lender to, any firm, corporation, institution, or business which engages in any line of business which is competitive with any line of business included, as of the Employment Date, in the financial services segment of Block (for Block's financial reporting purposes); except, however, during the one-year period immediately following termination of Executive's employment hereunder by BFC without "cause," Executive may, at Executive's option, own or control an interest in (including as a passive investor in a publicly held company, holding one percent or more

of its outstanding equity securities), or act as an officer, director or employee of, or consultant, advisor or lender to, any firm, corporation, institution or business which engages in any line of business which, at the time Executive's employment terminates, is competitive with any line of business included in such financial services segment of Block (and which does not also engage in the income tax return preparation business) as of the Employment Date. As of the effective date of any such ownership, control or act, HRB shall have no further obligation to continue to pay compensation pursuant to subsection 1.06(a)(i)(A) of this Agreement and no further obligation to continue Executive's health, basic life, and disability insurance benefits pursuant to subsection 1.06(a)(i)(D) of this Agreement.

4.05 - Reasonableness of Restrictions. Executive and BFC acknowledge that the restrictions contained in this Agreement are reasonable, but should any provisions of any Article of this Agreement be determined to be invalid, illegal, or otherwise unenforceable or unreasonable in scope by any court of competent jurisdiction, the validity, legality, and enforceability of the other provisions of this Agreement shall not be affected thereby and the provision found invalid, illegal, or otherwise unenforceable or unreasonable shall be considered by BFC and Executive to be amended as to scope of protection, time, or geographic area (or any one of them, as the case may be) in whatever manner is considered reasonable by that court and, as so amended, shall be enforced.

ARTICLE FIVE

MISCELLANEOUS

5.01 - Third-Party Beneficiary. The parties hereto agree that Block is a third-party beneficiary as to the obligations imposed upon Executive under this Agreement and as to the rights and privileges to which BFC is

entitled pursuant to this Agreement, and that Block is entitled to all of the rights and privileges associated with such third-party-beneficiary status.

5.02 - Entire Agreement. This Agreement constitutes the entire agreement and understanding between BFC and Executive concerning the subject matter hereof. No modification, amendment, termination, or waiver of this Agreement shall be binding unless in writing and signed by Executive and a duly authorized officer of BFC. Failure of BFC, Block or Executive to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such terms, covenants, and conditions.

5.03 - Specific Performance by Executive. The parties acknowledge that money damages alone will not adequately compensate BFC or Block or Executive for breach of any of the covenants and agreements herein and, therefore, in the event of the breach or threatened breach of any such covenant or agreement by either party, in addition to all other remedies available at law, in equity or otherwise, a wronged party shall be entitled to injunctive relief compelling specific performance of (or other compliance with) the terms hereof.

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5.04 - Successors and Assigns. This Agreement shall be binding upon Executive and the heirs, executors, assigns and administrators of Executive or his estate and property and shall inure to the benefit of BFC, Block and their successors and assigns. Executive may not assign or transfer to others the obligation to perform Executive's duties hereunder.

5.05 - Withholding Taxes. From any payments due hereunder to Executive from BFC, there shall be withheld amounts reasonably believed by BFC to be sufficient to satisfy liabilities for federal, state, and local taxes and other charges and customary withholdings. Executive remains primarily liable to such authorities for such taxes and charges to the extent not actually paid by BFC. This Section 5.05 shall not affect BFC's obligation to "gross up" any relocation benefits paid to Executive pursuant to Subsection 1.03(g) (ii).

5.06 - Indemnification. To the fullest extent permitted by law and Block's Bylaws, BFC hereby indemnifies during and after the period of Executive's employment hereunder the Executive from and against all loss, costs, damages, and expenses including, without limitation, legal expenses of counsel selected by BFC to represent the interests of Executive (which expenses BFC will, to the extent so permitted, advance to executive as the same are incurred) arising out of or in connection with the fact that Executive is or was a director, officer, employee, or agent of BFC or Block or serving in such capacity for another corporation at the request of BFC or Block. Notwithstanding the foregoing, the indemnification provided in this Section 5.06 shall not apply to any loss, costs, damages, and expenses arising out of or relating in any way to any employment of Executive by any former employer or the termination of any such employment.

5.07 - Notices. Notices hereunder shall be deemed delivered five days following deposit thereof in the United States mails (postage prepaid) addressed to Executive at: [Address], with a copy to [Name and Address]; and to BFC at: 4400 Main Street, Kansas City, Missouri 64111; Attn: Mark A. Ernst, with a copy to James H. Ingraham, Esq., H&R Block, Inc., 4400 Main Street, Kansas City, Missouri 64111; or to such other address and/or person designated by either party in writing to the other party.

5.08 - Counterparts. This Agreement may be signed in counterparts and delivered by facsimile transmission confirmed promptly thereafter by actual delivery of executed counterparts.

Executed as a sealed instrument under, and to be governed by,
construed and enforced in accordance with, the laws of the State of Missouri.

EXECUTIVE:

Dated: 2/01/00

/s/ David J. Kasper

David J. Kasper

Accepted and Agreed:

BLOCK FINANCIAL CORPORATION,
a Missouri corporation

By: /s/ Frank L. Salizzoni

Frank L. Salizzoni, President

Dated: 2/3/00

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made as of the 15th day of May, 1998, by and between DMJK BUSINESS SERVICES, INC., a Missouri Corporation ("Old DMJK"), and TERRENCE E. PUTNEY (the "Employee").

RECITALS

WHEREAS, Old DMJK is a wholly owned subsidiary of HRB BUSINESS SERVICES, INC. ("HRB Business Services"), which is in turn a wholly owned subsidiary of H&R BLOCK GROUP, INC. ("Group"); and Old DMJK is engaged in the provision of business services to the general public;

WHEREAS, Employee is a Certified Public Accountant ("CPA") who desires employment by Old DMJK to provide certain business services to clients or customers of Old DMJK;

WHEREAS, Employee is also employed by and is a shareholder of Donnelly Meiners Jordan Kline, P.C. (Employee and such other shareholders of Donnelly Meiners Jordan Kline, P.C. who are also employees of Old DMJK being sometimes herein referred to as "Shareholder CPAs") an accounting firm licensed as a CPA firm by the Board of Accountancy of the State of Missouri ("New DMJK"); and

WHEREAS, Old DMJK and Employee desire to evidence the terms and conditions of their relationship.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto agree as follows:

1. EMPLOYMENT. Old DMJK and Employee confirm that Employee is an Employee of Old DMJK pursuant to all the terms and conditions of this Agreement.

2. TERM. The term of the Employee's employment and of this Agreement shall commence on the date hereof and, if not sooner terminated pursuant to the terms hereof, shall expire on that date which is five years after the date hereof (the "Initial Term"). Thereafter, such employment and this Agreement shall continue pursuant to the terms hereof from year to year, subject to termination, with or without cause, upon ninety (90) days prior written notice by either party or as otherwise set forth in Section 9 herein. The term of this Agreement, including references to the Initial Term, will be hereafter referred to as the "Term."

3. DUTIES.

3.1 DUTIES OF EMPLOYEE. Employee shall render such lawful services for Old DMJK and its customers or clients as are from time to time reasonably requested of Employee and assigned to Employee by Old DMJK (the "Services"). The duties of the

Employee may be changed from time to time by Old DMJK after consultation with Employee. Old DMJK and Employee intend that Employee shall perform for Old DMJK only those Services which do not constitute the performance of attestations and services related thereto or any other services for which a Certified Public

Accountant ("CPA") certificate and license (for either Employee or Old DMJK) are required by either the laws of the State of Missouri or Kansas, whichever state's law is applicable ("Public Accounting Services"). Also, Old DMJK and Employee intend that Employee shall only be required to perform for Old DMJK services of a type reasonably consistent with those traditionally performed by CPAs (other than those services required to be performed by New DMJK pursuant to law or rules of the State Board of Accounting) generally, including, without limitation, accounting, bookkeeping, write up, tax preparation, administration, supervision, marketing, promotion and training. Old DMJK shall not require Employee to relocate outside the Kansas City metropolitan area. All fees for provision of the Services by Employee pursuant to this Agreement shall belong and be payable to Old DMJK; provided, however, that if Employee provides services to or is employed by New DMJK whether or not pursuant to a management or similar agreement between Old DMJK and New DMJK, fees earned from providing services as an employee of New DMJK shall be retained by New DMJK or forwarded to Old DMJK as the management or other agreement may provide. However, no fees paid for Public Accounting Services shall be paid directly to Old DMJK. Old DMJK specifically approves employment of Employee by New DMJK provided that the only services which Employee provides for New DMJK shall be those services which both Employee and New DMJK must have licenses from the State of Missouri Board of Accountancy to provide. Employee shall, in addition to the duties described above:

(a) Keep or cause to be kept, appropriate records, reports, claims and correspondence ("Records") necessary and appropriate in connection with the Services provided by Employee hereunder. All such Records shall belong to Old DMJK;

(b) Promote, to the extent permitted by law, the business of Old DMJK;

(c) Perform all acts necessary to maintain all of Employee's skills at an appropriate level; and

(d) Maintain all licenses or certifications necessary for Employee to hold Employee out as a CPA and to perform attestations in Missouri and/or Kansas.

3.2 PERFORMANCE IN GOOD FAITH. The Employee will, to the best of the Employee's abilities, competently, with diligence, in good faith and with integrity, devote Employee's business time, attention, energy and skill necessary to the fulfillment of Employee's duties hereunder.

3.3 POLICIES AND PROCEDURES. The Employee will be subject to such policies and procedures as are from time to time established by Old DMJK or its direct or indirect parent companies for employees of Old DMJK generally.

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3.4 CHARITABLE AND COMMUNITY ACTIVITIES. It is hereby acknowledged that, subject to Section 7 hereof, the Employee may either presently, or in the future, be involved in charitable or community activities so long as such other activities do not interfere with the performance by the Employee of Employee's duties hereunder and such involvement is in conformity with the Code of Business Ethics and Conduct of H&R Block, Inc., as the same may be amended from time to time.

4. EMPLOYEE COMPENSATION. Employee shall receive that portion of the consideration identified in this Article 4 as is allocated to Employee pursuant to subsections 4.1.(b), 4.2(e), 4.3(d) and 4.4(e) below.

4.1 ANNUAL AGGREGATE COMPENSATION. Old DMJK shall annually

pay an aggregate amount to the Shareholder CPAs identified in Schedule 4.1 (which may be amended from time to time by New DMJK subject to prior approval by Old DMJK) (the "Annual Aggregate Compensation"), as set forth in Schedule 4.1(a):

4.1(a) PAYMENT OF ANNUAL AGGREGATE COMPENSATION. The Annual Aggregate Compensation payable under subsection 4.1(a) for each fiscal year in question shall be paid in equal semi-monthly installments with each such installment equal to 1/24 of the amount set forth in Section 1 of Schedule 4.1(a) and subsection (ii) of Sections 2-5 of Schedule 4.1(a). The Annual Aggregate Compensation payable for the fiscal year ended April 30, 1999 shall be prorated so that the amount of Annual Aggregate Compensation payable under Section 1 of Schedule 4.1(a) shall be the percentage of fiscal year 1999 (in days) that this Agreement is in effect multiplied by One Million Two Hundred Twenty-Seven Thousand Four Hundred Thirty-Two Dollars (\$1,227,432), and the payment thereof shall be made in semi-monthly payments over the remaining term of such year. Promptly after the conclusion of each of the fiscal years set forth on the attached Schedule 4.1(a), an annual reconciliation shall be performed, and if the amount payable to the Employee, together with the amounts payable to all other Shareholder CPAs (the "Actual Compensation Paid"), exceeds the amount which should have been paid pursuant to Schedule 4.1(a) (as reduced, if at all, by the provisions of subsection 4.1(c) below), then the Shareholder CPAs, including Employee, shall pay the excess to Old DMJK within 30 days after demand or the Annual Aggregate Compensation for the next year shall be reduced accordingly, at the option of Old DMJK. Alternatively, if the Actual Compensation paid is less than the amount which should have been paid pursuant to Schedule 4.1(a) (as reduced, if at all, by the provisions of subsection 4.1(c)) then Old DMJK shall pay the Shareholder CPAs, including Employee, such deficit within thirty (30) days after the reconciliation is completed.

4.1(b) ALLOCATION OF ANNUAL AGGREGATE COMPENSATION. The amounts payable pursuant to this subsection 4.1 shall be paid and allocated by Old DMJK to Employee in such amount as may be established by the Old DMJK Compensation Committee (the "Compensation Committee"), the members of which for the fiscal year ended April 30, 1999, are identified on Schedule 4.1(b) attached hereto. The Annual Aggregate Compensation for the fiscal year ended April 30, 1999 shall be allocated in the amount agreed upon and set forth on Schedule 4.1(b) hereto (the "Allocated Amount"). Other than for the fiscal year ended April 30, 1999, such allocation is subject to approval

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by the Old DMJK Board of Directors, such approval not to be unreasonably withheld. The Shareholder CPAs shall select the members of such Compensation Committee on May 1 to serve for the fiscal year beginning on that date and shall notify Old DMJK of the identity of the Compensation Committee on such May 1. The Compensation Committee so identified shall establish that percentage of the Annual Aggregate Compensation to be received by each Employee for the succeeding fiscal year, and such base compensation shall not change without the prior written consent of Old DMJK, which consent shall not unreasonably be withheld.

4.1(c) REDUCTION OF ANNUAL AGGREGATE COMPENSATION. The Annual Aggregate Compensation payable as set forth in this subsection 4.1 shall be reduced, if at all, as follows: (i) if the operations of Old DMJK and New DMJK (treated for this purpose as if such operations were consolidated for purposes of financial statements and reporting) result in a net loss (as determined in accordance with generally

accepted accounting principles ("GAAP") and including Annual Aggregate Compensation prior to any adjustment pursuant to this subsection 4.1(c)) in any year during the Term, then the Annual Aggregate Compensation for that year shall be reduced by the amount of such net loss. In determining whether there is a net loss for any year for purposes of this subsection 4.1(c), (x) Old DMJK and New DMJK will be charged a cost of capital (for funds advanced to Old DMJK by HRB Business Services or any affiliate or to New DMJK by HRB Business Services or any affiliate or by Old DMJK for purposes other than acquiring accounting practices) at a variable rate of interest equal to the prime rate announced by Commerce Bank, N.A. of Kansas City plus one percent (1%), adjusted monthly on the first day of each month (the "Intercompany Interest") and (y) goodwill shall not be included in determining net loss; and (ii) the Annual Aggregate Compensation shall be reduced, dollar for dollar by the amounts, if any, payable to the Shareholder CPAs by New DMJK, which are in excess of \$135,000. In the event of reduction under either subsection 4.1(c) (i) or 4.1(c) (ii) above, the amount of the reduction shall be paid to Old DMJK by the Shareholder CPA's within 30 days from written notice to such effect, or shall be deducted from the Annual Aggregate Compensation payable for the next succeeding fiscal year, at the option of Old DMJK.

4.2 REGIONAL AND MARKET BONUSES. For the Initial Term, New DMJK shall be designated the "Market Firm" and the "Regional Firm" in a market or region encompassing Old DMJK's Kansas City office, which determination of such market (the "Market") or region (the "Region") is in the reasonable discretion of HRB Business Services and may be amended during each of the fiscal years ended April 30, 1999 through 2003. Pursuant to such designation as a Market Firm and a Regional Firm, Old DMJK shall pay the Shareholder CPAs, the following amounts, if any are earned, as set forth herein.

4.2(a) REGIONAL BONUS. An aggregate amount equal to five percent (5%) of the aggregate Earnings (defined below) (after Market Bonuses similar to the Market Bonus described in subsection 4.2(b) below paid or payable to "market level" firms within the designated region and after Local Incentive Bonuses paid or payable as described in subsection 4.4 below) of any accounting firm operations of those subsidiaries or affiliates of HRB Business Services in the Region (the "Regional Bonus").

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4.2(b) MARKET BONUS. An aggregate amount equal to five percent (5%) of the aggregate Earnings (after Local Incentive Bonuses paid or payable as described in subsection 4.4 below) of the accounting firm operations of those subsidiaries or affiliates of HRB Business Services in the Market (the "Market Bonus").

4.2(c) LIMITATION ON REGIONAL BONUS. The Regional Bonus payable for any particular fiscal year shall only be payable if the aggregate Earnings of the Region (after bonuses otherwise payable under subsections 4.2(a) and 4.2(b) and after "market level" bonuses paid or payable to other firms within such Region for the applicable fiscal year) exceed ten percent (10%) of the Gross Revenues (defined below) of the Region for such fiscal year. The maximum aggregate Regional Bonus payable to all firms in any region shall not exceed five percent (5%) of the aggregate Earnings of the region determined as set forth in this subsection 4.2.

4.2(d) LIMITATION ON MARKET BONUS. The Market Bonus payable for any particular fiscal year shall only be payable if the aggregate Earnings of the Market after the Market Bonus otherwise payable under subsection 4.2(b)) exceeds ten percent (10%) of the Gross Revenues of

the Market for such fiscal year. The maximum aggregate Market Bonus payable to all firms in any market shall not exceed five percent (5%) of the aggregate Earnings of the market determined as set forth in this subsection 4.2.

4.2(e) ALLOCATION OF REGIONAL AND MARKET BONUSES. Any amounts payable pursuant to this subsection 4.2 shall be allocated among the Shareholder CPAs by the Compensation Committee, subject to approval by Old DMJK, which approval shall not be unreasonably withheld. Employee has no right to receive a portion of the Market Bonus or Regional Bonus, and Employee may be allocated a portion of the Regional Bonus and Market Bonus only if the Compensation Committee, subject to Old DMJK's approval as described in this subsection 4.2(e), so determines. Employee shall have no claim against Old DMJK for any such allocation (or the failure to allocate any such amount to Employee). Employee shall forfeit any amount allocated to Employee for a Regional Bonus or a Market Bonus in the event that Employee is not employed by Old DMJK (other than due to retirement from practice, disability or death) on the date of payment of such allocated amounts. Amounts payable under this subsection 4.2 shall be paid within sixty (60) days following the end of each fiscal year for which such Market Bonuses and Regional Bonuses are payable.

4.3 NATIONAL BONUS. Subject to the conditions set forth herein, Old DMJK shall pay to the Shareholder CPAs the following aggregate amounts, if any are earned, as set forth herein (the "National Bonus").

4.3(a) FISCAL YEAR ENDED APRIL 30, 2000. Five Hundred Thousand Dollars (\$500,000) if the aggregate Earnings of all United States accounting firm operations affiliated with HRB Business Services (the "HRB Business Services Accounting Operations") equal or exceed Eight Million Dollars (\$8,000,000) for the fiscal year ended April 30, 2000.

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4.3(b) FISCAL YEAR ENDED APRIL 30, 2001. Five Hundred Thousand Dollars (\$500,000) if the aggregate Earnings of the HRB Business Services Accounting Operations equal or exceed Sixteen Million Dollars (\$16,000,000) for the fiscal year ended April 30, 2001.

4.3(c) FISCAL YEAR ENDED APRIL 30, 2002. Five Hundred Thousand Dollars (\$500,000) if the aggregate Earnings of the HRB Business Services Accounting Operations affiliated with HRB Business Services equal or exceed twenty-four Million Dollars (\$24,000,000) for the fiscal year ended April 30, 2002.

4.3(d) ALLOCATION OF NATIONAL BONUS. Any amounts payable for any fiscal year pursuant to this subsection 4.3 shall be allocated among the Shareholder CPAs by the Compensation Committee, subject to approval by Old DMJK, which approval shall not be unreasonably withheld. Employee has no right to receive a portion of the National Bonus, and Employee will be allocated a portion of the National Bonus only if the Compensation Committee, subject to Old DMJK's approval as described in this subsection 4.3(d), so determines. Employee shall have no claim against Old DMJK for any such allocation (or the failure to allocate any such amount to Employee). Employee shall forfeit any amount allocated to Employee in the event that Employee is not employed by Old DMJK (other than due to retirement from practice, disability or death) on the date of payments of any amounts allocated to Employee. Amounts payable under this subsection 4.3 shall be paid within sixty (60) days following the end of each fiscal year for which such National Bonus is payable.

4.4 LOCAL INCENTIVE BONUS. Subject to the conditions set forth herein, Old DMJK shall pay the Shareholder CPAs the amounts, if any, determined as follows.

4.4(a) ELIGIBILITY FOR LOCAL INCENTIVE BONUS. Each fiscal year (May-April) during the Term and for the fiscal year ended April 30, 2004 in the event the Term is extended through such year (a "Plan Year"), the Shareholder CPAs who are employed by Old DMJK or New DMJK shall be entitled to receive a bonus, if earned, determined in the aggregate as follows in this subsection 4.4 (the "Local Incentive Bonus").

4.4(b) DEFINITIONS. For purposes of this subsection 4.4 only, the following terms shall have the meanings set forth. "Excess Profit" means the amount by which the Net Margin for the applicable fiscal year exceeds the Profit Threshold for the Plan Year. "Net Margin" means the amount by which Adjusted Earnings Before Shareholder Compensation for the applicable Plan Year exceeds Shareholder Compensation for such Plan Year. "Profit Threshold" means the following amounts for the Plan Years shown:

1999	\$1,295,000
2000	\$1,372,700
2001	\$1,455,062
2002	\$1,542,366
2003	\$1,634,908
2004	\$1,733,002

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If Old DMJK or New DMJK acquires accounting practice(s), firms or fees which are consolidated with such office's operations and financial statements, the Profit Threshold shall be adjusted as is necessary so that same reflects an internal rate of return on the additional capital outlays for such acquisitions equal to fifteen percent (15%). The calculation of such rate of return shall be the same method as was used for the calculation of the above Profit Threshold(s). "Adjusted Earnings Before Shareholder Compensation" means the consolidated net income of New DMJK and Old DMJK determined in accordance with GAAP, provided that such consolidated net income shall be before (i) income taxes (ii) amortization of goodwill, (iii) Shareholder Compensation (whether such compensation is Annual Aggregate Compensation, Regional Bonus, Market Bonus, National Bonus or Local Incentive Bonus) and the national director's compensation. "Shareholder Compensation" means compensation payable pursuant to subsections 4.1, 4.2 and 4.3 of this Agreement.

4.4(c) CALCULATION OF LOCAL INCENTIVE BONUS. Each Plan Year during the Term, the Shareholder CPAs shall be entitled to a bonus, if earned, equal in the aggregate to fifty percent of the Excess Profit.

4.4(d) PAYMENT OF LOCAL INCENTIVE BONUS. Any Local Incentive Bonus earned by the Shareholder CPAs shall be payable, if at all, on the first June 15 which is at least one year following the conclusion of the Plan Year for which the Local Incentive Bonus was earned; provided, however, that the Local Incentive Bonus shall only be payable on such June 15 if the aggregate Net Margin for all Plan Years ending before such June 15 equal or exceed the sum of the Profit Thresholds for such Plan Years.

4.4(e) ALLOCATION OF LOCAL INCENTIVE BONUS. Any amounts payable pursuant to this subsection 4.4 shall be allocated among the Shareholder CPAs by the Compensation Committee, subject to approval by Old DMJK, which approval shall not be unreasonably withheld. Employee has no right to receive a portion of the Local Incentive Bonus, and Employee will be allocated a portion of the Local Incentive Bonus only if the Compensation Committee, subject to Old DMJK's approval as described in this subsection 4.4(e), so determines. Employee shall have no claim against Old DMJK for any such allocation (or the failure to allocate any such amount to Employee). Employee shall forfeit any amount allocated to Employee in the event that Employee is not employed by Old DMJK (other than due to retirement from practice, disability or death) on the date of the payment of such allocated amount.

4.5 DEFINITION OF EARNINGS. For purposes of subsections 4.2 and 4.3 above, except as otherwise set forth, the aggregate "Earnings" of HRB Business Services accounting firm operations shall be net income as determined for the applicable market, region or nationality in accordance with GAAP; provided that such net income shall not include (a) Intercompany Interest; (b) provision for income taxes; or (c) indirect overhead costs not directly incurred by Old DMJK or New DMJK. Goodwill shall be amortized over a fifteen (15) year period and shall reduce net income for the purposes of computing Earnings under subsection 4.2, but shall not be deducted from net income for purposes of computing Earnings under subsection 4.3.

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4.6 DEFINITION OF "LOCAL" OR "GROSS" REVENUES. As used herein, the term "Local Revenues" or "Gross Revenues" shall mean the total gross revenues of Old DMJK from the provision of accounting and other services to clients plus the total gross revenues of New DMJK from provision of accounting and other services each as determined in accordance with GAAP (less intercompany revenues payable by Old DMJK or New DMJK to the other which would be eliminated if Old DMJK and New DMJK were consolidated) and less returns, credits and allowances).

4.7 AUTOMOBILE ALLOWANCE. Employee shall receive on the first day of each month during the Term hereof, an automobile allowance in the amount set forth on Schedule 4.7 hereto.

5. VACATION. The Employee shall be entitled to four (4) weeks of paid vacation during each year of the Term hereunder in conformance with the H&R Block, Inc. Company Paid Time Off Policy. Vacation shall be taken at times mutually agreed upon by the Employee and Old DMJK.

6. BENEFITS.

6.1 BENEFITS. During the Term, the Employee shall be eligible to participate in those pension, profit-sharing, stock option or similar plan(s) or program(s) of Old DMJK, if any, established hereafter for the benefit of employees of Old DMJK, subject to all eligibility requirements applicable to employees covered thereby. The Employee shall be entitled to participate in any group insurance, hospitalization, medical, health and accident, disability or similar or non-similar plan or program of Old DMJK established hereafter for the benefit of employees of Old DMJK, subject to all eligibility requirements applicable to employees covered thereby. Set forth on Schedule 6.1 to this Agreement are the benefits which Old DMJK shall provide to Employee.

6.2 PROFESSIONAL LIABILITY INSURANCE. During the Term, Old DMJK shall maintain, at its expense, professional liability insurance of at least One Million Dollars (\$1,000,000) per occurrence and One Million Dollars (\$1,000,000) annual aggregate, covering Employee for Employee's acts and omissions in the performance of Employee's duties hereunder. Old DMJK may provide all or any portion of the insurance required hereby under a program of

self-insurance.

7. NON-COMPETITION.

7.1 SCOPE. Until the later to occur of April 30, 2003 or that date which is (3) years after the expiration or termination of this Agreement, for any reason or for no reason, Employee shall not directly or indirectly:

7.1(a) Own, have any interest in or be, serve or act as an individual proprietor, employee, agent, stockholder, officer, employee, consultant, director, joint-venturer, investor, lender, or in any other capacity whatsoever (other than as the holder of not more than five percent (5%) of the total outstanding stock of Old DMJK if Old DMJK becomes a publicly-held entity) of or with, or assist in any way, any corporation, employee, firm or business enterprise (other than New DMJK) which does business

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anywhere in the United States and which is engaged or to Employee's knowledge after due inquiry intends to engage in the provision of financial or accounting services or tax return preparation services of a type which are provided by H&R Block, Inc. or any of its affiliates (or which H&R Block, Inc. or any of its affiliates are planning to offer, but as to planned activities only if Employee is or was engaged in such planning) at the time of such expiration or termination.

7.1(b) Solicit or induce, or attempt to solicit or induce, any Employee or independent contractor of Old DMJK, their respective parents or affiliates or any other person who shall otherwise be in the service of Old DMJK, their respective parents or affiliates to terminate his or her employment with or otherwise cease his or her relationship with Old DMJK, their respective parents or affiliates; or

7.1(c) Solicit, divert or take away, or attempt to solicit, divert or take away, the business or patronage of any of the clients, customers (whether any such customer has done business with Old DMJK once or more than once), suppliers or accounts, or prospective clients, customers, suppliers or accounts, of Old DMJK, their respective parents or affiliates.

