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

FORM 10-Q

(Mark One)

[**X**] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2009

OR

[ ] 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

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

MISSOURI	**44-0607856**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

One H&R Block Way
Kansas City, Missouri 64105
(Address of principal executive offices, including zip code)

(816) 854-3000
(Registrant's telephone number, including area code)

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

Yes ☐ No ___

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one) :

Large accelerated filer ☐	Accelerated filer ___	Non-accelerated filer ___	Smaller reporting company ___
		(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ___ No ☐

The number of shares outstanding of the registrant's Common Stock, without par value, at the close of business on November 30, 2009 was 335,541,241 shares.

H&R BLOCK

Form 10-Q for the Period Ended October 31, 2009

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CONDENSED CONSOLIDATED BALANCE SHEETS (amounts in 000s, except share and per share amounts)

	October 31, 2009	April 30, 2009
	(Unaudited)	
ASSETS		
Cash and cash equivalents	$ 1,432,243	$ 1,654,663
Cash and cash equivalents – restricted	46,072	51,656
Receivables, less allowance for doubtful accounts of $131,438 and $128,541	461,485	512,814
Prepaid expenses and other current assets	361,186	351,947
Total current assets	2,300,986	2,571,080
Mortgage loans held for investment, less allowance for loan losses of $95,993 and $84,073	671,049	744,899
Property and equipment, at cost, less accumulated depreciation and amortization of $640,595 and $625,075	351,288	368,289
Intangible assets, net	378,112	385,998
Goodwill	856,880	850,230
Other assets	409,044	439,226
Total assets	$ 4,967,359	$ 5,359,722
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Customer banking deposits	$ 1,493,726	$ 854,888
Accounts payable, accrued expenses and other current liabilities	608,149	705,945
Accrued salaries, wages and payroll taxes	83,321	259,698
Accrued income taxes	169,004	543,967
Current portion of long-term debt	3,667	8,782
Federal Home Loan Bank borrowings	25,000	25,000
Total current liabilities	2,382,867	2,398,280
Long-term debt	1,032,562	1,032,122
Federal Home Loan Bank borrowings	75,000	75,000
Other noncurrent liabilities	405,833	448,461
Total liabilities	3,896,262	3,953,863
Commitments and contingencies		
Stockholders' equity:		
Common stock, no par, stated value $.01 per share, 800,000,000 shares authorized, shares issued of 444,176,510	4,442	4,442
Additional paid-in capital	827,423	836,477
Accumulated other comprehensive income (loss)	66	(11,639)
Retained earnings	2,308,153	2,671,437
Less treasury shares, at cost	(2,068,987)	(2,094,858)
Total stockholders' equity	1,071,097	1,405,859
Total liabilities and stockholders' equity	$ 4,967,359	$ 5,359,722

See Notes to Condensed Consolidated Financial Statements

H&R BLOCK

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Unaudited, amounts in 000s, except per share amounts)

	Three Months Ended October 31, 2009	Three Months Ended October 31, 2008	Six Months Ended October 31, 2009	Six Months Ended October 31, 2008
Revenues:				
Service revenues	$ 294,958	$ 316,337	$ 542,943	$ 557,057
Interest income	12,113	17,047	24,400	34,894
Product and other revenues	19,010	18,085	34,243	31,427
	326,081	351,469	601,586	623,378
Operating expenses:				
Cost of revenues	410,949	438,765	797,399	805,085
Selling, general and administrative	129,685	138,036	232,902	255,240
	540,634	576,801	1,030,301	1,060,325
Operating loss	(214,553)	(225,332)	(428,715)	(436,947)
Other income (expense), net	1,700	(2,121)	4,989	(3,476)
Loss from continuing operations before tax benefit	(212,853)	(227,453)	(423,726)	(440,423)
Income tax benefit	(86,381)	(94,292)	(166,637)	(178,839)
Net loss from continuing operations	(126,472)	(133,161)	(257,089)	(261,584)
Net loss from discontinued operations	(2,115)	(2,713)	(5,132)	(7,009)
Net loss	$ (128,587)	$ (135,874)	$ (262,221)	$ (268,593)
Basic and diluted loss per share:				
Net loss from continuing operations	$ (0.38)	$ (0.40)	$ (0.77)	$ (0.80)
Net loss from discontinued operations	-	(0.01)	(0.01)	(0.02)
Net loss	$ (0.38)	$ (0.41)	$ (0.78)	$ (0.82)
Basic and diluted shares	335,346	329,810	334,939	328,475
Dividends per share	$ 0.15	$ 0.15	$ 0.30	$ 0.29
Comprehensive income (loss):				
Net loss	$ (128,587)	$ (135,874)	$ (262,221)	$ (268,593)
Change in unrealized gain on available-for-sale securities, net	329	(597)	(418)	(2,564)
Change in foreign currency translation adjustments	2,586	(11,472)	12,123	(11,158)
Comprehensive loss	$ (125,672)	$ (147,943)	$ (250,516)	$ (282,315)