Notwithstanding the foregoing, any Employee may own less than two percent (2%) of the outstanding voting stock of a corporation coming within the restrictions of this Section 7, the securities of which are listed on a national securities exchange or are traded in the national over-the-counter market as quoted by the National Association of Securities Dealers to The Wall Street Journal, if the Employee does not participate in the management of, perform services for, or have any other beneficial interest in, such corporation.

7.2 LIMITATIONS ON ENFORCEMENT. If any restriction set forth in this Section 7 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time, over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which such court shall consider enforceable.

7.3 EXTENSION OF PERIOD OF NON-COMPETITION. If Employee violates any of the provisions of this Section 7 after the date hereof, the computation of the time period provided in subsection 7.1 shall be extended for a period equal to the period of any such violation.

8. CONFIDENTIALITY.

8.1 CONFIDENTIAL INFORMATION. Employee agrees that Employee shall not use, or disclose to any person, either during the Term or after the

termination of this Agreement for any reason, any confidential or proprietary information (herein collectively referred to as "Confidential Information") furnished or provided by Old DMJK or HRB Business Services, its parents or affiliates to Employee hereunder or otherwise, whether such information is conveyed directly or on Old DMJK's behalf, except for purposes consistent with the administration and performance of Employee's obligations hereunder, or as required by law, provided that written notice of any legally required disclosure shall be given to Old DMJK promptly prior to any such

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disclosure and the Employee shall reasonably cooperate with Old DMJK to protect the confidentiality thereof pursuant to applicable law or regulation. For purposes of this Agreement, the term "Confidential Information" includes (without limitation) information in any format, including without limitation, written, graphic or electromagnetic information and including but not limited to, technical, financial and business information and models, designs, manufacturing and test processes, procedures, names of customers or suppliers, plans, data, specifications or any other confidential and proprietary information. The term "Confidential Information," as used herein, does not include information (a) which was already in the public domain, or (b) which was in the rightful possession of Employee, at the time of its disclosure, or (c) which is disclosed as a matter of right by a third party source after the execution of this Agreement provided such third party source is not bound by a confidentiality agreement with Old DMJK or (d) which passes into the public domain by acts other than the unauthorized acts of the Employee.

8.2 USE OF CONFIDENTIAL INFORMATION. It is hereby agreed that Employee will not use the Confidential Information in any way detrimental to Old DMJK or HRB Business Services, and that the Confidential Information will be kept confidential by Employee; provided, however, that any disclosure of such Confidential Information may be made to any party to which Old DMJK or HRB Business Services consent in writing prior to such disclosure.

8.3 PROTECTION OF CONFIDENTIAL INFORMATION. For the purpose of complying with the confidentiality obligations set forth herein, the Employee shall, at a minimum, use efforts commensurate with those that Employee uses for protecting the confidentiality of corresponding information of Employee.

8.4 PRIOR CONFIDENTIAL INFORMATION. Any Confidential Information supplied to Employee by Old DMJK or HRB Business Services prior to the execution of this Agreement shall be considered in the same manner and be subject to the same treatment as the Confidential Information made available after the execution of this Agreement, and it is understood that this Agreement is not intended to, and does not, obligate either Employee or Old DMJK to enter into any further agreements or to proceed with any possible relationship or other transaction.

9. TERMINATION. In addition to termination pursuant to the provisions of Section 2, the Employment of the Employee may be terminated (the "Termination Date") as follows:

9.1 BY OLD DMJK FOR CAUSE. During the Term, effective upon notice of termination given to the Employee by Old DMJK if Old DMJK determines that "cause" for such termination exists. "Cause" shall be deemed to exist if the Employee:

(a) engages in unethical or unprofessional conduct or commits an act of dishonesty, including, but not limited to, misappropriation of funds or any property of Old DMJK, its parent or affiliates;

(b) engages in activities or conduct injurious to the

reputation of Old DMJK, its parent or affiliates;

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(c) demonstrates gross insubordination in connection with Employee's services to Old DMJK under this Agreement;

(d) commits a felony;

(e) fails to maintain in good standing (without any limitations or restrictions) Employee's certification and license as a CPA in all states where Employee's activities require such certification and license;

(f) ceases to be a Shareholder CPA;

(g) enters into an arrangement and/or agreement or becomes a member, shareholder, employee, officer or director of any entity that provides services substantially similar to those provided by New DMJK or Old DMJK in violation of Section 7 of this Agreement;

(h) otherwise breaches Section 7 or 8 hereof; or

(i) violates any term or condition of this Agreement not covered by items (a) - (h) above and does not cure such violation within fifteen (15) days after notice of same by Old DMJK;

9.2 DEATH OR DISABILITY. In addition to termination for the reasons otherwise set forth herein, this Agreement and Employee's employment shall also terminate upon the Employee's death or "Disability." "Disability" means the inability of the Employee to perform Employee's duties or services as provided in this Agreement because of mental, physical or other illness, disease or injury, where such disability (a) shall have existed for an aggregate of twelve months in any 24-month period and Old DMJK shall have so notified the Employee thereof, or (b) has prevented Employee from performing substantially all of his or her duties hereunder for a period of twelve (12) consecutive months.

9.3 BY OLD DMJK WITHOUT CAUSE. After the Initial Term, Old DMJK may terminate this Agreement and Employee's employment, without cause, upon not less than ninety (90) days prior written notice to the Employee as set forth in Section 2 above.

9.4 BY EMPLOYEE. During the Term, Employee may terminate this Agreement for "cause" which shall mean breach of any material provision hereof by Old DMJK if Old DMJK does not either commence cure thereof within 15 days after written notice from Employee, or, having commenced cure, does not thereafter promptly and diligently prosecute cure to completion. In addition to termination for the reasons otherwise stated herein, this Agreement and Employee's employment with Old DMJK may be terminated during the Initial Term by Employee on not less than 30 days prior written notice, without cause. After the Initial Term, Employee may terminate this Agreement and Employee's Employment upon ninety (90) days prior written notice to Old DMJK as set forth in Section 2 herein, with or without cause.

9.5 TERMINATION BY OLD DMJK. In addition to the termination for the reasons otherwise stated herein, this Agreement and Employee's employment with Old

DMJK shall be terminated automatically, without any action by Old DMJK, upon the effective date of any termination of Employee's employment by New DMJK, for whatever reason.

9.6 TERMINATION OF MANAGEMENT SERVICES AGREEMENT. In addition to the termination for the reasons otherwise stated herein, this Agreement and Employee's employment with Old DMJK shall be terminated at Old DMJK's option upon termination of the Management Services Agreement. Such termination shall be effective on the date of any termination of the Management Services Agreement.

9.7 EFFECT OF TERMINATION. Upon any termination of the Employee's employment and this Agreement, Old DMJK and the Employee shall have no further obligations under this Agreement to the other except:

(a) If the termination is pursuant to subsections 9.1, 9.2 if Employee is suffering a Disability, or subsection 9.4 if termination is without cause, Employee's obligations under Section 7 shall continue for the period set forth therein, and the Employee's obligations under Section 8 shall continue in full force and effect indefinitely;

(b) If the termination is pursuant to subsection 9.3 without cause or subsection 9.4 with cause, Employee's obligations under subsection 7.1(a) shall cease on the Termination Date, but Employee's obligations under Section 8 and subsections 7.1(b) and 7.1(c) shall continue in full force and effect indefinitely;

(c) If the Management Services Agreement is terminated by Old DMJK because HRB Business Services determines to cease providing accounting services, and if Employee's employment hereunder is terminated as a result thereof, then Employee's obligations under subsection 7.1(a) shall cease on the Termination Date and Employee's obligations under Section 8 and subsections 7.1(b) and 7.1(c) shall continue in full force and effect indefinitely;

(d) If the Management Services Agreement is terminated by Old DMJK because (1) New DMJK loses or has suspended any license or certification to practice public accounting and/or to hold itself out as a firm engaged in public accounting; (2) New DMJK is dissolved or liquidated or files a voluntary petition in bankruptcy or other action is taken voluntarily or involuntarily under any statute for the protection of creditors; or (3) New DMJK breaches a material provision of the Management Services Agreement and fails either to commence a cure of the breach within fifteen (15) days after the delivery of notice of such breach by Old DMJK or having so commenced cure, fails thereafter to prosecute cure promptly to completion within thirty (30) days after receipt of such initial notices, and if Employee's employment hereunder is terminated as a result thereof, then Employee's obligations under Section 7 shall continue for the term set forth therein, and Employee's obligations under Section 8 shall continue indefinitely.

(e) If the Management Services Agreement is terminated by

New DMJK because Old DMJK breaches a material provision of the Management Services Agreement and fails either to commence cure of the breach within fifteen (15) days after the receipt of notice of such breach by New DMJK, or having so commenced cure, fails thereafter to prosecute cure promptly to completion within thirty (30) days after receipt of such written notice, and if Employee's employment hereunder is terminated as a result thereof, then Employee's obligations under subsection 7.1(a) shall cease on the Termination Date, and Employee's obligations under Section 8 and subsections 7.1(b) and 7.1(c) shall continue indefinitely.

(f) In the event this Agreement is terminated after a change in any applicable statutes, regulations or interpretations thereof, the adoption of any new regulations or legislation (collectively, the "Laws"), or an enforcement of Laws that would materially affect the operation or compensation under the Management Services Agreement, or which would make the Management Services Agreement unlawful, and the parties fail to negotiate a new Management Services Agreement, and if Employee's employment hereunder is terminated as a result thereof, Employee's obligations shall continue under Section 7 as set forth therein and Employee's obligations under Section 8 shall continue indefinitely. However, this Agreement shall remain in effect during any negotiation period described in the preceding sentence.

(g) Old DMJK's obligation to pay Employee compensation shall continue for any periods up and through the Termination Date worked by the Employee for which Employee has not been paid; however, Employee will be paid for any Market Bonus, Regional Bonus, or National Bonus unless Employee is not employed by Old DMJK (other than due to retirement from practice, disability or death) on the date that such Market Bonus, Regional Bonus or National Bonus is paid.

9.8 AVAILABILITY OF INJUNCTIVE RELIEF. In the event of a breach or threatened breach by Employee of any provision of Sections 7 or 8 hereof, Old DMJK shall be entitled to seek an injunction restraining such breach, but nothing herein shall be construed as prohibiting Old DMJK from pursuing any additional remedy available to Old DMJK for such breach or threatened breach.

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10. MISCELLANEOUS.

10.1 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement and understanding among Old DMJK and the Employee concerning the subject matter hereof. No modification, amendment, termination or waiver of this Agreement shall be binding unless in writing and signed by the Employee and a duly authorized officer of Old DMJK. Failure of Old DMJK or the Employee to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such terms, covenants and conditions.

10.2 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Employee and the heirs, executors and administrators of the Employee or of his or her estate and property, and shall inure to the benefit of Old DMJK and its successors and assigns. Being a contract for personal services, the Employee may not assign or transfer to others (a) the right to receive payments hereunder or (b) the obligation to perform his duties and services hereunder. Old DMJK may assign or transfer this Agreement (provided the Employee is given notice thereof) to any subsidiary, parent or affiliate of Old DMJK.

10.3 TAXES. From any payments due hereunder to the Employee from Old DMJK, there shall be withheld amounts reasonably believed by Old DMJK to be sufficient to satisfy liabilities for federal, state and local income and related taxes and other charges.

10.4 NOTICES. Any notices required or permitted by this Agreement must be in writing to be effective, and shall be deemed made or given, if by mail, three days after depositing such notice in the United States mails, postage prepaid, addressed to the parties, or by facsimile (if receipt is confirmed) as follows:

If to the Employee:

To: Terrence E. Putney

If to Old DMJK:

To: HRB Business Services, Inc.
4400 Main Street
Kansas City, Missouri 64111
Attn: Bret G. Wilson

with a copy to John R. Cox at the same address.

or, if by delivery, when delivered personally to the Employee or to the above-named representative of Old DMJK, as the case may be. A copy of each notice forwarded by Employee to Old DMJK or by Old DMJK to Employee shall be forwarded at the time of first mailing or delivery, to Old DMJK.

10.5 RIGHT TO OFFSET. Subject to subsection 10.6, Old DMJK shall have the right but not the obligation to offset any amounts due Old DMJK by Shareholder CPAs or New DMJK against amounts that Old DMJK owes to the Shareholder CPAs or New DMJK under this Agreement, the Management Services Agreement (but only with respect to amounts payable by New DMJK to any Shareholder CPA) or that certain Agreement for Purchase and Sale of Stock of Donnelly Meiners Jordan Kline P.C or any agreement referred to therein. Offsets for damages incurred by Old DMJK resulting from a breach of Sections 7 or 8 herein shall be applied only against amounts due the breaching Shareholder CPAs. Otherwise, all offsets involving amounts owed to the Shareholder CPAs shall be taken against amounts due all Shareholder CPAs.

10.6 ARBITRATION. The parties hereto agree that any such dispute relating to or in respect of this Agreement, its negotiation, execution, performance, subject matter, or any course of conduct or dealing or actions under or in respect of this agreement, shall be submitted to, and resolved exclusively pursuant to arbitration in accordance with the commercial arbitration rules of the American Arbitration Association. Such arbitration shall take place in Kansas City, Missouri, and decisions pursuant to such arbitration shall be final, conclusive and binding on the parties. Upon the conclusion of arbitration, the parties may apply to any court of competent jurisdiction to enforce the decision pursuant to such arbitration. The arbitration proceeding shall be subject to the laws of the State of Missouri. Each party will bear its own costs. The parties hereto hereby waive and shall not seek a jury trial in any lawsuit, proceeding, claim, counterclaim, defense or other litigation or dispute under or in respect of this Agreement. The parties will use their best efforts to complete any arbitration within ninety (90) days from the date the arbitration is initiated by a party.

10.7 HEADINGS. All headings in this Agreement are for convenience only and are not intended to affect the meaning of any provision hereof.

10.8 COUNTERPARTS. This Agreement may be executed in two or

more counterparts with the same effect as if the signatures to all such counterparts were upon the same instrument, and all such counterparts shall constitute but one instrument.

IN WITNESS WHEREOF, the Employee has executed this Agreement and Old DMJK has caused this Agreement to be executed by its duly authorized officer as of the day and year first above written.

DONNELLY MEINERS JORDAN KLINE,
INC.

By: /s/ Bret G. Wilson

Name: Bret G. Wilson

Title: Vice President

/s/ Terrence E. Putney

Terrence E. Putney

SCHEDULE 4.1
SHAREHOLDER CPAS

1. David E. Enenbach
2. Daniel J. Haake
3. Edwin C. Hoguland
4. Terrence E. Putney
5. Harry E. Jordan
6. James R. Kline Jr.
7. Gerard J. Meiners
8. Robert A. Thomas, Jr.

SCHEDULE 4.1(a)

ANNUAL AGGREGATE CONSIDERATION

1. FISCAL YEAR ENDED APRIL 30, 1999. For the fiscal year ended April 30, 1999, the Shareholder CPAs shall receive Annual Aggregate Compensation equal to One Million Two Hundred Twenty-Seven Thousand Four Hundred Thirty-Two Dollars (\$1,227,432). Such Aggregate Annual Compensation shall be prorated and only paid for the portion of the fiscal year ended April 30, 1999 in which this Agreement is in effect.
2. FISCAL YEAR ENDED APRIL 30, 2000. For the fiscal year ended April 30, 2000, the Shareholder CPAs shall receive Annual Aggregate Compensation equal to (i) Twenty-Three and 49/100 percent (23.49%) of Local Revenues for fiscal year (as defined below) of Old DMJK or (ii) One Million Two Hundred Ninety-Five Thousand Five Hundred Fifty-Four Dollars (\$1,295,554), whichever is less.
3. FISCAL YEAR ENDED APRIL 30, 2001. For the fiscal year ended April 30, 2001, the Shareholder CPAs shall receive Annual Aggregate Compensation equal to the lesser of (i) Twenty-Three and 49/100 percent (23.49%) of Local Revenues for such year, or (ii) One Million Three Hundred Sixty-Seven Thousand Eighty-One Dollars (\$1,367,081).
4. FISCAL YEAR ENDED APRIL 30, 2002. For the fiscal year ended April 30, 2002, the Shareholder CPAs shall receive Annual Aggregate Compensation equal to the lesser of (i) Twenty-Three and 49/100 (23.49%) of Local Revenues for such year or (ii) One Million Four Hundred Forty-Two, One Hundred Eighty-Five Dollars (\$1,442,185).
5. FISCAL YEAR ENDED APRIL 30, 2003. For the fiscal year ended April 30, 2003, the Shareholder CPAs shall receive Annual Aggregate Compensation equal to the lesser of (i) Twenty-Three and 49/100 percent (23.49%) of Local Revenues for such year or (ii) One Million Five Hundred Twenty-One and Forty-Four Dollars (\$1,521,044).
6. DEFINITION OF "LOCAL" OR "GROSS" REVENUES. As used herein, the term "Local Revenues" or "Gross Revenues" shall mean the total gross revenues of Old DMJK from the provision of accounting and other services to clients plus the total gross revenues of New DMJK from provision of accounting and other services each as determined in accordance with GAAP (less intercompany revenues payable by Old DMJK or New DMJK to the other which would be eliminated if Old DMJK and New DMJK were consolidated) and less returns, credits and allowances).

SCHEDULE 4.1(b)

COMPENSATION COMMITTEE FOR FISCAL YEAR ENDED APRIL 30, 1999

David E. Enenbach

Gerard J. Meiners

James R. Kline, Jr.

ALLOCATED AMOUNT FOR FISCAL YEAR ENDED APRIL 30, 1999

Enenbach, David E.	176,066
Haake, Daniel J.	120,731
Hogueland, Edwin C.	120,731
Jordan, Harry E.	181,097
Kline, James R., Jr.	125,761
Meiners, Gerard J.	186,127
Putney, Terrence E.	191,157
Thomas, Robert, Jr.	125,761

	1,227,432

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SCHEDULE 4.7

AUTOMOBILE ALLOWANCE

\$500 per month for each Shareholder CPA

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SCHEDULE 6.1

COMPENSATION PLANS AND BENEFITS

DEFERRED COMPENSATION

STOCK OPTIONS

401(k) PLAN

HEALTH INSURANCE

CONTINUING PROFESSIONAL EDUCATION

SENIOR MANAGING DIRECTOR EMPLOYMENT AGREEMENT
(THOMAS G. ROTHERHAM)

THIS SENIOR MANAGING DIRECTOR EMPLOYMENT AGREEMENT (the "Agreement") is made effective as of the 2nd day of August, 1999 (the "Effective Date"), by and between RSM McGladrey, Inc. and assigns ("RSM McGladrey") and Thomas G. Rotherham (the "Senior Managing Director"). All terms not otherwise defined herein shall have the meaning set forth in that certain asset purchase agreement by and among RSM McGladrey, McGladrey & Pullen, LLP ("McGladrey"), H&R Block, Inc. ("Block") and others dated June 28, 1999.

RECITALS

WHEREAS, RSM McGladrey is a wholly owned, indirect subsidiary Block and RSM McGladrey is engaged in providing business services to the general public;

WHEREAS, Senior Managing Director desires employment with RSM McGladrey, and RSM McGladrey desires to employ Senior Managing Director to provide business services to clients of RSM McGladrey, on the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. EMPLOYMENT; POSITION; RESPONSIBILITIES.

1.1. EMPLOYMENT. RSM McGladrey hereby employs Senior Managing Director, and Senior Managing Director hereby accepts and undertakes such employment, pursuant to the terms and conditions of this Agreement.

1.2. POSITION; RESPONSIBILITIES. Senior Managing Director shall hold the position of Chief Operating Officer and shall report to the Chief Executive Officer or Chief Operating Officer of Block. Senior Managing Director shall have the duties and responsibilities usually held by a Chief Operating Officer of a Block subsidiary corporation which duties and responsibilities shall include the integration of Block's national accounting firm operations with McGladrey's operations.

2. TERM. The term of the Senior Managing Director's employment hereunder and of this Agreement shall be at will. This Agreement shall commence on the date hereof. Thereafter, this Agreement may be terminated pursuant to the provisions of Section 9 hereof. The term of this Agreement is hereafter referred to as the "Term".

3. CLASS OF SENIOR MANAGING DIRECTOR. Senior Managing Director shall be in the Class of Senior Managing Directors.

4. PROFESSIONAL RESPONSIBILITIES AND DUTIES.

4.1. CERTAIN DUTIES OF SENIOR MANAGING DIRECTOR. Senior Managing Director shall render such lawful services for RSM McGladrey and its customers or clients as are from time to time reasonably requested of Senior Managing Director and assigned to Senior Managing Director by RSM McGladrey (the "Services"). RSM McGladrey and Senior Managing Director intend that Senior Managing Director shall perform for RSM McGladrey only those Services which do

not constitute the performance of any services for which a CPA certificate, permit and/or license (for either Senior Managing Director or RSM McGladrey) are required by the laws of the applicable jurisdiction ("Public Accountancy"). Senior Managing Director shall, in addition to the duties described above:

(a) Keep or cause to be kept, appropriate records, reports, claims and correspondence ("Records") necessary and appropriate in connection with the Services provided by Senior Managing Director hereunder.

(b) Promote, to the extent permitted by applicable law and regulations, the business of RSM McGladrey;

(c) Perform all acts necessary to maintain all of Senior Managing Director's skills at an appropriate level; and

(d) Participate, at RSM McGladrey's request, in activities designed to enhance and develop the national accounting practice of RSM McGladrey and its affiliates.

(e) Promptly remedy any non-compliance with any policies or procedures of RSM McGladrey.

(f) Promptly furnish to RSM McGladrey all relevant information requested by RSM McGladrey related directly or indirectly to Senior Managing Director's performance of services for RSM McGladrey or any customer or client of RSM McGladrey.

4.2. PERFORMANCE IN GOOD FAITH. Senior Managing Director shall devote such of his productive time, attention, and energies to RSM McGladrey's business, to the best of the Senior Managing Director's abilities, competently, with diligence, in good faith and with integrity, as is required for performance of his duties set forth under Section 4.2 above. Senior Managing Director shall not, during the Term, engage in any other business activity whether or not such business activity is pursued for gain, profit, or other pecuniary advantage.

4.3. POLICIES AND PROCEDURES. The Senior Managing Director will be subject to, and shall at all times comply with, the policies and procedures which are from time to time established by RSM McGladrey or its direct or indirect parent companies for Senior Managing Directors specifically and for employees of RSM McGladrey generally. Senior Managing Director shall also, at all times, conduct Senior Managing Director's activities hereunder and otherwise in manner compliance with all applicable laws and rules promulgated

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thereunder, and with all policies, procedures and standards of any applicable organization, for example, the AICPA.

4.4. CHARITABLE AND COMMUNITY ACTIVITIES. It is hereby acknowledged that, Senior Managing Director may either presently, or in the future, be involved in charitable or community activities so long as such other activities do not interfere with the performance by Senior Managing Director of Senior Managing Director's duties hereunder and such involvement is in conformity with all laws applicable to Senior Managing Director.

4.5. PERFORMANCE OF PROFESSIONAL RESPONSIBILITY. Senior Managing Director shall discharge Senior Managing Director's professional responsibility with integrity, objectivity and due professional care.

5. COMPENSATION.

5.1. SENIOR MANAGING DIRECTOR COMPENSATION. Pursuant to this Agreement, Senior Managing Director shall receive that amount of compensation as is set forth on Schedule 5.1 hereto. The compensation payable to Senior Managing Director hereunder is intended to be the fair value for the services actually performed by the Senior Managing Director on behalf of RSM McGladrey and its customers or clients.

5.2. VACATION. Senior Managing Director shall be entitled to vacation in amount and subject to such conditions as are set forth in the RSM McGladrey personnel policy manual. Vacation shall be taken at times mutually agreed upon by the Senior Managing Director and RSM McGladrey. Vacation will accrue on a monthly basis and unused vacation cannot be carried over at the end of each year of the Term.

5.3. BENEFITS. During the Term, the Senior Managing Director shall be eligible to participate in those pension, profit-sharing, stock option or similar plan(s) or program(s) made available to Senior Managing Directors or executive officers of RSM McGladrey from time to time, including but not limited to those benefits set forth on Schedule 5.3 of this Agreement.

5.4. ADVERSELY AFFECTED PROVISION. If Senior Managing Director's planned annual Base Salary (as defined in Schedule 5.1 hereto) (i) is reduced by more than 25% from the greatest amount of such annual Base Salary while employed by RSM McGladrey or (b) is reduced to less than 75% of his greatest amount of actual annual Base Salary while employed by RSM McGladrey then the Senior Managing Director has the right to claim to be "adversely affected." If the Senior Managing Director elects to be adversely affected, then such Senior Managing Director may elect one of the following:

(a) To terminate this Agreement and employment with RSM McGladrey hereunder, and subject to compliance with all applicable provisions hereof, to continue to perform services as an accountant or consultant in competition with RSM McGladrey. With respect to such competition, it is agreed that considerable time, effort, and monies have been expended by RSM McGladrey and its predecessors over the years to cultivate and acquire the client group presently served by RSM McGladrey, and it is that client group, among

other assets, that represents the intangible value of RSM McGladrey. It is, therefore, agreed that the Senior Managing Director will compensate RSM McGladrey without interest (1) for any client, customer or account of RSM McGladrey that was serviced by an office of RSM McGladrey or a predecessor organization to which the withdrawing Senior Managing Director was assigned during the two-year period prior to termination, or (2) for any client, customer or account of RSM McGladrey or predecessor organization served or counseled by such withdrawing Senior Managing Director during the two-year period prior to such Senior Managing Director's withdrawal, or (3) any client, customer or account who was introduced to such withdrawing Senior Managing Director during that two-year period of time, which client(s) within the five years subsequent to withdrawal, transfers all of its work formerly performed by RSM McGladrey to such withdrawing Senior Managing Director, or organization with which he or she associates. The amount of compensation shall be an amount equal to 100% of the dollar amount of net services performed by RSM McGladrey or any predecessor organization for such client(s) during the twelve-month period ending on the last date services were performed by RSM McGladrey or predecessor organization for

such client(s). Net services shall be determined on a full accrual basis in accordance with RSM McGladrey's then current method of accounting. The payments shall be made in three annual equal installments, payable without interest, commencing thirty (30) days after RSM McGladrey notifies the Senior Managing Director of the amount payable by the Senior Managing Director pursuant to this Section, and the subsequent payments due on each of the first and second anniversary dates of the date the first installment is due, without interest. In addition, if the withdrawing Senior Managing Director or any person or organization with whom or which he or she is employed, professionally associated on behalf of which Senior Managing Director sets ("New Organization") earns or accepts fees or compensation from a client, customer or account identified in Subsections 5.4(a)(1)-(3) above, while not displacing RSM McGladrey for all services, provided to such client, customer or account Senior Managing Director shall pay RSM McGladrey 100% of such fees or compensation earned and/or accepted by the terminated Senior Managing Director or New Organization during the five-year period following Senior Managing Director's withdrawal date within 30 days of receipt by the withdrawing Senior Managing Director, to a maximum amount equal to 100% of the dollar amount of net services performed by RSM McGladrey or any predecessor organization for such client, customer or account during the twelve-months immediately prior to the date of withdrawal. RSM McGladrey further shall have the right to set off any amounts due it from the withdrawing Senior Managing Director against any other amounts or accounts due the Senior Managing Director by RSM McGladrey; or

(b) To terminate this Agreement and employment with RSM McGladrey hereunder, and to receive, subject to compliance with all provisions of Sections 6 and 7, a severance payment of Five Thousand Dollars (\$5,000) per year as a Senior Managing Director (including previous year's as a partner or equivalent position in a predecessor organization) with a maximum payment of

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One Hundred Twenty-Five Thousand Dollars (\$125,000) paid out over a five-year period without interest.