See Notes to Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, amounts in 000s)

Six Months Ended October 31,	2009	2008
Net cash used in operating activities	$ (786,152)	$ (665,931)
Cash flows from investing activities:		
Principal repayments on mortgage loans held for investment, net	38,693	54,501
Purchases of property and equipment, net	(7,280)	(58,586)
Payments made for business acquisitions, net of cash acquired	(6,606)	(4,709)
Net cash used in investing activities of discontinued operations	-	(48,917)
Other, net	18,473	8,910
Net cash provided by (used in) investing activities	43,280	(48,801)
Cash flows from financing activities:		
Repayments of Federal Home Loan Bank borrowings	-	(40,000)
Proceeds from Federal Home Loan Bank borrowings	-	15,000
Repayments of other short-term borrowings	-	(60,000)
Proceeds from other short-term borrowings	-	753,625
Customer banking deposits, net	638,466	(40,595)
Dividends paid	(100,784)	(96,555)
Acquisition of treasury shares	(3,785)	(4,467)
Proceeds from exercise of stock options	8,218	61,699
Proceeds from issuance of common stock, net	-	141,558
Net cash provided by financing activities of discontinued operations	-	4,783
Other, net	(30,884)	8,413
Net cash provided by financing activities	511,231	743,461
Effects of exchange rates on cash	9,221	-
Net increase (decrease) in cash and cash equivalents	(222,420)	28,729
Cash and cash equivalents at beginning of the period	1,654,663	664,897
Cash and cash equivalents at end of the period	$ 1,432,243	$ 693,626
Supplementary cash flow data:		
Income taxes paid	$ 196,427	$ 99,910
Interest paid on borrowings	37,304	38,713
Interest paid on deposits	4,134	10,441
Transfers of loans to foreclosed assets	9,212	62,578

See Notes to Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation

The condensed consolidated balance sheet as of October 31, 2009, the condensed consolidated statements of operations and comprehensive income (loss) for the three and six months ended October 31, 2009 and 2008, and the condensed consolidated statements of cash flows for the six months ended October 31, 2009 and 2008 have been prepared by the Company, without audit. In the opinion of management, all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows at October 31, 2009 and for all periods presented have been made.

"H&R Block," "the Company," "we," "our" and "us" are used interchangeably to refer to H&R Block, Inc. or to H&R Block, Inc. and its subsidiaries, as appropriate to the context.

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. In addition, we realigned our segments as discussed in note 12, and accordingly restated segment disclosures for prior periods. These changes had no effect on our results of operations or stockholders' equity as previously reported.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our April 30, 2009 Annual Report to Shareholders on Form 10-K. All amounts presented herein as of April 30, 2009 or for the year then ended, are derived from our April 30, 2009 Annual Report to Shareholders on Form 10-K.

We have evaluated subsequent events through December 9, 2009, the date of issuance of our condensed consolidated financial statements.

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. Significant estimates, assumptions and judgments are applied in the determination of our allowance for loan losses, potential losses from loan repurchase and indemnity obligations associated with our discontinued mortgage business, contingent losses associated with pending litigation, fair value of reporting units, reserves for uncertain tax positions and related matters. We revise our estimates when facts and circumstances dictate. However, future events and their effects cannot be determined with absolute certainty. As such, actual results could differ materially from those estimates.

Seasonality of Business

Our operating revenues are seasonal in nature with peak revenues occurring in the months of January through April. Therefore, results for interim periods are not indicative of results to be expected for the full year.

Concentrations of Risk

Our mortgage loans held for investment include concentrations of loans to borrowers in certain states, which may result in increased exposure to loss as a result of changes in real estate values and underlying economic or market conditions related to a particular geographical location. Approximately 52% of our mortgage loan portfolio consists of loans to borrowers located in the states of Florida, California and New York.

2. Recent Events

RSM McGladrey, Inc. (RSM) and McGladrey & Pullen LLP (M&P), an independent registered public accounting firm, collaborate to provide accounting, tax and consulting services to clients under an alternative practice structure. RSM and M&P also share in certain common overhead costs through an administrative services agreement. These services are provided by, and coordinated through, RSM, for which RSM receives a management fee.

On July 21, 2009, M&P provided 210 days notice of its intent to terminate the administrative services agreement. The effect of the notice will be to terminate the alternative practice structure on February 16, 2010, unless revoked or modified prior to that time. As a protective measure, on September 15, 2009, RSM provided notice of its intent to terminate the administrative services agreement. Absent revocation or modification by RSM, the effect of RSM's notice will be to terminate the alternative practice structure on April 13, 2010 even in the event M&P revokes or modifies the M&P notice. Since July 23, 2009, RSM and M&P have been engaged in arbitration to resolve various disputes regarding their contractual relationship, including the scope and enforceability of restrictive covenants agreed to by M&P. On November 24, 2009, the arbitration panel issued a final and binding ruling regarding the enforceability of the covenants. The ruling is confidential. RSM and M&P are continuing negotiations to determine if there are mutually agreeable changes to the current arrangements that would allow the alternative practice structure with M&P to continue. There are no assurances as to the outcome of these negotiations.

3. Earnings (Loss) Per Share and Stockholders' Equity

Basic and diluted loss per share is computed using the two-class method. See note 13 for additional information on our adoption of the two-class method. The two-class method is an earnings allocation formula that determines net income per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. Per share amounts are computed by dividing net income from continuing operations attributable to common shareholders by the weighted average shares outstanding during each period. The dilutive effect of potential common shares is included in diluted earnings per share except in those periods with a loss from continuing operations. Diluted earnings per share excludes the impact of shares of common stock issuable upon the lapse of certain restrictions or the exercise of options to purchase 19.3 million shares for the three and six months ended October 31, 2009, and 23.7 million shares for the three and six months ended October 31, 2008, as the effect would be antidilutive due to the net loss from continuing operations during each period.

The computations of basic and diluted loss per share from continuing operations are as follows:

(in 000s, except per share amounts)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2009	2008	2009	2008
Net loss from continuing operations attributable to shareholders	$(126,472)	$(133,161)	$(257,089)	$(261,584)
Amounts allocated to participating securities (nonvested shares)	(27)	248	340	447
Net loss from continuing operations attributable to common shareholders	$(126,445)	$(133,409)	$(257,429)	$(262,031)
Basic weighted average common shares	335,346	329,810	334,939	328,475
Potential dilutive shares from stock options and nonvested shares	-	-	-	-
Convertible preferred stock	-	-	-	-
Dilutive weighted average common shares	335,346	329,810	334,939	328,475
Earnings (loss) per share from continuing operations attributable to common shareholders:				
Basic	$ (0.38)	$ (0.40)	$ (0.77)	$ (0.80)
Diluted	(0.38)	(0.40)	(0.77)	(0.80)

The weighted average shares outstanding for the three and six months ended October 31, 2009 increased to 335.3 million and 334.9 million, respectively, from 329.8 million and 328.5 million for the three and six months ended October 31, 2008, respectively, primarily due to the issuance of shares of our common stock in October 2008.

During the six months ended October 31, 2009 and 2008, we issued 1.6 million and 4.5 million shares of common stock, respectively, due to the exercise of stock options, employee stock purchases and vesting of nonvested shares.

During the six months ended October 31, 2009, we acquired 0.2 million shares of our common stock at an aggregate cost of $3.8 million, and during the six months ended October 31, 2008, we acquired 0.2 million shares at an aggregate cost of $4.5 million. Shares acquired during these periods represented shares swapped or surrendered to us in connection with the vesting of nonvested shares and the exercise of stock options.