(c) This Section 5.4 is not applicable if Senior Managing Director is terminated for "cause" as defined in Section 9.1(a) below.

6. CERTAIN COVENANTS OF SENIOR MANAGING DIRECTOR.

6.1. CERTAIN ACKNOWLEDGMENTS. Senior Managing Director acknowledges and agrees as follows in exchange for valuable consideration which Senior Managing Director acknowledges:

(a) RSM McGladrey and Block have obtained and will maintain an advantage over their respective competitors as a result of name, location and reputation developed at great expense;

(b) Senior Managing Director's relationship with RSM McGladrey involves the understanding of and access to certain trade secrets and confidential information pertaining to the property, business and operations of RSM McGladrey and its affiliates;

(c) Senior Managing Director recognizes the value of the special, unique and extraordinary knowledge and skill required to accept, undertake and perform the type of work normally undertaken and performed by Senior Managing Director, RSM McGladrey and RSM McGladrey's other employees and agents;

(d) Senior Managing Director's competition with RSM McGladrey and/or its affiliates following the termination of his employment hereunder would impair the operation of RSM McGladrey and/or such affiliates beyond that which would arise from the competition of an unrelated third party with similar skills;

(e) All clients/customers of RSM McGladrey, regardless of when or by whom acquired, are RSM McGladrey assets and not assets of the individual Senior Managing Director;

(f) Senior Managing Director has carefully considered the restrictions contained herein, and Senior Managing Director specifically agrees that same are reasonable and necessary and essential to the preservation of the business of RSM McGladrey; and

(g) Senior Managing Director's agreements and covenants under this Section 6 are an essential part of the inducement to RSM McGladrey to enter into this Agreement.

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6.2. CERTAIN RESTRICTIONS ON SUBSEQUENT PRACTICE AND ACTIVITIES.

(a) PRACTICE OF ACCOUNTING (OTHER THAN PUBLIC ACCOUNTING) WITHIN THE TERRITORY. Senior Managing Director agrees that upon termination of his relationship with RSM McGladrey for whatever reason, with or without cause, he shall refrain from providing any services offered by, or planned to be offered by, RSM McGladrey or McGladrey, to their respective clients or prospective clients, for himself, or for others, either directly or indirectly, in his individual capacity or as an employee, independent contractor or agent of another, for a period of two years after his termination date in any city or area located within a 50 mile radius of the following:

(i) any RSM McGladrey office operated by this or a predecessor organization to which the terminating Senior Managing Director was assigned, or from which he had rendered services or serviced clients, customers, or accounts during any part of the two-year period immediately prior to his termination; or

(ii) any principal residence maintained by the terminating Senior Managing Director during any part of the two-year period immediately prior to his termination.

(b) SOLICITATION OF PROTECTED CLIENTS. In addition, each Senior Managing Director covenants and agrees that upon termination of his employment by RSM McGladrey for whatever reason, with or without cause, that the Senior Managing Director shall not for himself, or for others, either directly or indirectly, in his individual capacity, or as a Senior Managing Director, employee, independent contractor or agent of another, for a period of five years after his termination date:

(i) solicit, or attempt to solicit, divert or attempt to divert or take away or attempt to take away any Protected Client as defined below, or

(ii) render any services to or sell any products to any Protected Client.

For purposes hereof, the term "Protected Client" means:

(x) any client, customer, or account serviced by an office of RSM McGladrey or of a predecessor organization to which the Senior Managing Director was assigned during the two-year period prior to the effective date of termination; or

(y) any client, customer, or account that was serviced or counseled by the Senior Managing Director during the two-year period prior to the effective date of termination; or

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(z) any client, customer or account serviced who was introduced to the withdrawing Senior Managing Director during the two-year period prior to withdrawal.

(c) CERTAIN MONETARY REMEDIES FOR VIOLATION OF SECTIONS 6.2(a) OR 6.2(b).

(i) Liquidated Damages. Notwithstanding the above and the fact that money damages will be inadequate as a remedy for any breach, threatened breach, or continuing breach of the agreements and covenants contained in this Section, if a Senior Managing Director violates any of the agreements and covenants as contained in Section 6.2 (a) or (b) above, and if RSM McGladrey for whatever reason elects not to pursue its right to injunctive or other equitable relief as provided in Section 7.1 or otherwise, or if upon submission to a court of competent jurisdiction such injunctive or equitable relief is not granted for any reason whatsoever, with respect to any client which transfers all of the work formerly performed by RSM McGladrey to the said withdrawing Senior Managing Director or the organization with which he associates, the said withdrawing Senior Managing Director shall pay to RSM McGladrey without interest, as liquidated damages and not as any for of penalty, in an amount equal to 100% of the dollar amount of net services performed by RSM McGladrey or any predecessor organization for such client(s) during the twelve-month period ending on the last date services were performed by RSM McGladrey or predecessor organization for such clients. Net services shall be determined on a full accrual basis in accordance with RSM McGladrey's then current method of accounting. In fixing this formula for liquidated damages, all Senior Managing Directors acknowledge that it is difficult, if not impossible, to fix actual damages. Nevertheless, all Senior Managing Directors agree that such formula is fair and reasonable under the circumstances as a method of partially compensating RSM McGladrey for the damage it shall suffer as a result of such breach. Payment of this amount shall be made in three equal annual installments with the first installment due without interest within 30 days

after RSM McGladrey notifies the Senior Managing Director of the amount payable by the Senior Managing Director pursuant to this Section, and the subsequent installments are due without interest on the first and second anniversary dates of the date the first installment is due.

(ii) Payment of Fees. In addition, if a Senior Managing Director violates the agreements and covenants as contained in Section 6.2(a) and/or (b) above resulting in the Senior Managing Director earning and/or accepting fees or compensation from a client as defined above, while not necessarily displacing RSM McGladrey for all services, 100% of such fees or compensation earned and/or accepted by the terminated Senior Managing Director or any person, organization with whom he or she is employed, professionally associated or in any manner acting for or

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on behalf of during the five-year period after Senior Managing Director's termination date will be paid to RSM McGladrey without interest within 30 days of receipt by the Senior Managing Director, to a maximum amount of 100% of the displaced net services performed by RSM McGladrey or any predecessor organization for such client during the twelve months immediately prior to the date of termination.

(iii) Right of Offset. RSM McGladrey further shall have the right (but not the obligation) to set off any amount due from the withdrawing Senior Managing Director against any other amounts or accounts due the Senior Managing Director by RSM McGladrey.

(d) EMPLOYMENT OF PROTECTED PERSONNEL. Senior Managing Director covenants and agrees that in the event of the termination of his employment with RSM McGladrey for any reason whatsoever, or under any circumstance, with or without cause, that for a period of two (2) years following the effective date of such withdrawal (the "Prohibited Period"), the withdrawing Senior Managing Director shall not without the prior written consent of RSM McGladrey solicit, induce or in any manner encourage any employee of RSM McGladrey who is a professional employee with in excess of two years experience in work (the "Protected Personnel") to terminate Senior Managing Director's position at RSM McGladrey. Further, each Senior Managing Director covenants and agrees that upon termination, he will not during the Prohibited Period offer, or cause to be offered, a position of employment or of professional affiliation as a partner, member, owner, agent, representative or independent contractor to any member of the class of Protected Personnel who is employed by RSM McGladrey at the effective date of termination of employment of the Senior Managing Director, or was so employed at any time during the six (6) month period immediately prior to the effective date of withdrawal.

(e) CERTAIN MONETARY REMEDIES FOR VIOLATION OF SECTION 6.2(d).

(i) Liquidated Damages. Notwithstanding the fact that money damages will be inadequate as a remedy for any breach, threatened breach, or continuing breach of the agreements and covenants contained in Section 6.2(d) and if RSM McGladrey for whatever reason elects not to pursue its right to injunctive or other equitable relief as provided in Section 7.1 or otherwise or if upon submission to a court of competent jurisdiction such injunctive or equitable relief is

not granted for any reason whatsoever, if Senior Managing Director violates any of the agreements and covenants as contained in Section 6.2(d), Senior Managing Director will pay without interest the greater of Fifty Thousand Dollars (\$50,000) or one half of the base compensation of the Protected Personnel for the 12 months prior to the termination of Senior Managing Directors employment hereunder per person to RSM McGladrey as liquidated damages for each Protected Personnel induced or encouraged to terminate Senior Managing

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Director's position or who was offered or caused to be offered a position of employment by such Senior Managing Director. In fixing this formula for liquidated damages, Senior Managing Director acknowledges that it is difficult, if not impossible, to fix actual damages. Nevertheless, Senior Managing Director agrees that such formula is fair and reasonable under the circumstances as a method of partially compensating RSM McGladrey for the damage it shall suffer as a result of such breach. Payment of the damages will be due within 30 days after RSM McGladrey notifies the Senior Managing Director of the amount payable pursuant to this Section.

(ii) Right of Offset. RSM McGladrey further shall have the right (but not the obligation) to set off any amount due from the withdrawing Senior Managing Director against any other amounts or accounts due the Senior Managing Director by RSM McGladrey.

6.3. TOLLING OF COVENANT PERIOD. If Senior Managing Director violates any of the provisions of Section 6.2 after the date hereof, the Covenant Period shall be extended for a period of time equal to the period of any such violation.

6.4. DUTY TO COOPERATE IN DEFENSE OF CLAIMS. Any retired or terminated Senior Managing Director in consideration of this Agreement and the mutual promises contained herein shall have a continuing obligation to RSM McGladrey in connection with the defense of any claim involving RSM McGladrey and/or its employees or agents in the event a claim is asserted against RSM McGladrey and/or its employees or agents the Senior Managing Director (whether or not then still employed by RSM McGladrey) shall assist and cooperate with RSM McGladrey in good faith and in such manner as is reasonably possible in developing the information, or providing the statements, documents or testimony reasonably required to properly respond to or defend such claim. The Senior Managing Director shall take no action at any time to initiate or voluntarily assist the assertion or development of a claim.

6.5. NONDISCLOSURE. Senior Managing Director shall not at any time or in any manner, directly or indirectly, during or after the Term, use or disclose to any party other than RSM McGladrey any trade secrets or other Confidential Information (defined herein) learned or obtained by Senior Managing Director while a Senior Managing Director of RSM McGladrey. As used herein, the term "Confidential Information" means information disclosed to or known by Senior Managing Director (whether before or after the date of this Agreement) as a consequence of Senior Managing Director's position with RSM McGladrey and not generally known in the industry in which RSM McGladrey is engaged and that in any way relates to the products, processes, services, inventions (whether patentable or not), formulas, techniques or know-how, including, but not limited to, information relating to distribution systems and methods, research, development, manufacturing, purchasing, accounting, procedures, engineering, marketing, customers, vendors, merchandising and selling, of RSM McGladrey, and regardless of the format in which it is presented or embodied (written, graphic, electromagnetic or otherwise). The term "Confidential Information," as used herein, shall also include information regarding the clients of any person or

entity for which RSM McGladrey provides services pursuant to contract between RSM McGladrey and such entity. The term "Confidential Information," as used herein, does not include information: (a) which was already in the public

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domain through authorized disclosures by RSM McGladrey or its affiliates or (b) which is disclosed as a matter of right by a third party source after the execution of this Agreement provided such third party source is not bound by confidentiality obligations in favor of RSM McGladrey.

6.6. INVENTIONS. Senior Managing Director agrees that all inventions, discoveries, written materials, brochures, training programs, training materials, programs, seminars, estate planning products, financial planning products and asset management products conceived of or developed by the Senior Managing Director during the Term, whether alone or jointly with others and whether during working hours or otherwise, which relate to the business of RSM McGladrey or any affiliate of RSM McGladrey shall be RSM McGladrey's exclusive property. Senior Managing Director shall: (i) promptly disclose in writing to RSM McGladrey each invention, written material, brochure, training program, training material, program, seminar, estate planning product, financial planning product or asset management product conceived by or developed by Senior Managing Director during the term of Senior Managing Director's employment with RSM McGladrey, (ii) assign all rights to the same to RSM McGladrey, and (iii) assist RSM McGladrey in every way to obtain and protect any patents, trademarks, copyrights or service marks on the same.

6.7. LIMITATIONS ON ENFORCEMENT. If any restriction set forth in this Section is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time, over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which such court shall consider enforceable.

6.8. TERMINATION OF RESTRICTIVE COVENANTS. The restrictive covenants set forth in Section 6.2(a) and 6.2(b) hereof shall expire if a Payment Event of Default (defined below) occurs under the Guaranty dated August ____, 1999 by Block in favor of McGladrey (the "Guaranty"). For purposes of this Section, a "Payment Event of Default" shall be deemed to occur if (i) any undisputed Guaranteed Obligation (as defined in the Guaranty) is not timely paid by RSM McGladrey when due and owing and (ii) Block fails to pay the amount of any such Guaranteed Obligation (provided that RSM McGladrey's nonpayment then exists and is continuing) within thirty (30) days after delivery of written notice thereof to Block pursuant to the notice provisions of the Guaranty. Any expiration of such restrictive covenants pursuant to this Section shall not, however, act or be deemed to work on or effect any expiration, termination, waiver, forfeiture, or release of such restrictive covenants or in any way affect their enforcement for any period prior to the occurrence of the applicable Payment Event of Default.

7. CERTAIN REMEDIES.

7.1. SPECIFIC PERFORMANCE. If Senior Managing Director shall at any time breach, violate or fail to comply fully with any of the terms, provisions or conditions of this Agreement, the parties intend that RSM McGladrey shall be entitled to equitable relief against Senior Managing Director by way of injunction (in addition to, but not in substitution for, any and all other relief to which RSM McGladrey may be entitled either at law or in equity, or hereunder including, but not limited to, the payments provided in Section 6.2(c) and (e)) to restrain such breach or violation or to compel compliance fully with the terms, provisions or

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conditions per this Agreement. Liquidated damages and right of offset pursuant to Section 6.2(c) and (e) shall be in addition to, and not in lieu of any other remedy of RSM McGladrey.

7.2. NO PROOF OF BREACH; WAIVER. In any proceeding, whether in equity or at law, Senior Managing Director specifically waives any requirement that RSM McGladrey prove that any breach, violation or failure to comply fully with the terms, provisions or conditions of this Agreement will cause irreparable injury or that there is no adequate remedy at law(s); Senior Managing Director also agrees not to raise as a defense in any such proceeding any allegation; (i) that any of the provisions of Sections 6 and/or 7 are either unnecessary, unreasonable or unenforceable, that any of them illegally restrain trade, competition or any personal rights of Senior Managing Director; or (ii) that payments made by RSM McGladrey subsequent to gaining knowledge of a violation of this Agreement prejudices RSM McGladrey's rights to enforce the Agreement or recover payments made, or (iii) that the non-enforcement of RSM McGladrey's rights to enforce the Agreement or recover payments made or that the non-enforcement of RSM McGladrey's rights with regard to one Senior Managing Director or one act prejudices RSM McGladrey's rights and remedies of RSM McGladrey under this Agreement, all of which are in addition to all rights and remedies to which RSM McGladrey is or shall be otherwise entitled at law or in equity. RSM McGladrey shall not be required to post bond in any proceeding to enforce the provisions of Section 6 and/or 7 hereof.

8. EARLY RETIREMENT. [Reserved]

9. TERMINATION.

9.1. METHODS OF TERMINATION. This Agreement and the employment of the Senior Managing Director hereunder may be terminated as follows:

(a) By RSM McGladrey for "cause," upon the delivery of written notice thereof to Senior Managing Director. For purposes of this Agreement, "cause" shall mean the occurrence of any one of the following on the part of the Senior Managing Director:

(i) Senior Managing Director's conviction of a plea of guilty or nolo contendere to a crime involving moral turpitude or a crime providing for a term of imprisonment.

(ii) Senior Managing Director's engagement in willful misconduct (including but not limited to Senior Managing Director discrimination or harassment or unethical or unprofessional conduct) injurious to RSM McGladrey, its affiliates or any of their respective reputations.

(iii) Senior Managing Director's breach of his/her fiduciary duty to RSM McGladrey;

(iv) Senior Managing Director's engagement in activities which constitute a material breach of this Agreement or

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any other material agreement or contract between Senior Managing Director and RSM McGladrey;

(v) Senior Managing Director's gross negligence

in the execution of, or Senior Managing Director's willful failure to carry out, his duties and responsibilities up to the standards of performance which could reasonably be expected from an Senior Managing Director in his position.

(vi) An act or acts of fraud, embezzlement or dishonesty either (a) taken by the Senior Managing Director to the detriment of RSM McGladrey or (b) by others in conspiracy or affiliation with Senior Managing Director and intended to result in enrichment or advantage to Senior Managing Director at the expense of RSM McGladrey or with use of RSM McGladrey's assets or information; or

(vii) Senior Managing Director's failure to maintain a license as a certified public accountant in any state where such license is required.

(viii) Senior Managing Director's material violations of RSM McGladrey's policies or procedures except those policies or procedures with respect to which an exception has been granted under authority exercised or delegated by the Advisory Board of RSM McGladrey.

(ix) Senior Managing Director's failure to pay and file on a timely basis, including extensions, complete and accurate Federal and state tax returns.

(x) Other gross misconduct which is detrimental to the best interests of RSM McGladrey.

To prevent the inadvertent loss of rights as a result of actions deemed to fall under (i) through (ix) above, the Senior Managing Director shall first receive a written notice from the Executive Management Committee of RSM McGladrey of each item of misconduct and such Senior Managing Director shall have not less than 30 days in which to cure any misconduct by restoration, compensation and/or performance. If the misconduct is so cured within the 30-day period, then the Senior Managing Director shall not be terminated "for Cause".

(b) By RSM McGladrey without cause upon written notice to the Senior Managing Director.

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(c) By Senior Managing Director on 180 days' written notice to RSM McGladrey (which notice period may be accelerated at RSM McGladrey's discretion);

(d) Upon the death or Disability (defined herein) of Senior Managing Director. For purposes of this Agreement, "Disability" means the inability of a Senior Managing Director to perform such Senior Managing Director's duties or services as provided in the RSM McGladrey Employment Agreement because of mental, physical or other illness, disease or injury, where such disability (a) shall have existed for an aggregate of six (6) months in any 12-month period and McGladrey and/or RSM McGladrey shall have so notified the Senior Managing Director thereof, or (b) has prevented Senior Managing Director from performing substantially all of his duties under the RSM McGladrey Employment Agreement for a period of six (6) consecutive months.

(e) By express mutual written agreement signed by Senior Managing Director and RSM McGladrey.

(f) Upon a "Change of Control" as defined in Section 9.2 below.

9.2. Termination of Employment Upon a Change of Control.

(a) If RSM McGladrey terminates Senior Managing Director's employment under this Agreement following a "Change of Control" (as defined herein) without "Cause" (as defined in Section 9.1), or if Senior Managing Director terminates his employment under this Agreement following both a Change of Control and a substantial reduction by RSM McGladrey (over the objection of Senior Managing Director) in Senior Managing Director's duties, authority or status, then, upon any such termination of Senior Managing Director's employment, (i) RSM McGladrey shall continue to pay to Senior Managing Director the base salary in effect upon such termination throughout the two-year period following such termination as the same would have been made had Senior Managing Director remained employed by RSM McGladrey hereunder; and (ii) any portion of any option to purchase shares of Block common stock granted pursuant to any stock option plan of Block and held by Senior Managing Director at the time of such termination of employment that is not yet vested in accordance with its terms shall vest upon the effective date of such termination of employment and shall be exercisable for a period of three months after such date of termination of employment.

(b) For the purpose of this subsection, a "Change of Control" shall mean:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of the then outstanding voting securities of RSM McGladrey or any

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direct or indirect parent company of RSM McGladrey (the "Acquired Block Entity") entitled to vote generally in the election of directors, but excluding, for this purpose, any such acquisition by any Block Entity, or any employee benefit plan (or related trust) of any Block Entity, or any corporation with respect to which, following such acquisition, more than 50% of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners of the voting securities of the Acquired Block Entity immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding voting securities of the Acquired Block Entity entitled to vote generally in the election of directors, as the case may be; or

(ii) individuals who, as of the date hereof, constitute the Board of Directors of Block (as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of such Board, provided that any individual or individuals becoming a director subsequent to the date hereof, whose election, or nomination for election by Block's shareholders, was approved by a vote of at least a majority of the Board (or nominating committee of the Board) shall be considered as though such individual were a member or members of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Block (as

such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(iii) approval by the shareholders of an Acquired Block Entity of a reorganization, merger or consolidation of such Acquired Block Entity, in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the voting securities of the Acquired Block Entity immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation or other entity resulting from such reorganization, merger or consolidation, or a complete liquidation or dissolution of an Acquired Block Entity, or of the sale or other disposition of all or substantially all of the assets of an Acquired Block Entity, but excluding any such reorganization, merger, consolidation, liquidation, dissolution or sale or other disposition of assets after which a Block Entity continues to own more than 50% of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation or other entity resulting from a reorganization, merger or consolidation, or more than 50% of the assets of the liquidated or dissolved Acquired Block Entity, or more than 50% of the assets of the Acquired Block Entity selling or otherwise disposing of its assets.

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9.3. PAYMENTS UPON TERMINATION. Except as set forth in Section 9.2, upon termination, any amount due RSM McGladrey or Senior Managing Director under this Agreement shall be paid to RSM McGladrey or the Senior Managing Director or Senior Managing Director's representative (as may be in case in the event of death or disability), as set forth below:

(a) If this Agreement is terminated pursuant to Section 9.1(a) or by Senior Managing Director (pursuant to Section 9.1(c)), RSM McGladrey shall pay to Senior Managing Director, if not already paid, any Base Compensation (as defined in Schedule 5) paid through the date of such termination but the Senior Managing Director shall not be eligible or entitled to receive any other compensation, whether bonus or other form thereof, for the year in which such termination occurred or any subsequent year, to the extent not theretofore paid;

(b) If this Agreement is terminated by RSM McGladrey without Cause pursuant to Section 9.1 (b) or because of the death or disability of the Senior Managing Director (pursuant to Section 9.1 (d)), RSM McGladrey shall pay to Senior Managing Director, if not already paid, any Base Salary paid through the date of such termination plus the portion of any bonus allocated to the Senior Managing Director by the Executive Committee of RSM McGladrey plus the remuneration provided for in Section 5.4(b) assuming the Senior Managing Director was eligible for but did not elect the provisions under Section 5.4(a).

(c) If this Agreement is terminated by mutual agreement of the Senior Managing Director and RSM McGladrey pursuant to Section 9.1(e), RSM McGladrey shall pay to Senior Managing Director such payments, if any, as may be so agreed.

(d) Except as otherwise provided herein, no other consideration of any type will be due and owing to Senior Managing

Director by RSM McGladrey upon any termination of this Agreement.

9.4. RELEASE OF CLAIMS. Notwithstanding the foregoing, RSM McGladrey shall not be obligated to pay the Senior Managing Director any of the payments referred to in Section 9.3(b) or Section 9.3(c) unless and until RSM McGladrey has received a Release of Claims executed by Senior Managing Director in a form satisfactory to RSM McGladrey at its reasonable discretion.

9.5. EFFECT OF TERMINATION. Upon any termination of the Senior Managing Director's employment and this Agreement pursuant to Section 9.1 or 9.2 hereof, RSM McGladrey and the Senior Managing Director shall have no further obligations under this Agreement to the other except Senior Managing Director's obligations under the provisions of Section 6.2 shall continue for the Covenant Period, and the Senior Managing Director's obligations under and the provisions of the remainder of Section 6 and Section 7 shall continue in full force and effect indefinitely.

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10. MISCELLANEOUS.

10.1. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement and understanding among RSM McGladrey and Senior Managing Director concerning the subject matter hereof. No modification, amendment, termination or waiver of this Agreement shall be binding unless in writing and signed by Senior Managing Director. To insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such terms, covenants and conditions.

10.2. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Senior Managing Director and the heirs, executors and administrators of Senior Managing Director or Senior Managing Director's estate and property, and shall inure to the benefit of RSM McGladrey and its successors and assigns. Being a contract for personal services, RSM McGladrey may not assign or transfer to others (a) the right to receive payments hereunder, or (b) the obligation to perform Senior Managing Director's duties and services hereunder. RSM McGladrey may assign this Agreement to any person or entity on notice to Senior Managing Director.

10.3. TAXES. From any payments due hereunder to Senior Managing Director from RSM McGladrey, there shall be withheld amounts reasonably believed by Senior Managing Director to be sufficient to satisfy liabilities for federal, state and local income and related taxes and other charges.

10.4. NOTICES. Any notice, request, consent or communication (collectively, a "Notice") under this Agreement shall be effective only if it is in writing and (a) personally delivered, (b) sent by certified or registered mail, return receipt requested, postage prepaid, (c) sent by a nationally recognized overnight delivery service, with delivery confirmed, or (d) faxed or telecopied, with receipt confirmed, addressed as follows:

If to Senior Managing Director:

McGladrey & Pullen, LLP
3600 West 80th Street
Suite 500
Bloomington, Minnesota 55431

If to RSM McGladrey to:

c/o H&R Block
4400 Main Street
Kansas City, Missouri 64111

Attn: Bret G. Wilson
with a copy to James H. Ingraham at the same address

with a copy to:

Bryan Cave LLP
3500 One Kansas City Place
1200 Main Street

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Kansas City, Missouri 64105
Attn: Gregory G. Johnson

10.5. ARBITRATION OF DISPUTES. Any controversy, claim, or dispute arising out of or relating to this Agreement or any breach thereof, including without limitation any dispute concerning the scope of the arbitration clause set forth below, shall be resolved as set forth below. Any party may seek injunctive relief pending the completion of mediation and arbitration under this Agreement.

(a) In the event a dispute arises relating to this Agreement, any party may demand mediation by notifying the American Arbitration Association ("AAA") in the location where any arbitration would be conducted as set forth below, in writing with copies to all other parties involved in the dispute. The notification will state with specificity the nature of the dispute and the amount of any claims. Upon receipt of the mediation demand, the AAA will immediately convene a pre-mediation telephone conference of the parties hereto. The parties will make a representative, with full authority to settle, available for such a conference within five (5) business days of being contacted by the AAA or its designated mediator ("Mediator"). During the pre-mediation telephone conference, the parties will agree on mediation procedures or, in the event they cannot agree, Mediator will set the mediation procedures. The mediation procedures will provide for the mediation to be completed within thirty (30) business days of the date of the initial demand for mediation. The parties will participate in good faith in the mediation and will use their best efforts to reach a resolution within the thirty (30) day time period. Each party will make available in a timely fashion a representative with authority to resolve the dispute. In the event that the dispute has not been resolved within thirty (30) days, the mediation may continue if the parties so desire. If not, the Mediator will so notify the parties and declare the mediation terminated. In the event that the mediation continues beyond thirty (30) days, but is not resolved within what Mediator believes is a reasonable time thereafter, the Mediator will so notify the parties, and declare the mediation terminated. Fees of the mediator shall be split equally between the parties.

(b) After the mediation has been declared terminated, the matters in dispute shall be settled by binding arbitration in accordance with the Commercial Arbitration Rules (the "Rules") of the AAA as supplemented herein and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The governing law of this Agreement shall be the law used by the arbitrators in rendering their award, except that the Federal Rules of Evidence shall apply. There shall be three arbitrators. Each party shall choose one arbitrator, and the two chosen arbitrators shall choose the third arbitrator. Pending final award, the arbitrators' compensation and expenses shall be advanced equally by the parties. The AAA shall hold an administrative conference with counsel for the parties within twenty (20) days after the filing of the demand for arbitration by any one or more of the parties. The parties and the

AAA shall thereafter cooperate in order to complete the appointment of three arbitrators as quickly as possible. Within 15 days after all three arbitrators have been appointed, an initial meeting (which, if the arbitrators so determine, may be by phone) among the arbitrators and counsel for the parties shall be held for the purpose of establishing a plan for administration of the arbitration, including: (1) definition of issues; (2) scope, timing, and types of discovery, which may at the discretion of the arbitrators include production of documents in the possession of the parties, but may not without consent of all parties include depositions; (3) exchange of documents and filing of detailed statements of claims, prehearing memoranda and dispositive motions; (4) schedule and place of hearings; and (5) any other matters that may promote the efficient, expeditious, and cost-effective conduct of the proceeding. Each party shall have the right to request the arbitrator to make specific findings of fact.

(c) The majority decision of the arbitrators shall contain findings of facts on which the decision is based, including any specific factual findings requested by either party, and shall further contain the reasons for the decision with reference to the legal principles on which the arbitrators relied. Such decision of the arbitrators shall be final and binding upon the parties. The arbitration shall take place in Chicago, Illinois. The final award shall award to the prevailing party its reasonable attorneys' fees and costs incurred in connection with the arbitration (but if the prevailing party is not awarded all of the damages sought, only to the extent, prorata, of its award compared to the damages sought) and may grant such other, further, and different relief as authorized by the Rules, including damages and out-of-pocket costs but which may not include exemplary, consequential or punitive damages.

10.6. RIGHT TO OFFSET. RSM McGladrey, for itself and as an affiliate of Block, a subsidiary of Block, shall have the right but not the obligation to offset against amounts due Senior Managing Director hereunder any amounts due RSM McGladrey by Senior Managing Director which are not paid to RSM McGladrey by the primary obligor within ten (10) days following demand, regardless of the source of such obligation from Senior Managing Director to RSM McGladrey.

10.7. GOVERNING LAW. This Agreement shall be governed by the laws of the State of Missouri, without giving effect to its choice of law provisions.

10.8. HEADINGS. All headings in this Agreement are for convenience only and are not intended to affect the meaning of any provision hereof.

10.9. COUNTERPARTS. This Agreement may be executed in two or more counterparts with the same effect as if the signatures to all such counterparts were upon the same instrument, and all such counterparts shall constitute but one instrument.

10.10. AMENDMENT. This Agreement cannot be added to, altered, changed, modified or amended in any respect except by a writing duly executed by the parties hereto. Where an amendment is agreed to by the parties hereto, the box indicating that an

addendum is attached to this Agreement must be checked on this page 18 of this Agreement and the addendum must be attached to this Agreement.

THIS AGREEMENT IS SUBJECT TO AN ARBITRATION PROVISION WHICH IS BINDING THE PARTIES.

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IN WITNESS WHEREOF, the Senior Managing Director has executed this Agreement and RSM McGladrey has caused this Agreement to be executed by its duly authorized officer as of the day and year first above written.

RSM MCGLADREY, INC.

By: /s/ Bret G. Wilson

Bret G. Wilson, Vice President

SENIOR MANAGING DIRECTOR

By: /s/Thomas G. Rotherham

Thomas G. Rotherham

[] Indicate that an approved addendum/amendment to this agreement is attached.

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SCHEDULE 5.1

SENIOR MANAGING DIRECTOR COMPENSATION

1. DEFINITIONS. For purposes of this Schedule 5, the following terms shall have the following meanings:

1.1. "Annual Compensation" shall mean sixty-four percent (64%) of the Compensation Base for a specified annual period.

1.2. "Collection Deficit" shall mean the excess of net accounts receivable and net unbilled services over eighty-five percent (85%) of net services and expenses charged to clients for the preceding three months. Net services are defined as gross services plus or minus billing adjustments, unbilled services reserve adjustments, provision for bad debts and accounts receivable reserve adjustments. The Collection Deficit will be computed at October 31, January 31, April 30 and July 31 to adjust the Quarterly Target Payments and Quarterly IPU Bonus at December 1, March 1, June 1 and September 1, respectively.

1.3. "Compensation Base" shall mean an amount equal to the aggregate net income earned by Contractor and McGladrey and all of its wholly-owned subsidiaries (excluding TP Services, LLC) for a specified annual period before (1) the aggregate compensation and distributions paid by McGladrey or Contractor to those persons who are partners and principals of McGladrey at the Closing and thereafter; (2) amortization of goodwill; (3) income taxes; (4) interest expense incurred with respect to Post-Closing Development Expenditures (as defined in the Asset Purchase Agreement); (5) interest expense imputed on purchase price installments paid after the Closing Date (as defined in the Asset Purchase Agreement); (6) interest incurred with respect to Retired Partner Obligations (as defined in the Asset Purchase Agreement); (7) Post-Closing Development Expenditures that are accounted for as expenses; (8) any expense for incremental direct expenses incurred or paid by the operations group attributable to the business, operations or management of Foundation Firms, Foundation Firm Managers or Prior Add-On Firms (each as defined in the Asset Purchase Agreement); (9) any income for any gain, or expense for any loss, of Contractor or McGladrey or any income for funds received by McGladrey or Contractor on the sale of the Mutual Fund Business (as defined in the Asset Purchase Agreement); and (10) compensation expenses up to One Hundred Thousand Dollars (\$100,000) annually corresponding to the grant of Block stock options to employees or equity owners of McGladrey and after Contractor's and McGladrey's aggregate share of FICA, federal and state unemployment taxes, Medicare, and workers' compensation payments all as determined in accordance with GAAP.

1.4. "Executive Management Committee" shall have the meaning set forth in that certain Operations Agreement among Contractor, McGladrey and others dated even date hereto.

1.5. "Fringe Benefits" shall mean the value of the fringe benefits (including but not limited to those set forth on Schedule 5.4 to the Managing Director Employment Agreement) granted to such Managing Director or Senior Managing Director from time to time for a specified period.

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1.6. "IPUs" shall mean income participation units. The designated value of an IPU and the number granted to any Managing Director or Senior Managing Director on an annual basis shall be determined by the Management Executive Committee of Contractor.

1.7. "Senior Managing Directors" shall mean certain of those Managing Directors who are designated "Senior Managing Directors."

1.8. "Managing Directors" shall mean certain of those individuals who from time to time on or after Closing are parties to a Managing Director Employment Agreement with Contractor and who are partners or principals of McGladrey.

1.9. "Partner Compensation System" shall mean a system approved by the Executive Management Committee from time to time, subject to approval by the Contractor which approval shall not be unreasonably withheld.

1.10. "McGladrey" shall mean McGladrey & Pullen, LLP an Iowa limited liability partnership.

1.11. "Retired Partners" shall have the meaning set forth in the Asset Purchase Agreement.

1.12. "Rotherham and Scally Compensation" shall mean all compensation amounts (not including Fringe Benefits) paid to Thomas Rotherham and Mark Scally under their respective Managing Director Employment Agreements.

1.13. Other terms not otherwise defined herein shall have the meanings set forth in the Managing Director Employment Agreement.

2. AGGREGATE ANNUAL COMPENSATION. Each year during the Term, the Managing Directors and Senior Managing Directors shall receive as compensation from Contractor (in consideration of the provision of their services for the year) an aggregate amount (the "Net Annual Aggregate Compensation") equal (i) to the Annual Compensation, minus (ii) the net income of McGladrey for such year (whether or not distributed to equity owners) determined in accordance with generally accepted accounting principals ("Distributable McGladrey Earnings"). The Rotherham and Scally Compensation shall be included in the Net Annual Aggregate Compensation.

3. SENIOR MANAGING DIRECTOR COMPENSATION.

3.1. TARGET INCOME. Prior to the first Quarterly Target each distribution year ending July 31, each Senior Managing Director will be assigned a certain number of IPUs prior to the first quarterly target. Each Senior Managing Director's annual estimated target income shall be calculated as such number of IPUs multiplied by the designated value of the IPUs less the Fringe Benefits elected by the Senior Managing Director during such year (the "Target Income").

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3.2. DISTRIBUTION OF BASE INCOME. Each month, each Senior Managing Director shall be an amount determined annually by the Executive Management Committee (collectively the "Base Income Payments").

3.3. QUARTERLY TARGET PAYMENT. Subject to Section 4, the Target Income less the Base Income Payments shall be paid to the Senior Managing Director on a quarterly basis in equal payments on the following dates: December 1, March 1, June 1 and September 1 (each a "Quarterly Target Payment").

4. RESTRICTIONS ON PAYMENT OF CERTAIN QUARTERLY PAYMENTS.

4.1. Senior Managing Director must be employed by either Contractor or McGladrey on the date the Quarterly Target Payment is paid to receive the applicable Quarterly Target Payment.

4.2. If the actual net actual aggregate compensation income of RSM McGladrey is less than total IPUs times the designated value plus Guaranteed income of RSM McGladrey, the fourth quarter distribution of the Quarterly Target Payments to the Senior Managing Directors, payable on September 1 shall be reduced by the amount of such shortfall. The distribution will be reduced pro rata among Senior Managing Directors in proportion to the value of each Senior Managing Directors' IPUs to the total value of all Senior Managing Directors' IPUs.

4.3. The Quarterly Target Payments are subject to adjustment for the Collection Deficit pursuant to the procedure set forth in Section 5 of this Schedule 5.

4.4. Notwithstanding anything to the contrary herein, the

total aggregate annual compensation for the applicable annual period (including Fringe Benefits and bonuses) of the Senior Managing Directors and the Managing Directors from Contractor paid by and/or due from and McGladrey (including Distributable McGladrey Earnings), shall not exceed the Annual Compensation for such period.

5. ALLOCATION OF THE COLLECTION DEFICIT. The Collection Deficit will be allocated among the Managing Directors and Senior Managing Directors as follows:

5.1. A percentage of the Collection Deficit for RSM McGladrey and McGladrey will be allocated to firmwide Managing Directors and Senior Managing Directors. The percentage will approximately equal the percentage that the base income of all firmwide Managing Directors and Senior Managing Directors bears to the total of such compensation for all Managing Directors and Senior Managing Directors who will share in the Collection Deficit. It will be allocated to each firmwide Managing Director and Senior Managing Director in the proportion that his or her Guaranteed Income or Target Income, respectively, for the year bears to the total of such base income of all firmwide Managing Directors and Senior Managing Directors.

5.2. The Collection Deficit assigned to firmwide Managing Directors and Senior Managing Directors will be deducted from the Collection Deficits of economic units

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in the proportion that the Collection Deficit of each economic unit bears to the total Collection Deficit. Collection surpluses will be ignored in the allocation.

5.3. The remaining Collection Deficit for each economic unit will be allocated among the economic unit's Managing Directors and Senior Managing Directors in the proportion that each Senior Managing Director's and Managing Director's Target Income or Guaranteed Income bears to the total of such Target Income or Guaranteed Income, respectively, of all Senior Managing Directors and Managing Directors in the economic unit.

6. ANNUAL PERFORMANCE AWARDS. Annual performance awards shall be paid based on the Partner Compensation System approved by the Executive Management Committee. The annual performance awards shall be distributed on January 1 of each year.

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SCHEDULE 5.1
BASE SALARY AND PERFORMANCE BONUS

1. BASE SALARY. During the first twelve (12) months of the Term, the Managing Director shall be paid \$360,000 per annum as base salary (the "Base Salary"), which Base Salary shall be paid to the Managing Director in \$30,000 monthly increments. For each twelve (12) month period during the Term, thereafter, Managing Director's Base Salary shall be determined by the Chief Executive Officer and Chief Operations Officer of H&R Block, Inc. ("Block") subject to the approval of the Compensation Committee of the Board of Directors of Block.

2. PERFORMANCE BONUS. Each year during the Term, the Managing Director shall be eligible for a bonus (the "Target Bonus") equal to 40% of the Base Salary (\$144,000). The actual bonus which the Managing Director is eligible for (the "Performance Bonus") will be more or less than Target Bonus based on the profit of RSM and McGladrey and its wholly-owned subsidiaries McGladrey (the "Profit" as defined below). The performance targets and Performance Bonus are set forth below: For purposes of this Schedule 5.1 "Profit" shall mean an amount equal to the aggregate net income earned by Contractor and McGladrey and all of its wholly-owned subsidiaries (excluding TP Services, LLC) for a specified annual period before (1) the aggregate compensation and distributions paid by McGladrey or Contractor to those persons who are partners and principals of McGladrey at the Closing and thereafter; (2) amortization of goodwill; (3) income taxes; (4) interest expense incurred with respect to Post-Closing Development Expenditures (as defined in the Asset Purchase Agreement); (5) interest expense imputed on purchase price installments paid after the Closing Date (as defined in the Asset Purchase Agreement); (6) interest incurred with respect to Retired Partner Obligations (as defined in the Asset Purchase Agreement); (7) Post-Closing Development Expenditures that are accounted for as expenses; (8) any expense for incremental direct expenses incurred or paid by the operations group attributable to the business, operations or management of Foundation Firms, Foundation Firm Managers or Prior Add-On Firms (each as defined in the Asset Purchase Agreement); (9) any income for any gain, or expense for any loss, of Contractor or McGladrey or any income for funds received by McGladrey or Contractor on the sale of the Mutual Fund Business (as defined in the Asset Purchase Agreement); and (10) up to One Hundred Thousand Dollars (\$100,000) per year compensation expenses corresponding to the grant of Block stock options to employees or equity owners of McGladrey pursuant to the Asset Purchase Agreement and after Contractor's and McGladrey's aggregate share of FICA, federal and state unemployment taxes, Medicare, and workers' compensation payments all as determined in accordance with GAAP.

PERFORMANCE BONUS

Profit (in millions)	Percentage of Target Bonus	Performance Bonus Amount
\$90	0%	\$ 0
95	33.3%	48,000
100	66.7%	96,000
105	100.0%	144,000
110	133.3%	192,000
115	166.7%	240,000
120	200.0%	288,000

During the Term, the Performance Bonus shall be calculated for the period from August 1-July 31 (the "Bonus Calculation Period") and shall be distributed to the Managing Director on or before September 15 following each Bonus Calculation Period.

SCHEDULE 5.3
BENEFITS

1. DEFERRED COMPENSATION PLAN. The Senior Managing Director will be eligible to participate in the Deferred Compensation Plan developed by Block for certain partners or principles of McGladrey.

2. STOCK OPTIONS. On the Closing Date (as defined in the Asset Purchase Agreement), the Senior Managing Director will be awarded stock options for 21,000 shares of Block common stock, no par value (the "Block Common Stock"), which options shall (a) have an option exercise price per share equal to the closing price of the Block Common Stock on the New York Stock Exchange on the Closing Date (the "Grant Date") (or, if the Closing Date is a date on which such common stock is not traded on the New York Stock Exchange, on the last trading day preceding the Grant Date); and (b) in all respects be granted and governed by the terms of the H&R Block, Inc. 1993 Long Term Executive Compensation Plan and (c) be evidenced by stock option agreements. Such option shall vest as follows: 40% upon the third anniversary of the Grant Date; 30% upon the fourth anniversary of the Grant Date; and 30% upon the fifth anniversary of the Grant Date provided that such vesting shall be accelerated upon retirement at or after age 55.

AGREEMENT

THIS AGREEMENT is entered into as of the 21st day of February, 2000, ("Agreement Date") by and between HRB Management, Inc. ("Block") and Ozzie Wenich ("Wenich").

WHEREAS, Wenich is employed by HRB Management, Inc. to serve as Senior Vice President and Chief Financial Officer of H&R Block, Inc., in addition to other director and officer positions held with Block, its affiliates and subsidiaries (a complete list of all such positions is attached hereto as Exhibit A);

WHEREAS, Wenich possesses intimate knowledge of the business and affairs of Block, its parents, subsidiaries and affiliates, particularly related to financial and operational matters; and

WHEREAS, the parties desire to set forth the terms and conditions upon which Wenich will retire as of August 31, 2000;

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth, Block and Wenich (collectively, the "Parties") agree as follows:

1. Change in Employment. As of February 21, 2000, it is agreed that Wenich will no longer serve as Senior Vice President and Chief Financial Officer of H&R Block, Inc. or hold any other officer and director position now held with Block, its parents, subsidiaries and affiliates; however, his employment with Block will continue through his retirement on August 31, 2000 (the "Employment Termination Date"). During the period February 21, 2000, through the Employment Termination Date, Wenich will work on such projects and assignments as are mutually agreed upon by Block and Wenich, provided that, unless otherwise agreed to by Wenich, all such projects and assignments shall relate to the transition to new management. Wenich shall make himself available for deposition and trial testimony in matters of litigation involving Block and its affiliates through the Employment Termination Date. He shall continue to be a regular, full-time Block employee through the Employment Termination Date for the purposes of salary and certain benefits, as set forth in this Agreement. Wenich shall have no set hours of work and services shall be provided by Wenich from his home, except to the extent that such work must be performed at Block's offices or another location, as mutually agreed by Block and Wenich. As Wenich continues as an employee through the Employment Termination Date, Wenich's salary will be at the same annual rate as his annual rate of salary in effect on the Agreement Date and will be paid semi-monthly on the 15th and last day of each month. During the period February 21, 2000, through the Employment Termination Date any accrued and available vacation, floating holidays, personal days or paid time off benefits to which Wenich is eligible as of February 21, 2000, shall not be applied to any and all periods during which Wenich is not actively pursuing projects, tasks or functions on Block's behalf, and Wenich shall be paid for such days and benefits in accordance with Paragraph 3 of this Agreement. Wenich will resign (a) as Senior Vice President and Chief Financial Officer of H&R Block, Inc. and (b) from any

and all officer and director positions held with Block, its parents, affiliates and subsidiaries effective as of February 21, 2000 (a complete list of all positions held on the date of this Agreement (collectively, the "Executive Positions") is attached hereto as Exhibit A). Such resignations shall not affect Wenich's status as an employee of Block or affect Wenich's participation in, or vesting under, any employee benefit or welfare plans of Block or any of Block's

affiliates or parent companies, including, without limitation, the H&R Block Deferred Compensation Plan for Executives, the 1993 Long-Term Executive Compensation Plan and any other executive compensation, benefit or bonus plans (collectively, the "Plans") for which Wenich would be eligible to receive compensation or benefits through the Employment Termination Date. In other words, Mr. Wenich shall participate in and vest under all such Plans as if he held the Executive Positions through the Employment Termination Date.

2. Termination of Employment. By mutual agreement, Wenich's employment with Block will terminate on the Employment Termination Date. Said termination will be treated as a retirement for all purposes.

3. Payment to account for Past Accrued and Unused Paid-Time-Off. In consideration of the covenants and agreements set forth herein, Block agrees to pay to Wenich no later than the close of business on the Employment Termination Date the sum of \$146,568.16 representing (a) \$125,188.44 as compensation for 1,025.59 hours of vacation days accumulated prior to January 1, 2000, including 861.41 hours forfeited as unused under Block's policy, (b) \$4,113.28 as compensation for 32.0 hours of floating holidays and personal days accumulated prior to January 1, 2000 and not forfeited under Block's policy, (c) \$13,281.80 as compensation for 106.664 hours of vacation days accumulated between January 1, 2000 and the Employment Termination Date, and (d) \$3,984.64 as compensation for 32.0 hours of personal days and floating holidays accumulated between January 1, 2000 and the Employment Termination Date. Such payment shall be subject to deferral under the H&R Block Deferred Compensation Plan for Executives in accordance with Wenich's deferral election for calendar year 2000 and the provisions of such Plan pertaining to Company Matching Contributions shall apply to the deferred portion of such payment.

4. Employment Benefits.

(a) Up to and through the Employment Termination Date, Wenich shall continue to be a Block employee and all benefits and rights of employment will extend to Wenich through the Employment Termination Date. Continuation of Wenich's employment by Block through the Employment Termination Date shall continue Wenich's participation in, and vesting under, any employee benefit or welfare plans of Block or any of Block's affiliates or parent companies through the Employment Termination Date. Wenich will share in the allocation of the contributions to any employee pension benefit plans maintained by Block for the year ending April 30, 2000, and, as an employee of Block on April 30, 2000, will be entitled to participate in Block's short-term incentive compensation program and discretionary incentive compensation program for the fiscal year ending April 30, 2000, each as approved by the compensation committee of the H&R Block, Inc. Board of Directors in June 1999 (including an aggregate target incentive amount under the programs of \$129,500).

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Hours of service will be credited to him under such plans based on compensation paid to him through the Employment Termination Date. Benefits under employee benefit or welfare plans will accrue and be payable to Wenich after the Employment Termination Date as expressly provided in the post-termination provisions of such plans. Up to and through the Employment Termination Date, Block will credit Wenich's account under the H&R Block Deferred Compensation Plan for Executives with salary deferrals, bonus deferrals and Company matching contributions in accordance with the provisions of such Plan and Wenich's deferred election for the 2000 plan year. Wenich will continue as a participant in the Executive Survivor Plan through the Employment Termination Date and will be entitled to continuation of coverage after the Employment Termination Date only in accordance with established Plan terms.

(b) Wenich will not be considered an employee of Block after the Employment Termination Date. Nothing in this Agreement will constitute or cause a continuation of Wenich's employment by Block or extend Wenich's participation in, or vesting under, any employee benefit or welfare plans of Block or any of

Block's parent, subsidiary or affiliated companies after the Employment Termination Date. Benefits under such plans will not accrue or be payable to Wenich after the Employment Termination Date except as may be expressly provided in the post-termination provisions of such plans, or except as stated in Paragraph 4(c) below.

(c) Wenich will have three (3) months after the Employment Termination Date to exercise any outstanding stock options granted to Wenich under the 1993 Long-Term Executive Compensation Plan to the extent such options are exercisable as of the Employment Termination Date.

(d) Throughout the employment period (through the Employment Termination Date), Wenich will be entitled, at his option, to continue his enrollment in the H&R Block employee health care plan (including any medical, dental or vision coverage thereunder) in which he is currently enrolled and Block will continue to pay that portion of any premiums for such enrollment that Block customarily pays under the provisions of the applicable plan; provided that, should Wenich actually be covered under the health care plan of another employer on or before August 31, 2000, the continuation of all plan coverage under the H&R Block health care plan and Block's obligation to pay any premiums under this Subparagraph 3(d) will immediately terminate as of the date such other coverage commences. Wenich will pay the balance of any health care premium not paid by Block, which balance Block may deduct from the salary payable to Wenich under Paragraph 1 of this Agreement. Wenich agrees that the statutory period for the continuation of group health plan coverages under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") begins as of the Employment Termination Date.

(e) Under the terms of the discretionary incentive compensation program for fiscal year 2000, twenty percent (20%) of Wenich's aggregate short-term target incentive amount is discretionary, to be determined by Wenich's immediate supervisor and approved by the compensation committee of the Board of Directors of H&R Block, Inc. For the purposes of such discretionary bonus, the discretionary payout will be based upon 100% of Wenich's discretionary target incentive amount.

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(f) Wenich shall be entitled to continue all deductions or deferrals from salary established by Wenich prior to February 21, 2000, throughout the period from February 21, 2000 through the Employment Termination Date.

5. Confidential Information. Wenich agrees that, during and after the term of this Agreement, he will not, without the prior written consent of Block, directly or indirectly use for the benefit of any person or entity other than Block, or make known, divulge or communicate to any person, firm, corporation or other entity, any confidential or proprietary information or trade secrets relating to Block, H&R Block, Inc. and Block's other affiliates revealed to, acquired by or developed by Wenich during his employment with Block or any of its affiliates including, but not limited to, information concerning business plans; strategies; acquisitions; dispositions; customers; employees; litigation or other disputes; financial results; financial matters; agreements with third parties; budgets; forecasts; marketing programs; pricing; systems; and methods of operations. Wenich will not retain after August 31, 2000, any document, record, paper, disk, computer file, tape or compilation of information relating to any of the foregoing.

6. Non-Competition Covenant. Wenich agrees that (a) during the term of this Agreement he will not accept employment in any capacity, serve as a director or officer of, or serve as a consultant to, any firm involved in any line of business in which H&R Block, Inc. and/or any of its subsidiaries are involved, and (b) during the term of this Agreement and for a period of one year following the Employment Termination Date, he will not accept employment in any capacity with, serve as a director or officer of, or serve as a consultant to, any firm involved in the income tax return preparation business.

7. Non-solicitation of Block Employees. Wenich will not solicit any Block employee or any employee of any Block parent, subsidiary or other affiliate, for employment, consultation or any other purpose whatsoever during the term of this Agreement and for the one-year period thereafter.

8. Injunctive Relief. Wenich acknowledges that, because of his employment position with Block, his training and experience with Block, its parents, subsidiaries and affiliates, and his access to confidential business and financial information about Block, its parents, subsidiaries, and affiliates, irreparable injury to Block, its parents, subsidiaries, and affiliates would result from Wenich's violation of any of the provisions of the above Paragraphs 4, 5 and 6. Wenich therefore agrees that, in addition to and without limitation of any rights Block has hereunder and under applicable law, if he violates any of the provisions of Paragraphs 4, 5 and 6 of this Agreement, Block will be entitled to specific performance and injunctive and other equitable relief. Wenich acknowledges and agrees that H&R Block, Inc. and H&R Block Tax Services, Inc. and all other affiliates of Block are third-party beneficiaries of this Agreement.

9. Conduct.

(a) Wenich's Conduct. During the period February 21, 2000, through the Employment Termination Date, Wenich will be reasonably and appropriately responsive

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to, and fully supportive of the management of Block and its affiliates and will be cooperative with such management in providing information regarding areas of his expertise and experience with Block. As a continuing employee of Block through the Employment Termination Date, Wenich will not (a) defame Block, its affiliates or their respective employees, (b) make disparaging statements to the media, to any employee or contractor of Block or its affiliates, or to any other person or entity concerning Block or any of its affiliates, their respective employees or any matter related to his employment or non-employment, or (c) do any deliberate act designed primarily to injure the business or reputation of Block or any of its affiliates.

(b) Block's Conduct. During the period February 21, 2000, through the Employment Termination Date, Block will be respectful of and reasonably responsive to and supportive of Wenich. Block will not (a) defame Wenich, (b) make disparaging statements to the media, to any employee or contractor of Block or its affiliates, or to any other person or entity regarding Wenich, his performance, character, status or any other personal or professional matter, (c) do any deliberate act designed in whole or in part to injure, embarrass or damage Wenich's reputation

10. Contracts, Commitments and Expenses. During the period February 21, 2000, through the Employment Termination Date and at all times thereafter, Wenich will not initiate, make, renew, confirm or ratify any contracts or commitments for or on behalf of Block or any of its affiliates, nor will Wenich incur any expenses on behalf of Block without Block's prior written consent., except for such expenses as Wenich is reasonably required to incur for projects, assignments or testimony as described in Paragraph 1 above. Block shall promptly reimburse Wenich for any such expenses paid by him.

11. Term and Termination. In all events, this Agreement shall terminate at the close of business on the Employment Termination Date. Notwithstanding any termination of this Agreement whatsoever, Wenich's obligations and agreements under Paragraphs 5, 6, 7, 8, 10, 12, 13, 14, 17 and 18, Block's obligations under Paragraphs 2, 3, 4 (to the extent they apply following such termination), 15, 16 and 18, and such other terms of this Agreement which by their nature should survive, will survive such termination and continue indefinitely (unless expressly limited in terms of time).

12. Release by Wenich. In consideration of Block's promise to Wenich of the compensation and benefits specified in Paragraphs 1 and 3 of this Agreement and Block's other promises and agreements set forth in this Agreement, Wenich for himself and for his relations, heirs, legal representatives and assigns unconditionally releases and forever discharges Block, H&R Block, Inc., and all other affiliates of Block, their respective present and past directors, officers, employees, agents, predecessors, successors, and assigns of and from any and all claims, demands, actions, causes of action and suits of any kind whatsoever, whether under federal or state statute, local regulation or at common law or which thereafter arise from any matter, fact, circumstance, event, happening or thing whatsoever occurring or failing to occur prior to the date of this Agreement involving Wenich's employment by Block or any affiliate of Block including, without limitation, Wenich's hiring, compensation earned as of or before the date of this Agreement, the termination of Wenich's responsibilities as an officer of

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H&R Block, Inc., and as a director and/or officer of each other affiliate of Block, Wenich's termination as an employee of Block, other obligations of Block or any other Block affiliate (except for those obligations expressly stated in this Agreement or applicable benefit plans), and further including, but not limited to, any claims for race, sex or age discrimination under the Age Discrimination in Employment Act, as amended ("ADEA"), Title VII of the Civil Rights Act of 1964, the 1991 amendments of such Civil Rights Act, the Americans with Disabilities Act, as amended, and all other federal and state statutes and common law doctrines.

13. Consideration of Release of ADEA Claims. With regard to the waiver/release of rights or claims under the ADEA, Wenich acknowledges and understands that this is a legal document and that he is legally entitled to, and has been offered, a period of twenty-one (21) days (the "Consideration Period") to consider the waiver/release of such rights or claims under this Agreement before signing it. After signing this Agreement, Wenich may revoke the waiver/release of rights or claims under the ADEA by giving written notice ("Revocation Notice") to Frank L. Salizzoni, Chief Executive Officer of Block, 4400 Main Street, Kansas City, Missouri 64111, within seven (7) days after the date of signing (such seven (7) day period, the "Revocation Period" and such date of signing, the "Signing Date"). For such revocation to be effective, the Revocation Notice must be received no later than 5:00 p.m., Kansas City, Missouri time, on the seventh (7th) day after the Signing Date. If Wenich provides the Revocation Notice to Block this Agreement will be null, void and unenforceable by either party, and Block will have no obligation to make any payments to Wenich hereunder.

14. Acknowledgements. Wenich acknowledges that Block has advised him to consult with an attorney prior to signing this Agreement or before the expiration of the Revocation Period. Wenich specifically acknowledges and agrees that either the full twenty-one (21) day Consideration Period has lapsed or he has been offered such twenty-one (21) day Consideration Period but has elected to waive and forego all of the applicable days which have not yet lapsed in such twenty-one (21) day Consideration Period. Wenich acknowledges and agrees that upon such consideration he has decided to waive and release any claims that he may have under the ADEA, pursuant to the terms of this Agreement.

15. Release by Block. In consideration of Wenich's covenants contained in this Agreement and the release contained in Paragraph 11, above, Block, for itself and its successors, assigns and affiliates, unconditionally releases and forever discharges Wenich, his heirs, legal representatives and assigns of and from any and all claims, demands, actions, causes of action, and suits of any kind whatsoever, under federal or state statute, local regulation or at common law, whether at law or in equity, which now exist or may hereafter arise from any matter, fact, circumstance, event, happening, or thing whatsoever occurring or failing to occur as of or prior to the date of this Agreement involving Wenich's employment by Block or service as a director and/or officer of Block or any affiliate of Block.

16. Indemnification by Block. To the fullest extent indemnification is permitted and available to the officers of Block and the officers of H&R Block, Inc., from time to time pursuant to Block's Articles of Incorporation, Block's Bylaws, the Amended and

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Restated Articles of Incorporation of H&R Block, Inc., and the Bylaws of H&R Block, Inc., during and after Wenich's employment by Block, and to the extent not prohibited by law, Block shall indemnify Wenich from and against all loss, costs, damages and expenses, including, without limitation, reasonable legal expenses of counsel, incurred as a direct or indirect result of any actual or threatened action, suit, proceeding or claim to which Wenich is or threatened to be made a party, or which is otherwise made or brought against Wenich, whether civil, criminal, administrative, investigative or other, by reason of the fact that Wenich was a director, officer, employee or agent of Block, H&R Block, Inc., or any other affiliate of Block, or a fiduciary within the meaning of the Employee Retirement Security Act of 1974, as amended, with respect to any employee benefit plan of Block, H&R Block, Inc., or any other affiliate of Block.

17. Return of and Use of Block Property; Consideration. Wenich will return to Block by August 31, 2000, any and all things in his possession or control relating to Block and its affiliates, including but not limited to any equipment issued to Wenich for his use offsite, all correspondence, reports, contracts, financial or budget information, personnel files, office keys, manuals, and all similar materials not specifically listed herein. Wenich will sign such officer resignations, assignments and instruments and give such other cooperation, as reasonably requested by Block or any Block affiliate and are consistent with the intent of this Agreement.

18. Non-disclosure. Wenich will not disclose the terms of this Agreement to any person or entity except to members of his immediate family and professional advisors whom he agrees to advise of this confidentiality provision, and to the extent required by a final court order, other compulsory process or other law. Block, its parent and other affiliates and their officers agree not to disclose the terms of this Agreement to any person or entity, except to its senior management, personnel responsible for implementation of the provisions herein relating to payroll and employment benefits, and professional advisors, with whom it agrees to advise of this confidentiality provision, and to the extent required by a final court order or other compulsory process, Securities and Exchange Commission disclosure regulation, or other law.

19. Access to Company Communication Systems. During the period February 21, 2000, through the Employment Termination Date, Wenich will have reasonable access at reasonable times to Block electronic mail and telephone voice mail systems; however, during this period Wenich will immediately forward all business related communications received on such systems to the Company for appropriate processing.

20. Assignment. The rights and obligations of Block under this Agreement will inure to the benefit of and will be binding upon the successors and assigns of Block. Wenich will not assign this Agreement or any rights under this Agreement.

21. Entire Agreement. This Agreement expresses fully the understandings and agreements by and between the Parties hereto, and all prior understandings, agreements or commitments of any kind, oral or written, as to any matter covered by this Agreement are hereby superseded and cancelled (except to the extent they relate to employee benefits and are not inconsistent with the terms hereof), with no further

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liabilities or obligations of the Parties with respect thereto except as to any monies due and unpaid between the Parties on the date hereof.

22. Severability. It is expressly understood to be the intent of the Parties, and mutually agreed, that the terms and provisions of this Agreement are severable and, if for any reason any of the terms and provisions of this Agreement are declared unenforceable, void, voidable or otherwise invalid, the remaining terms and provisions all remain valid and enforceable as written.

23. Governing Law. It is agreed that this Agreement will be governed by, construed and enforced in accordance with the laws (excluding conflicts rules) of the State of Missouri.

24. Amendment. This Agreement may be amended at any time and from time to time, but only by a written instrument duly authorized and executed by Block and Wenich.

25. Waiver. The failure of either party to insist upon the performance of any of the terms and conditions of this Agreement, or the waiver of any breach of any of the terms and conditions of this Agreement will not be construed as hereafter waiving any such terms and conditions, but the same will continue and remain in force and effect as if no such forbearance or waiver occurred.

26. Notice. Any notices required or permitted by this Agreement must be in writing to be effective, and shall be deemed made or given, if by certified or registered mail, return receipt requested, three days after depositing such notice in the United States mails, postage prepaid, addressed to the receiving party or, if by hand delivery, when delivered personally to Wenich or to the below-named representative of Block, as the case may be (with a copy simultaneously mailed or delivered to the person identified below as the person to whom copies are to be mailed or delivered) as follows:

If to Wenich:

To: Ozzie Wenich
3717 Marion Court
Independence, MO 64055

If to Block:

To: HRB Management, Inc.
Attention: President
4400 Main Street
Kansas City, MO 64111

with a copy to:

James H. Ingraham, Esq.
H&R Block, Inc.
4400 Main Street
Kansas City, MO 64111

27. Paragraph Headings. Paragraph headings contained in this Agreement are for convenience only and will not in any manner be construed as a part of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the day and year first above written, but, in the case of Wenich, on the

signing Date specified beneath his signature below.

HRB MANAGEMENT, INC.

/s/ Frank L. Salizzoni ----- Frank Salizzoni Chief Executive Officer	/s/ Ozzie Wenich ----- Ozzie Wenich 3-7-2000 ----- Signing Date
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EXHIBIT A

Positions and Offices held by Ozzie Wenich
As of February 21, 2000

1. H&R BLOCK, INC., a Missouri corporation
Ozzie Wenich Senior Vice President and Chief Financial Officer
2. BLOCK INVESTMENT CORPORATION, a Delaware corporation
Ozzie Wenich Senior Vice President
3. HRB MANAGEMENT, INC., a Missouri corporation
Ozzie Wenich Senior Vice President and Chief Financial Officer
4. H&R BLOCK CANADA, INC., a corporation incorporated in Canada under the
Canada Business Corporations Act
Ozzie Wenich Chief Financial Officer
5. H&R BLOCK (NOVA SCOTIA), INCORPORATED, a Nova Scotia corporation
Ozzie Wenich Director and President
6. CASHPLAN SYSTEMS, INC., a British Columbia corporation
Ozzie Wenich Chief Financial Officer
7. BLOCK FINANCIAL CORPORATION, a Delaware corporation
Ozzie Wenich Senior Vice President and Chief Financial Officer
8. FRANCHISE PARTNER, INC., a Nevada corporation
Ozzie Wenich President
9. H&R BLOCK FINANCIAL ADVISORS, INC., a Delaware corporation
Ozzie Wenich Senior Vice President, Chief Financial Officer
and Treasurer
10. H&R BLOCK INSURANCE SERVICES, INC., a Delaware corporation
Ozzie Wenich Senior Vice President, Chief Financial Officer
and Treasurer
11. HRB BUSINESS SERVICES, INC., a Delaware corporation
Ozzie Wenich Director, Senior Vice President and Chief
Financial Officer
12. C.W. AMOS BUSINESS SERVICES, INC., a Delaware corporation
Ozzie Wenich Senior Vice President and Chief Financial Officer

13. DMJK BUSINESS SERVICES, INC., a Missouri corporation
Ozzie Wenich Senior Vice President and Chief Financial Officer
14. FERS BUSINESS SERVICES, INC., a Delaware corporation
Ozzie Wenich Senior Vice President and Chief Financial Officer
15. BLOCK HOLDINGS, INC., an Illinois corporation
Ozzie Wenich Senior Vice President, Chief Financial Officer
and Treasurer
16. FERS PERSONAL FINANCIAL SERVICES, INC., a Delaware corporation
Ozzie Wenich Senior Vice President, Chief Financial Officer
and Treasurer
17. PRACTICE DEVELOPMENT INSTITUTE, INC., a Delaware corporation
Ozzie Wenich Senior Vice President and Chief Financial Officer
18. FM BUSINESS SERVICES, INC., a Delaware corporation
Ozzie Wenich Senior Vice President and Chief Financial Officer
19. FREED MAXICK ABL SERVICES, INC., a Delaware corporation
Ozzie Wenich Senior Vice President and Chief Financial Officer
20. KSM BUSINESS SERVICES, INC., a Delaware corporation
Ozzie Wenich Senior Vice President and Chief Financial Officer
21. RP BUSINESS SERVICES, INC., a Delaware corporation
Ozzie Wenich Senior Vice President and Chief Financial Officer
22. RSM MCGLADREY, INC., a Delaware corporation
Ozzie Wenich Senior Vice President, Chief Financial Officer
and Treasurer
23. WS BUSINESS SERVICES, INC., a Delaware corporation
Ozzie Wenich Senior Vice President and Chief Financial Officer
24. COMPANION INSURANCE, LTD., a Bermuda corporation
Ozzie Wenich Director and Senior Vice President
25. H&R BLOCK TAX AND FINANCIAL SERVICES LIMITED, a United Kingdom corporation
Ozzie Wenich Director

H&R BLOCK, INC.
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 (AMOUNTS IN THOUSANDS)

EXHIBIT 12

	2000 -----	1999 -----	1998 -----	1997 -----	1996 -----
Pretax income from continuing operations (a)	\$ 412,266 =====	\$ 383,541 =====	\$ 296,433 =====	\$ 232,083 =====	\$ 200,006 =====
FIXED CHARGES:					
Interest expense	153,500	69,338	38,899	608	-
Interest portion of net rent expense (b)	45,274 -----	33,218 -----	28,248 -----	25,998 -----	21,781 -----
Total fixed charges	198,774 -----	102,556 -----	67,147 -----	26,606 -----	21,781 -----
Earnings before income taxes and fixed charges	\$ 611,040 =====	\$ 486,097 =====	\$ 363,580 =====	\$ 258,689 =====	\$ 221,787 =====
Ratio of earnings to fixed charges (c)	3.1 =====	4.7 =====	5.4 =====	9.7 =====	10.2 =====

- (a) Pretax income from continuing operations is shown with CompuServe Corporation and the Credit Card Segment as Discontinued Operations for all years presented.
- (b) One-third of net rent expense is the portion deemed representative of the interest factor.
- (c) The decrease in the ratio of earnings to fixed charges in 1998 is primarily attributable to the acquisition of Option One Mortgage Corporation on June 17, 1997. Without the interest expense incurred on the long-term debt issued to acquire Option One and the interest expense on mortgage loan borrowings the ratio of earnings to fixed charges would have been 10.0.

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

RESULTS OF OPERATIONS

SIGNIFICANT EVENTS IN FISCAL 2000

On December 1, 1999, the Company completed the purchase of all the issued and outstanding shares of capital stock of OLDE Financial Corporation ("OLDE"), parent of OLDE Discount Corporation, a leading discount broker in the United States. OLDE Discount Corporation offers brokerage and other financial services through a nationwide network of approximately 1,400 registered representatives located in 105 OLDE offices and, since the acquisition, in 93 H&R Block Financial Centers. The purchase price was \$850 million in cash plus net tangible book value payments of \$48.5 million. The purchase agreement also provides for possible future contingent consideration, payable for up to five years after the acquisition based upon revenues generated from certain online brokerage services. The transaction was accounted for as a purchase, and accordingly, OLDE's results are included since the date of acquisition.

On August 2, 1999, the Company, through a subsidiary, RSM McGladrey, Inc. ("RSM McGladrey"), completed the purchase of substantially all of the non-attest assets of McGladrey & Pullen, LLP. McGladrey & Pullen, LLP was the nation's seventh largest accounting and consulting firm with more than 70 offices located primarily in the Eastern, Midwestern, Northern and Southwestern United States. This acquisition significantly increased the size of the Business services segment, new last year, which is primarily engaged in providing accounting, tax and consulting services to business clients, and tax, estate planning and financial planning services to individuals. The purchase price was \$240 million in cash payments over four years and the assumption of certain pension liabilities with a present value of \$52.7 million. The purchase agreement also provides for possible future contingent consideration based on a calculation of earnings in years two, three and four after the acquisition. In addition, the Company made cash payments of \$65.5 million for outstanding accounts receivable and work-in-process that have been repaid to the Company. During the year, the Company also acquired several accounting firms with total purchase prices aggregating \$18.5 million. The acquisitions were all accounted for as purchases, and accordingly, results for each acquisition are included since the date of acquisition.

SIGNIFICANT EVENTS IN FISCAL 1999

On January 29, 1999, the Company completed the sale of its credit card portfolio. The Company recorded a \$20.9 million loss, net of taxes, on the transaction. The consolidated statements of earnings for all periods presented reflect the Company's Credit card operations segment as discontinued operations.

During fiscal year 1999, the Company acquired six regional accounting firms and several smaller market firms, which are included in the Business services segment. The initial purchase prices aggregated \$102.3 million. Each acquisition was accounted for as a purchase, and accordingly, results for each acquisition are included since the date of acquisition.

NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended in June 2000 ("SFAS 133"), effective for the Company's fiscal year ending April 30, 2001. However, in June 1999, the FASB issued Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133" ("SFAS 137"). SFAS 137 delays the effective date of SFAS 133, which will now be effective for the Company's fiscal year ending April 30, 2002. SFAS 133 requires companies to record derivative instruments as assets or liabilities, measured at fair value. The recognition of gains or losses resulting from changes in the values of those derivative instruments is based on the use of each derivative instrument and whether it

qualifies for hedge accounting. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in fair value or cash flows. The Company does not anticipate that the implementation of SFAS 133 will have a material impact on the consolidated financial statements.

In March 2000, FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" ("FIN 44") was issued and is effective July 1, 2000. FIN 44 clarifies the application of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," with respect to the definition of an employee, the criteria for noncompensatory plans, the consequences of modifying previous awards and the exchange of stock compensation awards in business combinations. The Company has not yet determined the effect of FIN 44 on the consolidated financial statements.

In December 1999, the Securities and Exchange Commission ("SEC") issued SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 summarizes certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. The effective date of SAB 101 was delayed and SAB 101 will be effective for the Company in the fourth quarter of fiscal year 2001. The Company is reviewing the requirements of SAB 101 and currently believes that its revenue recognition policy is consistent with the guidance of SAB 101.

2000 COMPARED TO 1999 CONSOLIDATED RESULTS

Revenues increased 49.1% to \$2.5 billion compared to \$1.6 billion last year. Net earnings from continuing operations increased 5.9% to \$251.9 million from \$237.8 million in the prior year. Basic net earnings per share from continuing operations increased to \$2.57 from \$2.38 last year. Diluted net earnings per share from continuing operations increased to \$2.55 from \$2.36 last year. Earnings from continuing operations before interest (including interest expense on acquisition debt, investment income and interest allocated to operating business units), taxes, depreciation and amortization (EBITDA) increased 36.3% to \$598.0 million from \$438.8 million last year.

The pretax amortization expense of acquired intangible assets increased 172.2% in fiscal 2000 to \$66.3 million from \$24.4 million in fiscal 1999. Excluding the after-tax impact of this expense, net earnings from continuing operations were \$304.4 million, or \$3.08 per diluted share in fiscal 2000, compared to \$254.2 million, or \$2.52 per diluted share the prior year, increases of 19.7% and 22.2%, respectively.

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

U.S. TAX OPERATIONS

This segment is primarily engaged in providing tax return preparation, filing and related services to the general public in the United States. Tax-related service revenue includes fees from company-owned tax offices and royalties from franchised offices. This segment also purchases participation interests in refund anticipation loans made by a third-party

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lending institution which are offered to tax clients; provides tax preparation and other personal productivity software to the general public; and provides online tax preparation and other services to the general public through the hrblock.com Web site.

Revenues increased 13.7% to \$1.4 billion from \$1.3 billion last year. Combined tax preparation and electronic filing fees generated from clients visiting a tax office increased \$138.1 million, or 13.8%, due to pricing increases and a 2.2% increase in clients served in company-owned offices. Fees associated with participation interests in refund anticipation loans ("RALs") decreased 0.4% to \$89.8 million due to lower pricing as a result of the Internal Revenue Service reinstatement of the Debt Indicator Program and a pilot program

offering RALs with no bank charge in certain geographical areas. These two factors decreased the average revenue per RAL by 22.8%. Royalty revenues increased 11.6% to \$127.4 million due to pricing increases and a 2.6% increase in clients served by franchises. Revenues from software and online tax services increased \$7.2 million, or 21.5%, due to an increase in electronic filing fees generated through the clients' use of the Company's tax preparation software and online filing through the Web site, as well as an increase in the number of software units sold.

Operating earnings increased 1.9% to \$320.0 million from \$314.1 million last year. The pretax margin decreased to 22.4% from 25.0% in 1999, due to higher spending related to new initiatives and overstaffing in tax offices in April due to anticipated client demand that did not occur. New initiatives included the start-up of E-commerce services, the offer of RALs with no bank charge, and the new prepaid spending card program, Refund Rewards(TM). EBITDA was \$386.5 million for fiscal 2000, up from \$363.5 million last year.

INTERNATIONAL TAX OPERATIONS

This segment is primarily engaged in providing tax return preparation, filing and related services to the general public in Canada, Australia and the United Kingdom. Tax-related service revenue includes fees from company-owned tax offices and royalties from franchised offices.

Revenues increased 9.1% to \$81.5 million from \$74.7 million last year. Pretax earnings increased 93.7% to \$4.9 million from \$2.5 million in 1999, and the pretax margin increased to 6.0% from 3.4% last year. The increase in revenues and pretax earnings is due to better results in Australia and Canada. EBITDA was \$10.4 million, up from \$8.3 million in 1999.

Australia's revenues increased 20.9% to \$17.6 million from \$14.5 million last year. Pretax earnings increased 40.7% to \$3.2 million from \$2.3 million. These results reflect the strong Australian dollar. The increases are due to a 12.7% increase in volume in company-owned offices, along with an increase in pretax margins to 18.1% from 15.6% last year.

Canada's revenues increased 4.4% to \$61.1 million from \$58.5 million in 1999. Pretax earnings increased 26.0% to \$3.0 million from \$2.4 million last year. The number of regular returns prepared in company-owned offices decreased 8.2%, while the number of cash back returns prepared increased 7.6%. The improvement in pretax earnings is primarily due to the lowering of certain expenses from closing less profitable offices and improved expense control.

Revenues in the United Kingdom increased 130.5% to \$1.6 million from \$692 thousand last year. Pretax losses decreased 23.5% to \$2.0 million from \$2.6 million last year. The improved results were primarily due to a March 1999 acquisition and increased revenue in existing tax offices, leveraged over certain fixed costs.

FINANCIAL SERVICES

In the second quarter of fiscal year 2000, management redefined its Mortgage operations segment to reflect a change in how the business is analyzed and evaluated. The redefined segment, Financial services, includes all of the Company's previous mortgage activity along with the start up of financial services operations. The Financial services segment is engaged in the origination, purchase, servicing, securitization and sale of nonconforming and conforming mortgage loans, as well as offering full-service investment opportunities to the general public in the United States. Mortgage origination services are offered through a network of mortgage brokers in 48 states, through 18 H&R Block Financial Centers and through H&R Block Mortgage Corporation retail offices in 48 states. Financial planning and investment advice are offered through 93 H&R Block Financial Centers and 105 OLDE offices, and stocks, bonds, mutual funds and other products and securities are offered through a nationwide network of approximately 1,700 registered representatives.

Revenues increased 140.0% to \$623.8 million from \$259.9 million in 1999. Pretax earnings increased 112.3% to \$129.8 million from \$61.1 million last year. The increase in both revenues and pretax earnings is primarily due to the first time inclusion of OLDE's financial results for the five months ended April 30, 2000, as well as favorable results from mortgage operations. EBITDA increased to \$175.8 million from \$77.1 million in 1999.

Since the acquisition date, OLDE contributed revenues of \$253.9 million and pretax earnings of \$66.8 million, driven by high market trading volume yielding over 1.8 million trades. At April 30, 2000, OLDE had 658,000 active accounts and managed client assets of \$44 billion.

Option One reported revenues of \$322.0 million, up 45.3% from \$221.6 million last year. Pretax earnings increased 49.9% to \$95.0 million from \$63.4 million in 1999. Option One originated \$5.7 billion of loans in fiscal 2000, up 58.0% from \$3.6 billion last year, and sold or securitized \$6.1 billion of loans, up 73.7% from \$3.5 billion last year. At April 30, 2000, Option One's servicing portfolio was 114,300 loans totaling \$11.3 billion, up from 65,300 loans totaling \$6.5 billion at April 30, 1999. The increase in loans serviced, originated and sold drove Option One's revenue increase. Although certain expenses increased as Option One pursued growth plans, the increase in revenues and contribution margins exceeded the higher expenses and led to the increase in pretax earnings.

BUSINESS SERVICES

This segment is primarily engaged in providing accounting, tax and consulting services to business clients and tax, estate planning and financial planning services to individuals. Services are provided through 100 offices located throughout the United States.

Revenues increased to \$310.9 million from \$47.3 million in 1999. Pretax earnings increased 140.3% to \$17.1 million from \$7.1 million last year. The increase in both revenues and pretax earnings is largely due to the first time inclusion in fiscal 2000 of RSM McGladrey financial results for the nine months ended April 30, 2000, and the inclusion for the entire year in fiscal 2000 of the results from six regional accounting firms acquired at various times during fiscal 1999. EBITDA increased to \$46.2 million from \$10.5 million last year.

INVESTMENT INCOME, NET

Net investment income decreased 74.2% to \$8.3 million from \$32.2 million in the prior year. The decrease is a result of less cash available for

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investment due to business acquisitions and share repurchases throughout fiscal 2000. Intercompany interest increased \$4.3 million to \$9.2 million due to higher funding required for the operating activities of the Financial services segment.

UNALLOCATED CORPORATE AND OTHER

The unallocated corporate pretax loss increased to \$20.9 million from \$20.7 million in 1999. Interest expense on debt incurred for business acquisitions increased 216.0% to \$56.1 million from \$17.8 million in 1999. The increase is due to borrowings associated with RSM McGladrey and OLDE acquisitions during fiscal 2000.

INCOME TAX EXPENSE

The effective tax rate for fiscal 2000 increased to 38.9% from 38.0% in fiscal 1999. The increase is primarily due to non-deductible amortization of goodwill and other intangible assets related to the OLDE acquisition.

1999 COMPARED TO 1998

CONSOLIDATED RESULTS

Revenues increased 29.5% to \$1.6 billion compared to \$1.3 billion in 1998. Net earnings from continuing operations increased 29.4% to \$237.8 million from \$183.8 million in the prior year. Basic net earnings per share from continuing operations increased to \$2.38 from \$1.75 in the prior year. Diluted net earnings per share from continuing operations increased to \$2.36 compared to \$1.71 in 1998. The net effect of the share repurchase program in 1999 was to increase earnings per share approximately \$.05.

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

U.S. TAX OPERATIONS

Revenues increased 20.1% to \$1.3 billion from \$1.0 billion in 1998. Combined tax preparation and electronic filing fees increased \$147.5 million, or 17.3%, due to a 4.5% increase in the number of clients served, higher fees due to complexity and price increases. Fees associated with participation interests in

RALs increased 69.1% over 1998 to \$90.2 million reflecting a 40.4% increase in the number of RAL participations over 1998 due to the increase in the Company's participation percentage to 49.9% from 40% in 1998. Royalties increased by \$12.0 million, or 11.7%, reflecting an increase in the number of clients served by franchises as well as increases in pricing. Software revenues increased \$14.2 million, or 74.0%, as a result of increased market penetration.

Operating earnings increased 24.5% to \$314.1 million from \$252.2 million in 1998. The pretax margin increased to 25.0% from 24.1%. The improved margin resulted from higher revenues spread over a significant portion of fixed operating expenses, such as occupancy expenses, a lower bad debt rate associated with the RAL program and improved results from software sales.

INTERNATIONAL TAX OPERATIONS

Revenues decreased 8.6% to \$74.7 million from \$81.8 million in 1998. Pretax earnings declined 78.9% to \$2.5 million from \$11.9 million in the prior year, and the pretax margin decreased to 3.4% from 14.6% in the prior year. The downturn in both revenues and pretax earnings is due to disappointing results from Canada.

As compared to 1998, Canada's revenues declined 9.6% to \$58.5 million and pretax earnings declined 77.6% to \$2.4 million. Results were affected by several factors. The number of customers served in company-owned offices declined 6.1%, resulting in the revenue decline. The Canadian government's expanded efforts to provide free assistance to low-income Canadians contributed to the decrease in clients served. In addition, operating expenses, such as depreciation, advertising and rent, increased significantly due to continued office expansion.

A weaker Australian dollar also affected international results when translated into U.S. currency. In U.S. dollars, Australia's revenues declined 7.4% to \$14.5 million and pretax earnings increased 1.7% to \$2.3 million. However, in Australian dollars, pretax earnings increased 33.2% to \$4.0 million, while revenues were up 11.6% to \$24.2 million. The increase in Australian dollar revenues and pretax earnings is due to a 5.2% increase in clients served.

In the United Kingdom, the cost of operating 20 company-owned offices for a full year compared with a partial year in 1998 resulted in a pretax loss of \$2.6 million, up 62.8% from the prior year. The Company is continuing its efforts to build a customer base in the U.K.

FINANCIAL SERVICES

In 1999, this segment was defined as Mortgage operations. In fiscal 2000 it was redefined, as previously discussed. Revenues increased 91.4% over 1998 to \$259.9 million. Pretax earnings increased 109.4% to \$61.1 million from \$29.2 million in 1998. The increase in both revenues and pretax earnings is largely due to Option One, which reported revenues of \$221.6 million and pretax earnings of \$63.4 million. Option One originated \$3.6 billion of loans in fiscal 1999, up 74.8% from 1998. At April 30, 1999, Option One's servicing portfolio was 65,300 loans totaling \$6.5 billion.

BUSINESS SERVICES

A new segment in 1999, Business services reported revenues of \$47.3 million and pretax earnings of \$7.1 million. During fiscal year 1999, six regional accounting firms and several smaller market firms were acquired.

INVESTMENT INCOME, NET

Net investment income increased 25.9% to \$32.2 million from \$25.6 million in 1998, primarily as a result of an increase in the amount of cash available for investment throughout fiscal 1999.

UNALLOCATED CORPORATE AND OTHER

The unallocated corporate and administrative pretax loss, including intercompany interest, increased to \$15.8 million from \$8.8 million in the prior year, largely due to increased charitable contributions, increased wages and employee benefits, and lower earnings from the Company's captive insurance subsidiary. Interest expense on long-term debt increased 29.3% to \$17.8 million, reflecting twelve months of expense in fiscal 1999 versus ten months in fiscal 1998.

INCOME TAX EXPENSE

The effective tax rate in fiscal 1999 of 38.0% remained unchanged from 1998.

LIQUIDITY AND CAPITAL RESOURCES

Cash and marketable securities, excluding trading securities, were \$573.3 million at April 30, 2000, compared to \$420.6 million at the end of 1999. Working capital decreased to \$343.1 million at April 30, 2000 from \$533.6 million last year and the working capital ratio declined to

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1.10 to 1 from 1.96 to 1 last year. The decline in working capital primarily resulted from an increase in short-term borrowings related to the OLDE acquisition.

The Company maintains lines of credit to support short-term borrowing facilities in the United States and Canada. The credit limits of these lines fluctuate according to the amount of short-term borrowings outstanding during the year.

In Canada, from January through April each year, the Company uses Canadian borrowings to purchase refunds due its clients from Revenue Canada. Maturities of these borrowings range from 30 to 90 days. Net accounts receivable at April 30, 2000 and 1999 include amounts due from Revenue Canada of \$17.1 million and \$11.3 million, respectively.

The Company incurs short-term borrowings throughout the year to fund receivables associated with its mortgage loans and other financial services programs, and generated by the Business services segment. The Company also used short-term borrowings in January through April to purchase a participation interest ranging from 25% to 49.9% in certain RALs through its agreement with Household Bank. These short-term borrowings in the U.S. are supported by a \$1.89 billion back-up credit facility through November 2000, subject to renewal. Short-term borrowings at April 30, 2000 totaled \$283.8 million, up from \$71.9 million last year. In addition to mortgage loans, the borrowings at year-end primarily relate to a portion of the financing for the OLDE acquisition. The OLDE acquisition was initially funded through short-term borrowings, a portion of which were subsequently paid down through the issuance of Senior Notes.

Historically, short-term borrowings primarily represented funding of mortgage loans. In April 2000, the Company entered into off-balance sheet financing arrangements and whole-loan sale arrangements for Option One. This financing lowered short-term borrowings by approximately \$1.2 billion and included a \$1.0 billion loan securitization, of which \$780 million was delivered in April, and the transfer of \$424 million of loans to an unconsolidated special purpose entity.

In April 2000, the Company issued \$500 million of 8 1/2% Senior Notes, due 2007. The Senior Notes are not redeemable prior to maturity. The net proceeds of this transaction were used to repay a portion of the initial short-term borrowings for the OLDE acquisition.

In October 1997, the Company issued \$250 million of 6 3/4% Senior Notes, due 2004. The Senior Notes are not redeemable prior to maturity. The net proceeds of this transaction were used to repay short-term borrowings which initially funded the acquisition of Option One.

Long-term debt at April 30, 2000 was comprised of the \$750 million of Senior Notes described above, future payments related to the acquisitions of RSM McGladrey and other accounting firms and capital lease obligations. The current portion of long-term debt was \$68.0 million, up from \$4.7 million last year, and represents payments to be made during fiscal 2001 for accounting firm acquisitions and capital lease obligations. Stockholders' equity at April 30, 2000 and 1999 was \$1.2 billion and \$1.1 billion, respectively. The Company's debt to equity ratio at April 30, 2000 was 1 to 1, compared with .3 to 1 last year.

Utilizing the U.S. commercial paper program and off-balance sheet financing arrangements described above, the Company originates and purchases mortgage loans. As part of its risk management strategy prior to securitization or sale, the Company may choose to hedge its interest rate risk related to its fixed rate mortgage portfolio by selling short FNMA mortgage-backed securities and utilizing forward loan sale commitments. The Company purchases these financial instruments from certain broker-dealer counterparties. The Company's policy is to utilize such financial instruments only for the purpose of offsetting or

reducing the risk of loss associated with a defined or quantified exposure. As a matter of practice, the Company limits the counterparties to major banks and financial institutions.

Management anticipates a higher level of capital expenditures in 2001, exclusive of acquisitions, than in fiscal 2000. Capital expenditures are expected to increase largely due to the full-year effect of significant acquisitions during fiscal 2000, along with deployment of the Company's business strategy. The Company will continue to use short-term financing in the United States to finance various financial activities conducted by Block Financial Corporation and in Canada to finance the Canadian refund discount program.

The Company announced in March 2000 its intention to repurchase from time to time up to 12 million of its shares on the open market. At April 30, 2000, 415.5 thousand shares had been repurchased under this authorization. The Company intends to continue to purchase its shares on the open market in accordance with this authorization, subject to various factors including the price of the stock, availability of excess cash, the ability to maintain financial flexibility, securities laws restrictions and other investment opportunities available.

OTHER ISSUES

The Notes to Consolidated Financial Statements, as well as other information contained in this Annual Report to Shareholders may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements are based upon current information, expectations, estimates and projections regarding the Company, the industry and the markets in which the Company operates and management's assumptions and beliefs relating thereto. Words such as "will," "expect," "intend," "plan," "wish," "estimate," "approximate," and variations thereof and similar expressions are intended to identify such forward-looking statements. These statements speak only as of the date on which they are made, are not guarantees of future performance, and involve certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results could materially differ from what is expressed, implied or forecast in such forward-looking statements. Such differences could be caused by a number of factors including, but not limited to, the uncertainty of laws, legislation, regulations, supervision and licensing by federal, state and local government and self-regulatory authorities and their impact on the lines of business in which the Company's subsidiaries are involved; unforeseen compliance costs; changes in economic, political or regulatory environments; changes in competition and the effects of such changes; the inability to implement the Company's strategies; changes in management and management strategies; the Company's inability to successfully design, create, modify and operate its computer systems and networks; litigation involving the Company; and risks described from time to time in reports and registration statements filed by the Company and its subsidiaries with the Securities and Exchange Commission. Readers should take these factors into account in evaluating any such forward-looking statements. The Company undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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CONSOLIDATED STATEMENTS OF EARNINGS AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

Year Ended April 30	2000	1999	1998
<hr style="border-top: 1px dashed black;"/>			
REVENUES:			
Service revenues	\$1,924,911	\$1,324,494	\$1,047,181
Product sales	271,896	174,124	103,717
Royalties	137,162	123,201	111,142
Other	117,974	22,846	7,941
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
	2,451,943	1,644,665	1,269,981
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
EXPENSES:			
Employee compensation and benefits	963,536	610,866	483,951
Occupancy and equipment	253,171	182,701	157,995
Interest	153,500	69,338	38,899

Depreciation and amortization	147,218	74,605	54,972
Marketing and advertising	140,683	90,056	71,594
Supplies, freight and postage	64,599	57,157	51,705
Bad debt	51,719	71,662	53,736
Other	273,902	133,206	85,612
	-----	-----	-----
	2,048,328	1,289,591	998,464
	-----	-----	-----
Operating earnings	403,615	355,074	271,517
OTHER INCOME:			
Investment income, net	8,313	32,234	25,596
Other, net	338	(3,767)	(680)
	-----	-----	-----
	8,651	28,467	24,916
	-----	-----	-----
Earnings from continuing operations before income taxes	412,266	383,541	296,433
Taxes on earnings	160,371	145,746	112,645
	-----	-----	-----
NET EARNINGS FROM CONTINUING OPERATIONS	251,895	237,795	183,788
Net loss from discontinued operations (less applicable income tax benefit of (\$953) and (\$13,183))	-	(1,490)	(23,525)
Net gain (loss) on sale of discontinued operations (less applicable income taxes (benefit) of (\$13,387) and \$251,701)	-	(20,939)	231,867
	-----	-----	-----
NET EARNINGS	\$ 251,895	\$ 215,366	\$ 392,130
	=====	=====	=====
BASIC NET EARNINGS PER SHARE:			
Net earnings from continuing operations	\$ 2.57	\$ 2.38	\$ 1.75
Net earnings (loss) from discontinued operations	-	(.22)	1.99
	-----	-----	-----
Net earnings	\$ 2.57	\$ 2.16	\$ 3.74
	=====	=====	=====
DILUTED NET EARNINGS PER SHARE:			
Net earnings from continuing operations	\$ 2.55	\$ 2.36	\$ 1.71
Net earnings (loss) from discontinued operations	-	(.22)	1.94
	-----	-----	-----
Net earnings	\$ 2.55	\$ 2.14	\$ 3.65
	=====	=====	=====

See notes to consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS
AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA

April 30	2000	1999

ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 379,901	\$ 193,240
Marketable securities - available-for-sale	16,966	56,881
Marketable securities - trading	45,403	-
Receivables from customers, brokers, dealers and clearing organizations, less allowance for doubtful accounts of \$759	2,857,379	-
Receivables, less allowance for doubtful accounts of \$49,602 and \$61,872	434,722	743,301
Prepaid expenses and other current assets	129,172	94,000
	-----	-----
Total current assets	3,863,543	1,087,422
INVESTMENTS AND OTHER ASSETS:		
Investments in available-for-sale marketable securities	176,395	170,528
Excess of cost over fair value of net tangible assets acquired, less accumulated amortization of \$130,305 and \$64,414	1,095,074	405,534
Other	303,672	132,470
	-----	-----
	1,575,141	708,532
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation and amortization of \$214,145 and \$193,549	260,666	114,222
	-----	-----
	\$ 5,699,350	\$ 1,910,176
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	\$ 283,797	\$ 71,939
Accounts payable to customers, brokers and dealers	2,570,200	-
Accounts payable, accrued expenses and deposits	222,362	163,911
Accrued salaries, wages and payroll taxes	173,333	161,590
Accrued taxes on earnings	202,779	151,659
Current portion of long-term debt	67,978	4,730
	-----	-----
Total current liabilities	3,520,449	553,829

LONG-TERM DEBT	872,396	249,725
OTHER NONCURRENT LIABILITIES	87,916	44,635
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, no par, stated value \$.01 per share, authorized 400,000,000 shares	1,089	1,089
Convertible preferred stock, no par, stated value \$.01 per share, authorized 500,000 shares	-	-
Additional paid-in capital	420,594	420,658
Accumulated other comprehensive income (loss)	(26,241)	(23,400)
Retained earnings	1,277,324	1,130,909
	-----	-----
	1,672,766	1,529,256
Less cost of common stock in treasury	454,177	467,269
	-----	-----
	1,218,589	1,061,987
	-----	-----
	\$ 5,699,350	\$ 1,910,176
	=====	=====

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
AMOUNTS IN THOUSANDS

Year Ended April 30	2000	1999	1998

CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	\$ 251,895	\$ 215,366	\$ 392,130
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	147,218	74,605	54,972
Provision for bad debt	51,719	71,662	53,736
Accretion of acquisition liabilities	10,641	-	-
Provision for deferred taxes on earnings	(15,767)	1,739	(15,639)
Net (gain) loss on sales of operating units	14,501	20,939	(231,867)
Net gain on sales of available-for-sale securities	(11,697)	(4,124)	(1,720)
Changes in assets and liabilities, net of acquisitions:			
Receivables from customers, brokers, dealers and clearing organizations	(893,435)	-	-
Receivables	(409,690)	112,073	(98,463)
Mortgage loans held for sale:			
Originations and purchases	(5,967,895)	(4,290,207)	(2,330,349)
Sales and principal repayments	6,442,094	4,201,187	2,443,725
Marketable securities - trading	6,899	-	-
Prepaid expenses and other current assets	(34,117)	(27,952)	(27,618)
Accounts payable to customers, brokers and dealers	868,012	-	-
Accounts payable, accrued expenses and deposits	3,732	46,029	(82,469)
Accrued salaries, wages and payroll taxes	13,683	55,178	(10,965)
Accrued taxes on earnings	54,797	(260,458)	28,118
Other, net	(27,314)	16,757	21,609
	-----	-----	-----
Net cash provided by operating activities	505,276	232,794	195,200
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of available-for-sale securities	(14,281)	(251,627)	(882,378)
Maturities of available-for-sale securities	57,416	211,239	38,961
Sales of available-for-sale securities	211,836	522,252	1,321,716
Purchases of property and equipment, net	(113,032)	(78,823)	(46,326)
Payments made for business acquisitions, net of cash acquired	(971,802)	(123,657)	(265,683)
Other, net	(42,918)	(28,441)	(41,508)
	-----	-----	-----
Net cash provided by (used in) investing activities	(872,781)	250,943	124,782
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of notes payable	(50,800,661)	(17,276,595)	(11,090,798)
Proceeds from issuance of notes payable	51,012,519	16,593,978	11,008,018
Proceeds from issuance of long-term debt	495,800	-	249,650
Dividends paid	(105,480)	(95,004)	(83,635)
Payments to acquire treasury shares	(50,654)	(492,945)	(18,351)
Proceeds from stock options exercised	36,958	79,961	58,881
Other, net	(34,316)	(748)	30
	-----	-----	-----
Net cash provided by (used in) financing activities	554,166	(1,191,353)	123,795
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	186,661	(707,616)	443,777
Cash and cash equivalents at beginning of the year	193,240	900,856	457,079
	-----	-----	-----
Cash and cash equivalents at end of the year	\$ 379,901	\$ 193,240	\$ 900,856
	=====	=====	=====
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Income taxes paid	\$ 122,447	\$ 394,273	\$ 102,396
	-----	-----	-----
Interest paid	141,577	71,431	50,302
	-----	-----	-----

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AMOUNTS IN THOUSANDS

	Common Stock		Convertible Preferred Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (loss)	Total Equity
	Shares	Amount	Shares	Amount			Shares	Amount		
Balances at May 1, 1997	108,973	\$ 1,089	407	\$ 4	\$ 502,308	\$ 702,098	(4,905)	\$ (188,375)	\$ (18,027)	\$ 999,097
Net earnings for the year	-	-	-	-	-	392,130	-	-	-	-
Unrealized loss on translation	-	-	-	-	-	-	-	-	(5,290)	-
Change in net unrealized gain on marketable securities	-	-	-	-	-	-	-	-	(1,200)	-
Comprehensive income	-	-	-	-	-	-	-	-	-	385,640
Stock options exercised	-	-	32	-	(1,832)	-	1,578	60,882	-	59,050
Conversion of Convertible Preferred Stock	-	-	(436)	(4)	(68,018)	-	1,744	68,022	-	-
Cancellation of Convertible Preferred Stock	-	-	(1)	-	(123)	(46)	-	-	-	(169)
Acquisition of treasury shares	-	-	-	-	-	-	(409)	(18,351)	-	(18,351)
Cash dividends paid - \$.80 per share	-	-	-	-	-	(83,635)	-	-	-	(83,635)
Balances at April 30, 1998	108,973	1,089	2	-	432,335	1,010,547	(1,992)	(77,822)	(24,517)	1,341,632
Net earnings for the year	-	-	-	-	-	215,366	-	-	-	-
Unrealized loss on translation	-	-	-	-	-	-	-	-	(1,525)	-
Change in net unrealized gain on marketable securities	-	-	-	-	-	-	-	-	2,642	-
Comprehensive income	-	-	-	-	-	-	-	-	-	216,483
Stock options exercised	-	-	-	-	(12,042)	-	2,175	90,462	-	78,420
Restricted stock granted	-	-	-	-	(81)	-	37	1,544	-	1,463
Stock issued for acquisition	-	-	-	-	807	-	268	11,053	-	11,860
Conversion of Convertible Preferred Stock	-	-	(2)	-	(361)	-	11	439	-	78
Acquisition of treasury shares	-	-	-	-	-	-	(11,843)	(492,945)	-	(492,945)
Cash dividends paid - \$.95 per share	-	-	-	-	-	(95,004)	-	-	-	(95,004)
Balances at April 30, 1999	108,973	1,089	-	-	420,658	1,130,909	(11,344)	(467,269)	(23,400)	1,061,987
Net earnings for the year	-	-	-	-	-	251,895	-	-	-	-
Unrealized loss on translation	-	-	-	-	-	-	-	-	(2,647)	-
Change in net unrealized gain on marketable securities	-	-	-	-	-	-	-	-	(194)	-
Comprehensive income	-	-	-	-	-	-	-	-	-	249,054
Stock options exercised	-	-	-	-	(1,567)	-	1,023	42,268	-	40,701
Restricted stock granted	-	-	-	-	200	-	43	1,781	-	1,981
Stock issued for acquisition	-	-	-	-	1,306	-	475	19,694	-	21,000
Conversion of Convertible Preferred Stock	-	-	-	-	(3)	-	1	3	-	-
Acquisition of treasury shares	-	-	-	-	-	-	(1,136)	(50,654)	-	(50,654)
Cash dividends paid - \$1.075 per share	-	-	-	-	-	(105,480)	-	-	-	(105,480)
Balances at April 30, 2000	108,973	\$ 1,089	-	\$-	\$ 420,594	\$1,277,324	(10,938)	\$ (454,177)	\$ (26,241)	\$1,218,589

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS: The operating subsidiaries of H&R Block, Inc. provide a variety of services to the general public, principally in the United States, but also in Canada, Australia and other foreign countries. Approximately 62% of total revenues for the year ended April 30, 2000 were generated from tax return preparation, electronic filing of tax returns and other tax-related services. Certain of these subsidiaries also originate, purchase, service, sell and securitize nonconforming and conforming mortgages, offer investment services through broker-dealers, offer personal productivity software, purchase participation interests in refund anticipation loans made by a third-party lending institution, and offer accounting, tax and consulting services to

business clients.

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of H&R Block, Inc. (the "Company"), all majority-owned subsidiaries and companies that are directly or indirectly controlled by the Company through majority ownership or otherwise. All material intercompany transactions and balances have been eliminated.

Some of the Company's subsidiaries operate in regulated industries, and their underlying accounting records reflect the policies and requirements of these industries.

RECLASSIFICATIONS: Certain reclassifications have been made to prior year amounts to conform with the current year presentation.

MANAGEMENT ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS: Cash and cash equivalents include cash on hand and due from banks, securities purchased under agreements to resell and short-term highly liquid investments with maturities of three months or less when purchased. For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The Company's broker-dealers purchase securities under agreements to resell and account for them as collateralized financings. The securities are carried at the amounts at which the securities will be subsequently resold, as specified in the respective agreements. Collateral relating to investments in repurchase agreements is held by independent custodian banks. The securities are revalued daily and collateral added whenever necessary to bring market value of the underlying collateral equal to or greater than the repurchase specified in the contracts.

MARKETABLE SECURITIES - AVAILABLE-FOR-SALE: Certain marketable debt and equity securities are classified as available-for-sale, based on management's intentions, and are carried at market value, based on quoted prices, with unrealized gains and losses included in stockholders' equity.

Residual interests in securitizations of real estate mortgage investment conduits are recorded as a result of the Company's securitization of mortgage loans through various special-purpose trust vehicles. These residual interests are classified as available-for-sale securities, and are carried at market value, based on a discounted cash flow model, with unrealized gains and losses included in other comprehensive income. The residual interests are amortized over the estimated lives of the loans to which they relate.

The cost of marketable securities sold is determined on the specific identification method and realized gains and losses are reflected in earnings.

MARKETABLE SECURITIES - TRADING: All marketable securities-trading are held by the Company's broker-dealers. Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" is not applicable to broker-dealers. These securities are carried at market value, based on quoted prices, with unrealized gains and losses included in earnings.

RECEIVABLES FROM CUSTOMERS, BROKERS, DEALERS AND CLEARING ORGANIZATIONS AND ACCOUNTS PAYABLE TO CUSTOMERS, BROKERS, AND DEALERS: Customer receivables and payables consist primarily of amounts due on margin and cash transactions. These receivables are collateralized by customers' securities held, which are not reflected in the accompanying consolidated financial statements.

Receivables from brokers are generally collected within 30 days and are collateralized by securities in physical possession of, on deposit with or receivable from customers or other brokers. The allowance for doubtful accounts represents an amount considered by management to be adequate to cover potential losses.

RECEIVABLES: Receivables consist primarily of mortgage loans held for sale and business services accounts receivable. Mortgage loans held for sale are carried at the lower of cost or market value. The allowance for doubtful accounts represents an amount considered by management to be adequate to cover potential losses.

FOREIGN CURRENCY TRANSLATION: Assets and liabilities of the Company's foreign 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 in other comprehensive income.

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 a weighted average life of 15 years on a straight-line basis.

At each balance sheet date, the Company assesses long-lived assets, including intangibles, for impairment by comparing the carrying value to future undiscounted cash flows. To the extent that there is impairment, analysis is performed based on several criteria, including, but not limited to, revenue trends, discounted operating cash flows and other operating factors to determine the impairment amount. In addition, a determination is made by management to ascertain whether goodwill has been impaired. Analysis is performed on an operating business unit basis using the fair value method. If the review indicates that goodwill is not recoverable, the Company would recognize an impairment loss. Under these methods, no material impairment adjustments to goodwill, other intangibles or other long-lived assets were made during fiscal year 2000, 1999, or 1998.

DEPRECIATION AND AMORTIZATION: Buildings and equipment are stated at cost and are depreciated over the estimated useful lives of the assets using the straight-line method. Leasehold improvements are stated at cost and are amortized over the lesser of the term of the respective lease or the estimated useful life, using the straight-line method.

NOTES PAYABLE: The Company uses short-term borrowings to finance temporary liquidity needs and various financial activities conducted by its subsidiaries. The weighted average interest rates of notes payable at April 30, 2000 and 1999 were 6.2% and 4.9%, respectively.

REVENUE RECOGNITION: Service revenues consist primarily of fees for preparation of tax returns, participations in refund anticipation loans, consulting services, brokerage commissions and interest earned on mortgage loans and customer accounts. Service revenues are recorded in the period in which service is performed. Commissions revenue is recognized on a trade-date basis.

Product sales consist primarily of gains on sales of mortgage loans. Gains on loan sales are recognized in accordance with Statement of Financial Accounting Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," utilizing the financial-components approach which focuses on control of assets and liabilities being transferred.

The Company records franchise royalties, based upon the contractual percentages of franchise revenues, in the period in which the franchise provides the service.

ADVERTISING EXPENSE: The Company expenses advertising costs the first time the advertising takes place.

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 are provided for temporary differences between financial and tax reporting, which consist principally of deferred compensation, accrued expenses, depreciation and mortgage servicing rights.

The Company has a Tax Sharing Agreement with CompuServe Corporation ("CompuServe"), pursuant to which CompuServe generally is obligated to pay the Company (or the Company is obligated to pay CompuServe) for CompuServe's liability (or tax benefits) related to Federal, state, and local income taxes for any taxable period during which CompuServe was a subsidiary of the Company.

DISCLOSURE REGARDING CERTAIN FINANCIAL INSTRUMENTS: The carrying values reported in the balance sheet for cash equivalents, all receivables, notes payable, all accounts payable, accrued liabilities and the current portion of long-term debt approximate fair market value due to the relatively short-term nature of the respective instruments.

HEDGING AND FORWARD COMMITMENTS: As a part of its interest rate risk management strategy, the Company may choose to hedge its interest rate risk related to its fixed rate mortgage portfolio and debt by selling short securities and utilizing forward commitments. The Company classifies these

instruments as hedges of specific loan receivables or debt. The gains and losses derived from these instruments are deferred and included in the carrying amounts of the related hedged items and ultimately recognized in earnings.

STOCK PLANS: Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), allows companies to continue under the approach set forth in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), for recognizing stock-based compensation expense in the financial statements, but encourages companies to adopt the provisions of SFAS 123 based on the estimated fair value of employee stock options. Companies electing to retain the approach under APB 25 are required to disclose pro forma net earnings and net earnings per share in the notes to the financial statements, as if they had adopted the fair value accounting method under SFAS 123. The Company has elected to retain its current accounting approach under APB 25.

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NEW ACCOUNTING STANDARDS: In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended in June 2000 ("SFAS 133"), effective for the Company's fiscal year ending April 30, 2001. However, in June 1999, the FASB issued Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133" ("SFAS 137"). SFAS 137 delays the effective date of SFAS 133, which will now be effective for the Company's fiscal year ending April 30, 2002. SFAS 133 requires companies to record derivative instruments as assets or liabilities, measured at fair value. The recognition of gains or losses resulting from changes in the values of those derivative instruments is based on the use of each derivative instrument and whether it qualifies for hedge accounting. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in fair value or cash flows. The Company does not anticipate that the implementation of SFAS 133 will have a material impact on the consolidated financial statements.

In March 2000, FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" ("FIN 44") was issued and is effective July 1, 2000. FIN 44 clarifies the application of APB 25, "Accounting for Stock Issued to Employees," with respect to the definition of an employee, the criteria for noncompensatory plans, the consequences of modifying previous awards and the exchange of stock compensation awards in business combinations. The Company has not yet determined the effect of FIN 44 on the consolidated financial statements.

In December 1999, the Securities and Exchange Commission ("SEC") issued SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 summarizes certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. The effective date of SAB 101 was delayed and SAB 101 will be effective for the Company in the fourth quarter of fiscal year 2001. The Company is reviewing the requirements of SAB 101 and currently believes that its revenue recognition policy is consistent with the guidance of SAB 101.

NET EARNINGS PER SHARE

Basic net earnings per share is computed using the weighted average number of common shares outstanding. The dilutive effect of potential common shares outstanding is included in diluted net earnings per share. The computations of basic and diluted net earnings per share from continuing operations are as follows (shares in thousands):

Year Ended April 30	2000	1999	1998
Net earnings from continuing operations	\$ 251,895	\$ 237,795	\$ 183,788

Basic weighted average shares	98,033	99,761	104,829
Effect of dilutive securities:			
Common and convertible preferred stock options	895	1,058	1,229
Convertible preferred stock	1	2	1,515
Dilutive potential common shares	98,929	100,821	107,573
Net earnings per share from continuing operations:			
Basic	\$ 2.57	\$ 2.38	\$ 1.75
Diluted	2.55	2.36	1.71

Diluted net earnings per share excludes the impact of common stock options of 3,039,195, 149,370 and 244,071 shares for 2000, 1999 and 1998, respectively, because the options' exercise prices were greater than the average market price of the common shares and therefore, the effect would be antidilutive.

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CASH AND CASH EQUIVALENTS

Cash and cash equivalents is comprised of the following:

April 30	2000	1999
Cash and interest-bearing deposits	\$ 162,363	\$ 110,831
Other interest-bearing securities	183,144	2,525
Securities purchased under agreements to resell	32,000	-
Certificates of deposit	2,394	2,384
Municipal bonds	-	77,500
	\$ 379,901	\$ 193,240

MARKETABLE SECURITIES - AVAILABLE-FOR-SALE

The amortized cost and market value of marketable securities classified as available-for-sale at April 30, 2000 and 1999 are summarized below:

	2000				1999			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Current:								
Asset-backed securities	\$ -	\$ -	\$ -	\$ -	\$ 45,038	\$ 1	\$ 28	\$ 45,011
Corporate bonds	-	-	-	-	9,300	-	-	9,300
Municipal bonds and notes	17,021	-	55	16,966	2,564	6	-	2,570
	17,021	-	55	16,966	56,902	7	28	56,881
Noncurrent:								
Residual interests	118,977	5,236	1,169	123,044	90,566	2,326	219	92,673
Municipal bonds	49,566	2	645	48,923	72,902	274	88	73,088
Common stock	4,025	571	168	4,428	2,419	2,362	14	4,767
	172,568	5,809	1,982	176,385	165,887	4,962	321	170,528
	\$ 189,589	\$ 5,809	\$ 2,037	\$ 193,361	\$ 222,789	\$ 4,969	\$ 349	\$ 227,409

Proceeds from the sales of available-for-sale securities were \$211,836, \$522,252 and \$1,321,716 during 2000, 1999 and 1998, respectively. Gross realized gains on those sales during 2000, 1999 and 1998 were \$12,177, \$4,711 and \$1,826, respectively; gross realized losses were \$480, \$587 and \$106, respectively.

Contractual maturities of available-for-sale debt securities at April 30, 2000 are presented below. Since expected maturities differ from contractual maturities due to the issuers' rights to prepay certain obligations or the seller's rights to call certain obligations, the first call date, put date or auction date for municipal bonds and notes is considered the contractual

maturity date.

	Amortized Cost	Market Value

Within one year	\$ 17,021	\$ 16,966
After one year through five years	40,359	39,875
After five years through 10 years	9,207	9,048
	-----	-----
	\$ 66,587	\$ 65,889
	=====	=====

The Company securitized \$3,767,010 and \$2,456,910 in mortgage loans during the years ended April 30, 2000 and 1999, resulting in residual interests with an allocated carrying value of \$245,801 and \$158,485, respectively. In fiscal 2000, the Company securitized \$248,555 of these residual interests in net interest margin transactions. The remaining residual interests from the securitizations during fiscal year 2000 of \$28,042 were treated as noncash investing activities in the consolidated statement of cash flows for the year ended

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April 30, 2000. In fiscal 1999, the Company securitized \$91,355 of these residual interests in a net interest margin transaction. The remaining residual interests from the securitizations during 1999 of \$39,782 were treated as noncash investing activities in the consolidated statement of cash flows for the year ended April 30, 1999.

RECEIVABLES

Receivables consist of the following:

April 30	2000	1999

Mortgage loans held for sale	\$ 163,033	\$ 636,687
Business services accounts receivable	148,109	40,609
Participation in refund anticipation loans	47,581	51,074
Software receivables	31,721	25,484
Other	93,880	51,319
	-----	-----
	484,324	805,173
Allowance for doubtful accounts	49,602	61,872
	-----	-----
	\$ 434,722	\$ 743,301
	=====	=====

EXCESS OF COST OVER FAIR VALUE OF NET TANGIBLE ASSETS ACQUIRED

Excess of cost over fair value of net tangible assets acquired consists of the following:

April 30	2000	1999

Goodwill	\$ 636,350	\$ 423,521
Customer relationships	387,775	23,486
Assembled workforce	104,044	13,765
Trade names	55,638	-

Management infrastructure	29,147	-
Noncompete agreements	12,425	9,176
	-----	-----
	1,225,379	469,948
Less accumulated amortization	130,305	64,414
	-----	-----
	\$1,095,074	\$ 405,534
	=====	=====

Amortization expense for 2000, 1999 and 1998 amounted to \$66,346, \$24,378 and \$17,334, respectively.

PROPERTY AND EQUIPMENT

A summary of property and equipment follows:

April 30	2000	1999
-----	-----	-----
Land	\$ 42,338	\$ 3,060
Buildings	74,260	24,292
Computers and other equipment	290,386	226,388
Leasehold improvements	67,827	54,031
	-----	-----
	474,811	307,771
Less accumulated depreciation and amortization	214,145	193,549
	-----	-----
	\$ 260,666	\$ 114,222
	=====	=====

Depreciation and amortization expense for 2000, 1999 and 1998 amounted to \$74,866, \$49,302 and \$37,197, respectively.

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The Company has an agreement to lease real estate and buildings under a noncancelable capital lease for the next 20 years with an option to purchase after seven years. The real estate, building and long-term debt of \$14,075 related to this lease was treated as a noncash investing activity on the consolidated statement of cash flows for the year ended on April 30, 2000.

LONG-TERM DEBT

On April 13, 2000, the Company issued \$500,000 of 8 1/2% Senior Notes under a shelf registration statement. The Senior Notes are due April 15, 2007, and are not redeemable prior to maturity. The net proceeds of this transaction were used to repay a portion of the short-term borrowings which initially funded the acquisition of OLDE Financial Corporation and Financial Marketing Services, Inc. (collectively, "OLDE").

On October 21, 1997, the Company issued \$250,000 of 6 3/4% Senior Notes under a shelf registration statement. The Senior Notes are due November 1, 2004, and are not redeemable prior to maturity. The net proceeds of this transaction were used to repay short-term borrowings which initially funded the acquisition of Option One Mortgage Corporation ("Option One").

The Company has obligations related to acquisitions of accounting firms of \$169,103 and \$4,730 at April 30, 2000 and 1999, respectively. The current portion of these amounts is included in the current portion of long-term debt on the consolidated balance sheet. The long-term portions are due from May 2001 to January 2005. These payments represent additional purchase price and do not carry an interest rate.

The Company has mortgage notes and capitalized lease obligations of \$25,671 at April 30, 2000 that are collateralized by land, buildings and equipment with a cost of \$31,040 at April 30, 2000. The obligations are due at varying dates for up to 20 years.

The aggregate payments required to retire long-term debt are \$67,978, \$39,698, \$38,352, \$34,392, \$253,572 and \$506,382 in 2001, 2002, 2003, 2004, 2005

and beyond, respectively.

Based upon borrowing rates currently available to the Company for indebtedness with similar terms, the fair value of the long-term debt was approximately \$896,894 and \$256,750 at April 30, 2000 and 1999, respectively.

OTHER NONCURRENT LIABILITIES

The Company has deferred compensation plans which permit directors and certain employees to defer portions of their compensation and accrue earnings on the deferred amounts. The compensation, together with Company matching of deferred amounts, has been accrued, and the only expenses related to these plans are the Company match and the earnings on the deferred amounts which are not material to the financial statements. Included in other noncurrent liabilities are \$39,862 and \$33,628 at April 30, 2000 and 1999, respectively, to reflect the liability under these plans. The Company purchased whole-life insurance contracts on certain related directors and employees to recover distributions made or to be made under the plans and has recorded the cash surrender value of the policies in other assets. If all the assumptions regarding mortality, earnings, policy dividends and other factors are realized, the Company will ultimately realize its investment plus a factor for the use of its money.

In connection with the Company's acquisition of the non-attest assets of McGladrey & Pullen, LLP ("McGladrey"), the Company assumed certain pension liabilities related to McGladrey's retired partners. The Company makes payments in varying amounts on a monthly basis. Included in other noncurrent liabilities at April 30, 2000 is \$36,128 related to this liability.

STOCKHOLDERS' EQUITY

The Company is authorized to issue 6,000,000 shares of Preferred Stock, without par value. At April 30, 2000, the Company had 5,560,833 shares of authorized but unissued Preferred Stock. Of the unissued shares, 600,000 shares have been designated as Participating Preferred Stock in connection with the Company's shareholder rights plan.

On March 8, 1995, the Board of Directors authorized the issuance of a series of 500,000 shares of nonvoting Preferred Stock designated as Convertible Preferred Stock, without par value. In April 1995, 401,768 shares of Convertible Preferred Stock were issued in connection with an acquisition. In addition, options to purchase 51,828 shares of Convertible Preferred Stock were issued as a part of the acquisition and 37,399 shares of Convertible Preferred Stock were issued in connection with these options. Each share of Convertible Preferred Stock became convertible on April 5, 1998 into four shares of Common Stock of the Company, subject to adjustment upon certain events. The holders of the Convertible Preferred Stock are not entitled to receive dividends paid in cash, property or securities and, in the event of any dissolution, liquidation or winding-up of the Company, will share ratably with the holders of Common Stock then outstanding in the assets of the Company after any distribution or payments are made to the holders of Participating Preferred Stock or the holders of any other class or series of stock of the Company with preference over the Common Stock. In fiscal 2000, the Company issued 84 shares of its Common Stock upon conversion of 21 shares of the Convertible Preferred Stock.

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COMPREHENSIVE INCOME

The Company's comprehensive income is comprised of net earnings, foreign currency translation adjustments and the change in the net unrealized gain or loss on available-for-sale marketable securities. Included in stockholders' equity at April 30, 2000 and 1999, the net unrealized holding gain on available-for-sale securities was \$2,574 and \$2,768, respectively, and the foreign currency translation adjustment was \$(28,815) and \$(26,168), respectively.

Year Ended April 30	2000	1999	1998
Net earnings	\$ 251,895	\$ 215,366	\$ 392,130
Unrealized gains on securities (less applicable taxes (benefit) of (\$124), \$1,619 and (\$736)):			
Unrealized holding gains (losses) arising during period (less applicable taxes (benefit) of \$4,426, \$3,186 and (\$82))	6,953	5,199	(134)

Less: Reclassification adjustment for gains included in earnings (less applicable taxes of \$4,550, \$1,567 and \$654)	(7,147)	(2,557)	(1,066)
Foreign currency translation adjustments	(2,647)	(1,525)	(5,290)
Comprehensive income	\$ 249,054	\$ 216,483	\$ 385,640

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 10 years at a price that is not less than 100% of fair market value on the date of the grant. The options are exercisable either starting one year after the date of the grant, on a cumulative basis at the annual rate of 33 1/3% of the total number of option shares or starting three years after the date of the grant on a cumulative basis at the rate of 40%, 30%, and 30% over the following three years.

The 1999 Stock Option Plan for Seasonal Employees was approved by the shareholders in September 1999 to replace the previous plan for seasonal employees which had expired in December 1998, except for options outstanding thereunder. These plans provided for the grant of options on June 30, 1999, 1998 and 1997 at the market price on the date of the grant. The options are exercisable during September through November in each of the two years following the calendar year of the grant.

Changes during the years ended April 30, 2000, 1999 and 1998 under these plans were as follows:

	2000		1999		1998	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Options outstanding, beginning of year	5,726,494	\$ 38.03	5,110,392	\$ 32.71	6,217,699	\$ 35.78
Options granted	5,059,802	50.16	4,127,742	42.20	3,784,925	32.28
Options exercised	(1,032,251)	36.12	(2,196,673)	32.67	(1,608,233)	33.63
Options which expired	(1,313,431)	46.50	(1,314,967)	39.40	(3,283,999)	37.58
Options outstanding, end of year	8,440,614	44.22	5,726,494	38.03	5,110,392	32.71
Shares exercisable, end of year	5,206,457	42.70	3,505,737	37.62	3,428,615	32.87
Shares reserved for future grants, end of year	11,037,281		2,966,135		13,159,852	

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A summary of stock options outstanding and exercisable at April 30, 2000 follows:

Range of Exercise Prices	Outstanding			Exercisable	
	Number Outstanding at April 30	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at April 30	Weighted-Average Exercise Price
\$13.2813 - 21.25	15,900	1 year	\$ 21.25	15,900	\$ 21.25
\$27.50 - 33.75	1,271,038	7 years	31.26	983,649	30.97
\$34.00 - 43.8125	3,299,765	5 years	41.72	2,179,932	41.47
\$44.00 - 52.00	3,217,611	5 years	49.76	2,026,976	49.89
\$55.0625 - 55.625	636,300	10 years	55.62	-	-
	8,440,614			5,206,457	

The Company applies APB 25 in accounting for its stock option plans, under which no compensation cost has been recognized for stock option awards. Had compensation cost for the stock option plans been determined in accordance with the fair value accounting method prescribed under SFAS 123, the Company's net earnings and net earnings per share on a pro forma basis would have been as

follows:

Year Ended April 30	2000	1999	1998

Net earnings:			
As reported	\$ 251,895	\$ 215,366	\$ 392,130
Pro forma	237,544	202,421	379,985
Basic net earnings per share:			
As reported	\$ 2.57	\$ 2.16	\$ 3.74
Pro forma	2.42	2.03	3.62
Diluted net earnings per share:			
As reported	\$ 2.55	\$ 2.14	\$ 3.65
Pro forma	2.41	2.01	3.55

For the purposes of computing the pro forma effects of stock option grants under the fair value accounting method, the fair value of each stock option grant was estimated on the date of the grant using the Black-Scholes option pricing model. The weighted-average fair value of stock options granted during 2000, 1999 and 1998 was \$9.09, \$5.84 and \$5.91, respectively. The following weighted-average assumptions were used for grants during the following periods:

Year Ended April 30	2000	1999	1998

Risk-free interest rate	5.75%	5.41%	6.21%
Expected life	3 years	3 years	3 years
Expected volatility	30.67%	21.86%	31.99%
Dividend yield	2.20%	2.36%	2.48%

SHAREHOLDER RIGHTS PLAN

On July 25, 1998, the rights under the July 1988 shareholder rights plan, as amended, expired and the rights under a shareholder rights plan adopted by the Company's Board of Directors on March 25, 1998 became effective. Like the 1988 plan, the 1998 plan was adopted to deter coercive or unfair takeover tactics and to prevent a potential acquirer from gaining control of the Company without offering a fair price to all of the Company's stockholders. Under the 1998 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, 1998. Rights automatically attach to shares issued after such date.

Under the 1998 plan, a Right becomes exercisable when a person or group of persons acquires beneficial ownership of 15% 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 at the close of business on the tenth business day following the commencement of, or the public

announcement of an intent to commence, a tender offer that would result in an Unapproved Stock Acquisition. The Company may, prior to any Unapproved Stock Acquisition, amend the plan to lower such 15% threshold to not less than the greater of (1) any percentage greater than the largest percentage of beneficial ownership by any person or group of persons then known by the Company, and (2) 10% (in which case the acquisition of such lower percentage of beneficial ownership then constitutes an Unapproved Stock Acquisition and the Rights become exercisable). When exercisable, the registered holder of each Right may purchase from the Company one one-hundredth of a share of a class of the Company's Participating Preferred Stock, without par value, at a price of \$215.00, subject to adjustment. The registered holder of each Right then also has the right (the "Subscription Right") to purchase for the exercise price of the Right, in lieu of shares of Participating Preferred Stock, 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 (the "Merger Right") to purchase for the exercise price of the Right a number of shares of the common stock of the surviving or purchasing 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 (the "Exchange"). Upon any such Exchange, the right of any holder to exercise a Right terminates. Upon the occurrence of any of the events giving rise to the exercisability of the Subscription Right or the Merger Right or the ability of the Board of Directors to effect the Exchange, the Rights held by the acquiring person or group under the new plan will become void as they relate to the Subscription Right, the Merger Right or the Exchange.

The Company may redeem the Rights under the 1998 plan at a price of \$.00125 per Right at any time prior to the earlier of (i) an Unapproved Stock Acquisition, or (ii) the expiration of the rights. The Rights under the new plan will expire on March 25, 2008, unless extended by the Board of Directors. Until a Right is exercised, the holder thereof, as such, will have 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 net earnings per share.

OTHER EXPENSES

Included in other expenses are the following:

Year Ended April 30	2000	1999	1998
Legal and professional	\$ 47,934	\$ 13,164	\$ 5,890
Refund anticipation loan servicing fees	28,820	15,028	7,889
Travel and entertainment	26,695	15,094	11,548
Purchased services	25,245	18,653	10,460
Taxes and licenses	17,469	14,531	11,392
Loan servicing	15,821	11,158	5,851
Brokerage commissions and trading fees	15,639	3,137	39

TAXES ON EARNINGS

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

Year Ended April 30	2000	1999	1998
United States	\$ 408,024	\$ 381,443	\$ 285,100
Foreign	4,242	2,098	11,333
	<u>\$ 412,266</u>	<u>\$ 383,541</u>	<u>\$ 296,433</u>

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 taxes on earnings from continuing operations are comprised of the following:

Year Ended April 30	2000	1999	1998
Current:			
Federal	\$ 152,570	\$ 123,035	\$ 107,595
State	21,492	16,128	14,402
Foreign	2,888	1,553	5,483
	<u>176,950</u>	<u>140,716</u>	<u>127,480</u>

Deferred:			
Federal	(13,447)	5,114	(12,047)
State	(1,894)	670	(1,613)
Foreign	(1,238)	(754)	(1,175)
	(16,579)	5,030	(14,835)
	\$ 160,371	\$ 145,746	\$ 112,645
	=====		

Provision is not made for possible income taxes payable upon distribution of unremitted earnings of foreign subsidiaries. Such unremitted earnings aggregated \$61,202 at December 31, 1999. Management believes 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	2000	1999	1998

Statutory rate	35.0%	35.0%	35.0%
Increases (reductions) in income taxes resulting from:			
State income taxes, net of Federal income tax benefit	3.1%	2.9%	2.8%
Foreign income taxes, net of Federal income tax benefit	0.1%	0.2%	.5%
Amortization of intangibles	2.6%	0.3%	0.4%
Nontaxable Federal income	(0.3%)	(0.7%)	(0.1%)
Other	(1.6%)	0.3%	(0.6%)

Effective rate	38.9%	38.0%	38.0%
	=====		

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A summary of deferred taxes follows:

April 30	2000	1999

Gross deferred tax assets:		
Accrued expenses	\$ (17,729)	\$ (17,999)
Allowance for credit losses	(8,800)	(12,144)
Mark-to-market adjustments	-	(2,909)

Current	(26,529)	(33,052)

Deferred compensation	(18,509)	(14,577)
Depreciation	(12,879)	(5,222)
Residual interest income	(6,809)	-

Noncurrent	(38,197)	(19,799)

Gross deferred tax liabilities:		
Mark-to-market adjustments	6,572	-
Accrued income	198	630

Current	6,770	630

Mortgage servicing rights	12,608	4,910
Depreciation	1,329	597
Deferred gain on sale of residual interests	-	12,103
Residual interest income	-	6,359

Noncurrent	13,937	23,969

Net deferred tax assets

\$ (44,019) \$ (28,252)
=====

ACQUISITIONS

On December 1, 1999, the Company completed the purchase of all the issued and outstanding shares of capital stock of OLDE for \$850,000 in cash plus net tangible book value payments of \$48,472. The purchase agreement also provides for possible future consideration payable for up to five years after the acquisition based upon revenues generated from certain online brokerage services. The transaction was accounted for as a purchase and, accordingly, OLDE's results are included since the date of acquisition. Liabilities assumed of \$1,774,156 were treated as a noncash investing activity in the consolidated statement of cash flows for the year ended April 30, 2000. The excess of cost over fair value of net tangible assets acquired was \$471,133 at April 30, 2000. Such is being amortized on a straight-line basis over periods up to 20 years. The acquisition was initially financed with short-term borrowings and a portion of these borrowings were repaid with the issuance of \$500,000 in Senior Notes in the fourth quarter of fiscal 2000.

The following unaudited pro forma summary combines the consolidated results of operations of the Company and OLDE as if the acquisition had occurred on May 1, 1999 and 1998, after giving effect to certain adjustments, including amortization of intangible assets, increased interest expense on the acquisition debt and the related income tax effects. The pro forma information is presented for informational purposes only and is not necessarily indicative of what would have occurred if the acquisition had been made as of those dates. In addition, the pro forma information is not intended to be a projection of future results.

Year Ended April 30 (unaudited)	2000	1999
Revenues	\$ 2,678,022	\$ 2,007,422
Net earnings	218,275	172,566
Basic net earnings per share	\$ 2.23	\$ 1.73
Diluted net earnings per share	2.21	1.71

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On August 2, 1999, the Company, through a subsidiary, RSM McGladrey, Inc. ("RSM McGladrey"), completed the purchase of substantially all of the non-attest assets of McGladrey & Pullen, LLP. The purchase price was \$240,000 in cash payments over four years and the assumption of certain pension liabilities with a present value, at the date of acquisition, of \$52,728. The purchase agreement also provides for possible future contingent consideration based on a calculation of earnings in year two, three and four after the acquisition and such consideration will be treated as purchase price when paid. In addition, the Company made cash payments of \$65,453 for outstanding accounts receivable and work-in-process that have been repaid to the Company as RSM McGladrey collected these amounts in the ordinary course of business. The acquisition was accounted for as a purchase, and accordingly, RSM McGladrey's results are included since the date of acquisition. The present value of the additional cash payments due over four years, the present value of the pension liability and other liabilities assumed of \$206,784, were treated as noncash investing activities in the consolidated statement of cash flows for the year ended April 30, 2000. The excess of cost over the fair value of net tangible assets acquired was \$242,266 and is being amortized on a straight-line basis over periods up to 20 years.

During fiscal year 2000, the Company acquired several accounting firms. The purchase prices aggregated \$18,494. Each acquisition was accounted for as a purchase and, accordingly, results for each acquisition are included since the date of acquisition. The excess of cost over fair value of net tangible assets acquired was \$17,914 and is being amortized on a straight-line basis over periods up to 20 years.

On October 7, 1999, the Company acquired one of its major tax franchises. The Company issued 475,443 shares of its common stock from treasury, with a value of \$21,000, for the purchase. The acquisition was accounted for as a purchase and, accordingly, its results are included since the date of acquisition. The issuance of Common Stock was treated as a noncash investing activity in the consolidated statement of cash flows for the year ended April 30, 2000. The excess of cost over fair value of net tangible assets acquired was \$34,919 and is being amortized on a straight-line basis over 15 years.

During fiscal year 1999, the Company acquired six regional accounting firms and several smaller market firms. The purchase prices aggregated \$102,285. Each acquisition was accounted for as a purchase and, accordingly, results for each acquisition are included since the date of acquisition. The excess of cost over fair value of net tangible assets acquired was \$98,012 and is being amortized on a straight-line basis over periods up to 20 years.

On March 5, 1999, the Company acquired Assurance Mortgage Corporation of America (now H&R Block Mortgage Corporation), a company engaged in the origination and sale of conventional mortgage loans. The Company issued 268,325 shares of its Common Stock from treasury, with a value of \$11,860, for the purchase. The acquisition was accounted for as a purchase and, accordingly, its results are included since the date of acquisition. The issuance of Common Stock was treated as a noncash investing activity in the consolidated statement of cash flows for the year ended April 30, 1999. The excess of cost over fair value of net tangible assets acquired was \$21,710 and is being amortized on a straight-line basis over 15 years.

On June 17, 1997, the Company acquired Option One, a company primarily engaged in the origination, purchase, servicing, securitization and sale of nonconforming mortgage loans. The cash purchase price was \$218,083, consisting of \$28,083 in adjusted stockholder's equity and a premium of \$190,000. In addition, the Company made cash payments of \$456,163 to Option One's former parent to eliminate intercompany loans made to Option One to finance its mortgage loan operations. The \$456,163 payment was recorded as an intercompany loan and was repaid to the Company by the end of June 1997 after Option One sold the mortgage loans to a third party in the ordinary course of business. The acquisition was accounted for as a purchase and, accordingly, Option One's results are included since the date of acquisition. The fair value of tangible assets acquired, including cash, and liabilities assumed was \$683,777 and \$463,877, respectively. Liabilities assumed were treated as a noncash investing activity in the consolidated statement of cash flows for the year ended April 30, 1998. The excess of cost over fair value of net tangible assets acquired was \$183,077 and is being amortized on a straight-line basis over 15 years. The acquisition was ultimately financed with the issuance of \$250,000 in Senior Notes during the second quarter of fiscal 1998.

During fiscal 2000, 1999 and 1998, 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 since the date of acquisition.

SALE OF SUBSIDIARIES

In March 2000, the Company sold certain assets related to its mortgage operations. The Company recorded a pretax loss of \$14,501 on the transaction, included in other expenses on the consolidated statements of earnings.

On January 29, 1999, the Company completed the sale of its credit card portfolio. The Company recorded a \$20,939 loss, net of taxes, on the transaction. The consolidated statements of earnings reflect the Company's Credit card operations segment as discontinued operations.

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On January 31, 1998, the Company completed the sale of its 80.1% interest in CompuServe to a subsidiary of WorldCom, Inc. ("WorldCom"). The Company recorded a \$231,867 gain, net of taxes, on the transaction. The sale was structured as a stock-for-stock transaction in which the Company received 30,108,610 shares of WorldCom stock in exchange for its 80.1% ownership interest (74,200,000 shares) in CompuServe stock. The Company completed the transaction through its receipt of \$1,032,699 in net proceeds from the monetization of 100% of its WorldCom stock in a block trade on February 2, 1998. As a part of the

CompuServe transaction, the Company has agreed to indemnify WorldCom and CompuServe against 80.1% of any losses and expenses incurred by them with respect to litigation and claims brought against CompuServe, any of its current or former officers, directors, employees, agents or underwriters relating to CompuServe's initial public offering in April 1996. The shares of WorldCom stock received in the stock-for-stock transaction were treated as a noncash investing activity in the consolidated statement of cash flows for the year ended April 30, 1998. The consolidated financial statements for the year ended April 30, 1998 reflect CompuServe as discontinued operations.

Revenues from discontinued operations for the years ended April 30, 1999, and 1998 were \$24,143 and \$665,649, respectively.

COMMITMENTS AND CONTINGENCIES

Substantially all of the operations of the Company's subsidiaries 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, 2000, for fiscal 2001, 2002, 2003, 2004 and 2005 aggregated \$141,385, \$106,383, \$70,728, \$34,627 and \$12,805, respectively, with no significant commitments extending beyond that period of time. The Company's rent expense for the years 2000, 1999 and 1998 aggregated \$135,823, \$99,654 and \$84,743, respectively.

Prior to March 31, 1999, the Company was obligated to purchase 60% of the mortgage loan volume which met certain criteria as established by the Company from a 40%-owned affiliate. The Company obtained majority ownership of this affiliate on March 31, 1999. From May 1, 1998 to March 31, 1999 the Company had purchased \$312,173 of such loans.

The Company has commitments to fund mortgage loans to customers as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. The commitments to fund loans amounted to \$546,473 and \$416,323 at April 30, 2000 and 1999, respectively. External market forces impact the probability of commitments being exercised, and therefore, total commitments outstanding do not necessarily represent future cash requirements.

At April 30, 2000, the Company maintained a \$1,890,000 backup credit facility to support various financial activities conducted by its subsidiaries through a commercial paper program. The annual commitment fee required to support the availability of this facility is nine and one-half basis points per annum on the unused portion of the facility. Among other provisions, the credit agreement limits the Company's indebtedness.

The Company is responsible for servicing mortgage loans for others of \$8,733,158, subservicing loans of \$2,569,332, and the master servicing of \$757,034 previously securitized mortgage loans held in trust at April 30, 2000. Fiduciary bank accounts that are maintained on behalf of investors and for impounded collections were \$197,191 at April 30, 2000. These bank accounts are not assets of the Company and are not reflected in the accompanying consolidated financial statements.

As of April 30, 2000, the Company had provided clearing organizations with bank letters of credit totaling \$131,000 that satisfied margin deposit requirements of \$123,500. These letters of credit are collateralized by customers' margin securities.

The Company is required, in the event of non-delivery of customers' securities owed to it by other broker-dealers or by its customers, to purchase identical securities in the open market. Such purchases could result in losses not reflected in the accompanying consolidated financial statements.

The Company monitors the credit standing of brokers and dealers and customers with whom it does business. In addition, the Company monitors the market value of collateral held and the market value of securities receivable from others, and seeks to obtain additional collateral if insufficient protection against loss exists.

The Company has commitments to fund certain attest entities, that are not consolidated, related to accounting firms it has acquired. The Company is also committed to loan up to \$40,000 to McGladrey & Pullen, LLP on a revolving basis through July 31, 2004, subject to certain termination clauses. This revolving facility bears interest at prime rate plus four and one-half percent on the outstanding amount and a commitment fee of one-half percent per annum on the unused portion of the commitment.

At April 30, 2000 the Company has provided for the pending settlement of class action lawsuits involving refund anticipation loans. The Company has not

had any final judgments rendered against it in any of the suits filed on this issue and, in the settlement agreement, the Company admits to no wrongdoing.

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In the regular course of business, the Company is subject to routine examinations by Federal, State and local taxing authorities. In management's opinion, the disposition of matters raised by such taxing authorities, if any, in such tax examinations would not have a material adverse impact on the Company's consolidated financial position or results of operations.

CompuServe, certain current and former officers and directors of CompuServe and the Company have been named as defendants in six lawsuits pending before the state and Federal courts in Columbus, Ohio. All suits allege similar violations of the Securities Act of 1933 based on assertions of omissions and misstatements of fact in connection with CompuServe's public filings related to its initial public offering in April 1996. One state lawsuit also alleges certain oral omissions and misstatements in connection with such offering. Relief sought in the lawsuits is unspecified, but includes pleas for rescission and damages. One Federal lawsuit names the lead underwriters of CompuServe's initial public offering as additional defendants and as representatives of a defendant class consisting of all underwriters who participated in such offering. The Federal suits were consolidated, the defendants filed a motion to dismiss the consolidated suits, the district court stayed all proceedings pending the outcome of the state court suits, and the United States Court of Appeals for the Sixth Circuit affirmed such stay. The four state court lawsuits also allege violations of various state statutes and common law of negligent misrepresentation in addition to the 1933 Act claims. The state lawsuits were consolidated for discovery purposes and defendants filed a motion for summary judgment covering all four state lawsuits. As a part of the sale of its interest in CompuServe, the Company agreed to indemnify WorldCom and CompuServe against 80.1% of any losses and expenses incurred by them with respect to these lawsuits. The defendants are vigorously defending these lawsuits. In the opinion of management, the ultimate resolution of these suits will not have a material adverse impact on the Company's consolidated financial position or results of operations.

FINANCIAL INSTRUMENTS

The Company sells short FNMA mortgage-backed securities to certain broker-dealer counterparties. The position on certain or all of the fixed rate mortgages is closed, on standard Public Securities Association ("PSA") settlement dates, when the Company enters into a forward commitment to sell those mortgages or decides to securitize the mortgages. The effectiveness of the hedge is measured by a historical and probable future high correlation of changes in the fair value of the hedging instruments with changes in the value of the hedged item. If correlation ceases to exist, hedge accounting is terminated and the gains or losses are recorded in revenues. Deferred gains on the FNMA securities hedging instrument amounted to \$135 at April 30, 2000. The contract value and market value of this hedging instrument as of April 30, 2000 were \$18,706 and \$18,584, respectively. The contract value and market value of the forward commitment as of April 30, 2000 were \$200,000 and \$199,863, respectively.

The Company purchases these instruments from certain broker-dealer counterparties. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

The Company is exposed to on-balance sheet credit risk related to its receivables. Mortgage loans made to subprime borrowers present a higher level of risk of default than conforming loans. These loans also involve additional liquidity risk due to a more limited secondary market than conforming loans. While the Company believes that the underwriting procedures and appraisal processes it employs enable it to mitigate these risks, no assurance can be given that such procedures or processes will be adequate protection against

these risks. The Company is exposed to off-balance sheet credit risk related to mortgage loan receivables which the Company has committed to fund.

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QUARTERLY FINANCIAL DATA (UNAUDITED)

	Fiscal 2000 Quarter Ended				Fiscal 1999 Quarter Ended			
	April 30, 2000	Jan. 31, 2000	Oct. 31, 1999	July 31, 1999	April 30, 1999	Jan. 31, 1999	Oct. 31, 1998	July 31, 1998
Revenues	\$ 1,607,930	\$ 512,507	\$ 209,946	\$ 121,560	\$ 1,196,997	\$ 291,482	\$ 85,613	\$ 70,573
Continuing operations:								
Earnings (loss) before income taxes (benefits)	\$ 557,743	\$ (13,523)	\$ (72,157)	\$ (59,797)	\$ 481,153	\$ (4,588)	\$ (50,249)	\$ (42,775)
Taxes (benefits) on earnings	216,962	(6,448)	(27,420)	(22,723)	182,818	(1,743)	(19,094)	(16,235)
Net earnings (loss)	340,781	(7,075)	(44,737)	(37,074)	298,335	(2,845)	(31,155)	(26,540)
Net loss from discontinued operations	-	-	-	-	-	(273)	(18)	(1,199)
Net loss on sale of discontinued operations	-	-	-	-	(961)	(19,978)	-	-
Net earnings (loss)	\$ 340,781	\$ (7,075)	\$ (44,737)	\$ (37,074)	\$ 297,374	\$ (23,096)	\$ (31,173)	\$ (27,739)
Basic net earnings per share:								
Net earnings (loss) from continuing operations	\$3.47	\$ (.07)	\$ (.46)	\$ (.38)	\$3.06	\$ (.03)	\$ (.31)	\$ (.25)
Net earnings (loss)	\$3.47	\$ (.07)	\$ (.46)	\$ (.38)	\$3.05	\$ (.24)	\$ (.31)	\$ (.26)
Diluted net earnings per share:								
Net earnings (loss) from continuing operations	\$3.45	\$ (.07)	\$ (.46)	\$ (.38)	\$3.03	\$ (.03)	\$ (.31)	\$ (.25)
Net earnings (loss)	\$3.45	\$ (.07)	\$ (.46)	\$ (.38)	\$3.02	\$ (.24)	\$ (.31)	\$ (.26)

The accumulation of four quarters in fiscal 2000 and 1999 for net earnings per share does not equal the related per share amounts for the years ended April 30, 2000 and 1999 due to the repurchase of treasury shares, the timing of the exercise of stock options, and the antidilutive effect of stock options in the first three quarters.

SUMMARIZED FINANCIAL INFORMATION

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

April 30	2000	1999
Condensed balance sheets:		
Cash and cash equivalents	\$ 256,823	\$ 16,026
Finance receivables, net	3,054,792	658,882
Other assets	1,247,710	448,010
Total assets	\$ 4,559,325	\$ 1,122,918
Notes payable	\$ 283,797	\$ 71,939
Long-term debt	745,600	249,725
Other liabilities	3,304,740	636,330

Stockholder's equity	225,188	164,924
	-----	-----
Total liabilities and stockholder's equity	\$ 4,559,325	\$ 1,122,918
	=====	=====

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Year Ended April 30	2000	1999	1998
	-----	-----	-----

Condensed statements of operations:

Revenues	\$ 761,908	\$ 386,938	\$ 209,334
Earnings from operations	111,098	69,419	28,447
Earnings before income taxes	111,211	65,642	28,401
Net earnings	58,717	19,280	13,719
	-----	-----	-----

SEGMENT INFORMATION

The principal business activity of the Company's operating subsidiaries is providing tax and financial services to the general public. Management has determined the reportable segments identified below according to differences in types of services, geographic locations, and how operational decisions are made. In the second quarter of fiscal 2000, management redefined its Mortgage operations segment to reflect the change in how the business is analyzed and evaluated. The redefined segment, Financial services, includes all of the previous mortgage activity along with the startup of the Company's new financial services operations and the acquisition of OLDE. Geographical information is presented within the segment data below. A majority of the foreign countries in which subsidiaries of the Company operate, which are individually immaterial, are included in International tax operations. Included below is the financial information on each segment that is used by management to evaluate the segment's results. The Company operates in the following reportable segments:

U.S. TAX OPERATIONS: This segment is primarily engaged in providing tax return preparation, filing, and related services to the general public in the United States. Tax-related service revenue includes fees from company-owned tax offices and royalties from franchised offices. This segment also purchases participation interests in refund anticipation loans made by a third-party lending institution which are offered to tax clients, provides tax preparation and other personal productivity software to the general public and provides online tax preparation and other services to the general public through the hrblock.com website. Revenues of this segment are seasonal in nature.

INTERNATIONAL TAX OPERATIONS: This segment is primarily engaged in providing tax return preparation, filing, and related services to the general public in Canada, Australia and the United Kingdom. In addition, International tax operations has franchise offices in 10 countries. Tax-related service revenue includes fees from company-owned tax offices and royalties from franchised offices. Revenues of this segment are seasonal in nature.

FINANCIAL SERVICES: This segment is primarily engaged in the origination, purchase, servicing, securitization and sale of nonconforming and conforming mortgage loans, as well as offering full service investment opportunities to the general public in the United States. Mortgage origination services are offered through a network of mortgage brokers in 48 states, through 18 H&R Block

Financial Centers and through H&R Block Mortgage Corporation retail offices in 48 states. Financial planning and investment advice are offered through 93 H&R Block Financial Centers and 105 OLDE offices, and stocks, bonds, mutual funds and other products and securities are offered through a nationwide network of approximately 1,700 registered representatives.

BUSINESS SERVICES: This segment is primarily engaged in providing accounting, tax and consulting services to business clients and tax, estate planning and financial planning services to individuals. This segment offers services through 100 offices located throughout the United States. Revenues of this segment are seasonal in nature.

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

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Information concerning the Company's operations by reportable segment as of and for the years ended April 30, 2000, 1999 and 1998 is as follows:

	2000	1999	1998

REVENUES:			
U.S. tax operations	\$ 1,431,085	\$ 1,258,269	\$ 1,047,324
International tax operations	81,518	74,714	81,754
Financial services	623,805	259,933	135,788
Business services	310,867	47,341	-
Unallocated corporate	4,668	4,408	5,115
Total Revenues	\$ 2,451,943	\$ 1,644,665	\$ 1,269,981
=====			
EARNINGS FROM CONTINUING OPERATIONS:			
U.S. tax operations	\$ 319,992	\$ 314,113	\$ 252,247
International tax operations	4,869	2,514	11,922
Financial services	129,800	61,126	29,195
Business services	17,111	7,121	-
Unallocated corporate	(20,949)	(20,729)	(14,769)
Interest expense on acquisition debt	(56,118)	(17,757)	(13,731)
	394,705	346,388	264,864
Investment income, net	8,313	32,234	25,597
Intercompany interest	9,248	4,919	5,972
Earnings from continuing operations before income taxes	\$ 412,266	\$ 383,541	\$ 296,433
=====			
DEPRECIATION AND AMORTIZATION:			
U.S. tax operations	\$ 66,523	\$ 49,380	\$ 37,313
International tax operations	5,494	5,741	4,541
Financial services	45,974	15,968	12,694
Business services	29,060	3,340	-
Unallocated corporate	167	176	424
Total depreciation and amortization	\$ 147,218	\$ 74,605	\$ 54,972
=====			
IDENTIFIABLE ASSETS:			
U.S. tax operations	\$ 348,726	\$ 268,650	\$ 200,243
International tax operations	59,725	55,684	48,362
Financial services	4,350,387	1,038,909	829,454
Business services	517,134	146,252	-
Unallocated corporate	423,378	400,681	1,623,612
Discontinued credit card operations	-	-	202,412
Total assets	\$ 5,699,350	\$ 1,910,176	\$ 2,904,083
=====			
CAPITAL EXPENDITURES:			
U.S. tax operations	\$ 85,999	\$ 63,354	\$ 36,495
International tax operations	3,281	7,709	7,013
Financial services	23,351	8,089	4,747
Business services	4,046	1,137	-
Unallocated corporate	212	80	1,502
Total capital expenditures	\$ 116,889	\$ 80,369	\$ 49,757
=====			

MANAGEMENT'S REPORT &
REPORT OF INDEPENDENT ACCOUNTANTS

MANAGEMENT'S REPORT

The financial information in this Annual Report, including the consolidated financial statements, has been prepared by the management of H&R Block, Inc. Management believes the information presented in the Annual Report is consistent with the financial statements, the financial statements are prepared in accordance with generally accepted accounting principles, and the financial statements do not contain material misstatements due to fraud or error. Where appropriate, the financial statements reflect management's best estimates and judgments.

Management also is responsible for maintaining a system of internal accounting controls with the objectives of providing reasonable assurance that the Company's assets are safeguarded against material loss from unauthorized use or disposition, and that authorized transactions are properly recorded to permit the preparation of accurate financial data. However, limitations exist in any system of internal controls based on a recognition that the cost of the system should not exceed its benefits. The Company believes its system of accounting controls, of which its internal auditing function is an integral part, accomplishes the stated objectives.

PricewaterhouseCoopers LLP, independent accountants, audited H&R Block's 2000 and 1999 consolidated financial statements and issued opinions thereon. Their audits were made in accordance with generally accepted auditing standards and included an objective, independent review of the system of internal controls to the extent necessary to express an opinion on the financial statements.

The Audit Committee of the Board of Directors, composed of outside directors, meets periodically with management, the independent accountants and the internal auditor to review matters relating to the Company's annual financial statements, internal audit activities, internal accounting controls and non-audit services provided by the independent accountants. The independent accountants and the internal auditor have full access to the Audit Committee and meet with it, both with and without management present, to discuss the scope and results of their audits including internal controls, audit and financial matters.

/s/ Frank L. Salizzoni
Frank L. Salizzoni
Chief Executive Officer

/s/ Frank J. Cotroneo
Frank J. Cotroneo
Senior Vice President and Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors and Shareholders
H&R Block, Inc.

In our opinion, the accompanying consolidated balance sheets as of April 30, 2000 and 1999 and the related consolidated statements of earnings, of cash flows and of stockholders' equity present fairly, in all material respects, the financial position of H&R Block, Inc. and its subsidiaries (the "Company") at April 30, 2000 and 1999, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States. 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 of these statements in accordance with auditing standards generally accepted in the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above. The financial statements of the Company for the year ended April 30, 1998 were audited by other independent accountants whose report dated June 16, 1998 and July 12, 1999 (as to the effects of the discontinued credit card operations described in the note on the sale of subsidiaries) expressed an unqualified opinion on those statements.

/s/ PricewaterhouseCoopers LLP
Kansas City, Missouri
June 20, 2000

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of earnings, stockholders' equity and cash flows of H&R Block, Inc. and subsidiaries for the year ended April 30, 1998. 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 audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of H&R Block, Inc., and subsidiaries for the year ended April 30, 1998, in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

Kansas City, Missouri
June 16, 1998
(July 12, 1999 as to the effects of the discontinued credit card operations described in the note on the sale of subsidiaries)

COMMON STOCK DATA

	Stock Price		Cash Dividend
	High	Low	Paid per Share
1999 FISCAL YEAR:			
Quarter ended 7/31/98	45 5/8	41 5/16	.20
Quarter ended 10/31/98	47 1/8	35 5/16	.25
Quarter ended 1/31/99	48 1/4	40 3/8	.25
Quarter ended 4/30/99	51 3/4	40 1/4	.25
2000 FISCAL YEAR:			
Quarter ended 7/31/99	58 7/8	45 1/2	.25
Quarter ended 10/31/99	59 1/2	38	.275
Quarter ended 1/31/00	49 1/2	39 7/8	.275
Quarter ended 4/30/00	49 1/2	39 1/2	.275

Traded on the New York Stock Exchange; Ticker Symbol: HRB

Selected Financial Data

Amounts in thousands, except per share amounts and number of shareholders

Year ended April 30	2000	1999	1998	1997	1996
FOR THE YEAR:					
Total revenues	\$ 2,451,943	\$ 1,644,665	\$ 1,269,981	\$ 1,066,410	\$ 846,987
Net earnings from continuing operations	\$ 251,895	\$ 237,795	\$ 183,788	\$ 148,132	\$ 126,669
Net earnings	\$ 251,895	\$ 215,366	\$ 392,130	\$ 47,755	\$ 177,168
AT YEAR END:					
Total assets	\$ 5,699,350	\$ 1,910,176	\$ 2,904,083	\$ 1,707,058	\$ 1,755,891
Cash, cash equivalents and marketable securities	\$ 618,665	\$ 420,649	\$ 1,590,192	\$ 539,107	\$ 745,693
Long-term debt	\$ 872,395	\$ 249,725	\$ 249,675	-	-
Stockholders' equity	\$ 1,218,589	\$ 1,061,987	\$ 1,341,632	\$ 999,097	\$ 1,039,593
Shares outstanding	98,035	97,629	106,981	104,067	103,417
Number of shareholders	33,557	34,624	31,177	33,517	35,634
MEASUREMENTS:					
Per basic share of common stock:					
Net earnings from continuing operations	\$ 2.57	\$ 2.38	\$ 1.75	\$ 1.42	\$ 1.22
Net earnings	\$ 2.57	\$ 2.16	\$ 3.74	\$.46	\$ 1.70
Per diluted share of common stock:					
Net earnings from continuing operations	\$ 2.55	\$ 2.36	\$ 1.71	\$ 1.40	\$ 1.19
Net earnings	\$ 2.55	\$ 2.14	\$ 3.65	\$.45	\$ 1.67
Other per share data:					
Cash dividends declared	\$ 1.07 1/2	\$.95	\$.80	\$ 1.04	\$ 1.27 1/4
Net tangible book value	\$ 1.26	\$ 6.72	\$ 9.84	\$ 8.88	\$ 9.46
Return on total revenues	10.3%	14.5%	14.5%	13.9%	15.0%
Return on beginning stockholders' equity	23.7%	16.1%	39.2%	4.6%	25.8%

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 -----
1) Block Investment Corporation.....	Delaware (1)
2) H&R Block Group, Inc.....	Delaware (1)
3) HRB Management, Inc.....	Missouri (2)
4) H&R Block Tax and Financial Services Limited.....	United Kingdom (3)
5) Companion Insurance, Ltd.....	Bermuda (3)
6) H&R Block Services, Inc.....	Missouri (2)
7) H&R Block Tax Services, Inc.....	Missouri (4)
8) H&R Block of Dallas, Inc.....	Texas (5)
9) HRB Partners, Inc.....	Delaware (6)
10) H&R Block and Associates, L.P.....	Delaware (7)
11) BWA Advertising, Inc.....	Missouri (5)
12) H&R Block (Guam), Inc.....	Guam (5)
13) H&R Block Enterprises (Guam), Inc.....	Guam (8)
14) H&R Block Canada, Inc.....	Canada (5)
15) H&R Block (Nova Scotia), Incorporated.....	Nova Scotia (9)
16) Cashplan Systems, Inc.....	British Columbia (9)
17) H&R Block Enterprises, Inc.....	Missouri (5)
18) HRB Texas Enterprises, Inc.....	Missouri (5)
19) H&R Block Eastern Tax Services, Inc.....	Missouri (4)
20) H&R Block Eastern Enterprises, Inc.....	Missouri (10)
21) A.J. & R., Co.....	North Carolina (10)
22) HRB Royalty, Inc.....	Delaware (4)
23) H&R Block Limited.....	New South Wales (11)
24) H&R Block Acquisition, Inc.....	Missouri (4)
25) Block Financial Corporation.....	Delaware (2)
26) Option One Mortgage Corporation.....	California (12)
27) Option One Mortgage Acceptance Corporation.....	Delaware (13)
28) Option One Mortgage Securities Corp.....	Delaware (13)
29) Premier Trust Deed Services, Inc.....	California (13)
30) Premier Mortgage Services of Washington, Inc.....	Washington (13)
31) H&R Block Mortgage Corporation.....	Ontario (13)
32) H&R Block Mortgage Corporation.....	Massachusetts (13)
33) Option One Direct Insurance Agency, Inc.....	California (13)
34) Block Mortgage Finance, Inc.....	Delaware (13)
35) Option One Warehouse Corporation.....	Delaware (13)
36) Companion Mortgage Corporation.....	Delaware (12)
37) Franchise Partner, Inc.....	Nevada (12)
38) H&R Block Investments, Inc.....	Delaware (12)
39) Birchtree Financial Services, Inc.....	Oklahoma (12)
40) Birchtree Insurance Agency, Inc.....	Missouri (14)
41) H&R Block Insurance Services, Inc.....	Delaware (12)
42) NCS Mortgage Services, L.L.C.....	Georgia (15)
43) National Consumer Services Corp. II, L.L.C.....	Georgia (15)
44) OLDE Financial Corporation.....	Michigan (12)
45) OLDE Discount Corporation.....	Michigan (16)
46) OLDE Discount of Canada.....	Canada (17)
47) C.U. Brokerage Services, Inc.....	Michigan (16)
48) OLDE Asset Management, Inc.....	Michigan (16)
49) OLDE Clearing Corporation.....	Delaware (16)
50) Smart Travel, Inc.....	Michigan (16)
51) Realty Acquisitions, Inc.....	Michigan (16)
52) OLDE Property Corporation.....	Michigan (16)
53) OLDE Realty Corporation.....	Michigan (16)

54)	420 South Garden, Inc.....	Florida (18)
55)	44 East Central.....	Florida (18)
56)	4240 Hunt Road, Inc.....	Ohio (18)
57)	3340 Gallows Road, Inc.....	Michigan (18)
58)	450 Silver Spur, Inc.....	Michigan (18)
59)	4230 West Green Oaks, Inc.....	Michigan (18)
60)	3414 Shawnee Mission, Inc.....	Michigan (18)
61)	OLDE Equipment Corporation.....	Michigan (16)
62)	H&R Block Financial Corporation.....	Michigan (16)
63)	American Brokerage Services, Inc.....	Vermont (16)
64)	Financial Marketing Services, Inc.....	Michigan (12)
65)	2430472 Nova Scotia Co.....	Nova Scotia (19)
66)	North American Printing Co.....	Canada (19)
67)	Sumner Canadian Direct Holdings Company.....	Canada (19)
68)	HRB Business Services, Inc.....	Delaware (2)
69)	DMJK Business Services, Inc.....	Missouri (20)
70)	FERS Business Services, Inc.....	Delaware (20)
71)	Pension Resources, Inc.....	Illinois (21)
72)	FERS Personal Financial Services, Inc.....	Delaware (20)
73)	Practice Development Institute, Inc.	Delaware (20)
74)	KSM Business Services, Inc.....	Delaware (20)
75)	KSM Capital Advisors, L.L.C.....	Indiana (22)
76)	FM Business Services, Inc.....	Delaware (20)
77)	Freed Maxick ABL Services, Inc.....	Delaware (20)
78)	WS Business Services, Inc.....	Delaware (20)
79)	Rex Investments, Inc.....	Texas (23)
80)	WSB-NEV, L.L.C.....	Nevada (24)
81)	W-1 Holdings, L.L.C.....	Texas (24)
82)	Wallace Sanders Business Consulting, L.P.....	Texas (25)
83)	C.W. Amos Business Services, Inc.	Delaware (20)
84)	C.W. Amos Investment Advisors, L.L.C.....	Maryland (26)
85)	RP Business Services, Inc.....	Delaware (20)
86)	RSM McGladrey, Inc.....	Delaware (20)
87)	McGladrey Contract Business Services, L.L.C.....	Minnesota (27)
88)	Toback, Inc.....	Arizona (28)
89)	HRB Retail Services, Inc.....	Delaware (2)

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 HRB Management, Inc.
- (4) Wholly owned subsidiary of H&R Block Services, Inc.
- (5) Wholly owned subsidiary of H&R Block Tax Services, Inc.
- (6) Wholly owned subsidiary of H&R Block of Dallas, Inc.
- (7) Limited partnership in which H&R Block Tax Services, Inc. is a 1% general partner and HRB Partners, Inc. is a 99% limited partner
- (8) Wholly owned subsidiary of H&R Block (Guam), Inc.
- (9) Wholly owned subsidiary of H&R Block Canada, Inc.
- (10) Wholly owned subsidiary of H&R Block Eastern Tax Services, Inc.
- (11) Wholly owned subsidiary of HRB Royalty, Inc.
- (12) Wholly owned subsidiary of Block Financial Corporation
- (13) Wholly owned subsidiary of Option One Mortgage Corporation
- (14) Wholly owned subsidiary of Birchtree Financial Services, Inc.
- (15) Limited liability company in which Block Financial Corporation has a 96.25% membership interest and non-affiliated individuals having a combined 3.75% membership interest
- (16) Wholly owned subsidiary of OLDE Financial Corporation
- (17) Wholly owned subsidiary of OLDE Discount Corporation
- (18) Wholly owned subsidiary of OLDE Realty Corporation
- (19) Wholly owned subsidiary of Financial Marketing Services, Inc.
- (20) Wholly owned subsidiary of HRB Business Services, Inc.
- (21) Wholly owned subsidiary of FERS Business Services, Inc.
- (22) Limited liability company in which KSM Business Services, Inc. has a 100% membership interest

- (23) Wholly owned subsidiary of WS Business Services, Inc.
- (24) Limited liability company in which WS Business Services, Inc. has a 100% membership interest
- (25) Limited partnership in which W-1 Holdings, L.L.C. is the sole general partner
- (26) Limited liability company in which C.W. Amos Business Services, Inc. has a 100% membership interest
- (27) Limited liability company in which RSM McGladrey, Inc has a 100% membership interest
- (28) Wholly owned subsidiary of RSM McGladrey, Inc.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-33655) of Block Financial Corporation and in the Registration Statements on Form S-3 (No. 333-33655-01) and Form S-8 (Nos. 33-185, 33-33889, 33-54989, 33-64147, 333-62515 and 333-42143) of H&R Block, Inc. of our report dated June 20, 2000 relating to the financial statements of H&R Block, Inc., which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated June 20, 2000 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers

Kansas City, Missouri
July 27, 2000

INDEPENDENT AUDITORS' CONSENT AND REPORT ON SCHEDULE

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

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; 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; Registration Statement No. 33-54989 of H&R Block, Inc. and subsidiaries (relating to shares of Common Stock issued under the 1993 Long-Term Executive Compensation Plan) on Form S-8; Registration Statement No. 33-64147 of H&R Block, Inc. and subsidiaries (relating to shares of Delayed Convertible Preferred Stock issuable under the Spry, Inc. 1995 Stock Option Plan) on Form S-8; Registration Statement No. 333-62515 of H&R Block, Inc. and subsidiaries (relating to shares of Common Stock issuable under the Third Stock Option Plan for Seasonal Employees) on Form S-8; Registration Statement No. 333-42143 of H&R Block, Inc. and subsidiaries (relating to shares of Common Stock issued under the H&R Block Stock Plan for Non-Employee Directors) on Form S-8; and Registration Statements Nos. 333-33655 and 333-33655-01 of Block Financial Corporation and H&R Block, Inc., respectively, (relating to debt securities of Block Financial Corporation) on Form S-3 of our report dated June 16, 1998 (July 12, 1999 as to the effects of the discontinued credit card operations described in the note on the sale of subsidiaries), appearing in this Annual Report on Form 10-K of H&R Block, Inc. and subsidiaries for the year ended April 30, 2000.

Our audit of the consolidated financial statements referred to in our aforementioned report also included the 1998 financial statement schedule of H&R Block, Inc., and subsidiaries, listed in Item 14. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, such 1998 financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

Kansas City, Missouri
July 27, 2000

<ARTICLE> 5

<LEGEND>

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

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