During the six months ended October 31, 2009, we granted 4.6 million stock options and 0.9 million nonvested shares and units in accordance with our stock-based compensation plans. The weighted average fair value of options granted was $3.27 for management options and $2.70 for options granted to our seasonal associates. Stock-based compensation expense totaled $4.8 million and $12.1 million for the three and six months ended October 31, 2009, respectively, and $8.5 million and $13.0 million for the three and six months ended October 31, 2008, respectively. At October 31, 2009, unrecognized compensation cost for options totaled $17.1 million, and for nonvested shares and units totaled $23.4 million.

4. Mortgage Loans Held for Investment and Related Assets

The composition of our mortgage loan portfolio as of October 31, 2009 and April 30, 2009 is as follows:

(dollars in 000s)

	October 31, 2009		April 30, 2009	
As of	Amount	% of Total	Amount	% of Total
Adjustable-rate loans	$472,292	62%	$534,943	65%
Fixed-rate loans	288,824	38%	286,894	35%
	761,116	100%	821,837	100%
Unamortized deferred fees and costs	5,926		7,135	
Less: Allowance for loan losses	(95,993)		(84,073)	
	$671,049		$744,899	

Activity in the allowance for loan losses for the six months ended October 31, 2009 and 2008 is as follows:

(in 000s)

Six Months Ended October 31,	2009	2008
Balance, beginning of the period	$ 84,073	$ 45,401
Provision	27,000	38,083
Recoveries	29	3
Charge-offs	(15,109)	(19,835)
Balance, end of the period	$ 95,993	$ 63,652

Our loan loss reserve as a percent of mortgage loans was 12.61% at October 31, 2009, compared to 10.23% at April 30, 2009.

In cases where we modify a loan and in so doing grant a concession to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring (TDR). TDR loans totaled $159.9 million and $160.7 million at October 31, 2009 and April 30, 2009, respectively. The principal balance of impaired loans and real estate owned as of October 31, 2009 and April 30, 2009 is as follows:

(in 000s)

As of	October 31, 2009	April 30, 2009
Impaired loans:		
60 – 89 days	$ 19,976	$ 21,415
90+ days, non-accrual	157,282	121,685
TDR loans, accrual	98,547	60,044
TDR loans, non-accrual	61,318	100,697
	337,123	303,841
Real estate owned(1)	38,895	44,533
Total non-performing assets	$ 376,018	$ 348,374

(1) Includes loans accounted for as in-substance foreclosures of $18.3 million and $27.4 million at October 31, 2009 and April 30, 2009, respectively.

Activity related to our real estate owned is as follows:

(in 000s)

Six Months Ended October 31,	2009	2008
Balance, beginning of the period	$ 44,533	$ 350
Additions	9,212	62,578
Sales	(10,055)	(3,787)
Impairments	(4,795)	(5,938)
Balance, end of the period	$ 38,895	$53,203

5. Goodwill and Intangible Assets

Changes in the carrying amount of goodwill for the six months ended October 31, 2009 consist of the following:

(in 000s)

	April 30, 2009	Additions	Impairment	Other	October 31, 2009
Tax Services	$ 447,591	$ 6,227	$ -	$ 1,862	$ 455,680
Business Services	402,639	-	-	(1,439)	401,200
Total	$ 850,230	$ 6,227	$ -	$ 423	$ 856,880

We test goodwill for impairment annually at the beginning of our fourth quarter, or more frequently if events occur which could, more likely than not, reduce the fair value of a reporting unit's net assets below its carrying value.

We considered the July 21, 2009 notice by M&P of its intent to terminate the administrative services agreement with RSM to represent a significant change in circumstances requiring an interim evaluation of the fair value of our RSM reporting unit. Goodwill of this reporting unit totaled $371.9 million at October 31, 2009. The net carrying value of other intangible assets of RSM totaled $92.4 million at October 31, 2009, including $50.8 million for an indefinite-lived trade name asset. We have concluded that, as of October 31, 2009, the fair value of this reporting unit exceeds its carrying value and also that the net carrying value of other intangible assets is recoverable.

Our conclusion is based on our current assumptions, including, but not limited to, those listed below.

- We have assumed our noncompete rights are enforceable.
- We have assumed that, more likely than not, RSM and M&P will continue to collaborate; or, in the event of a separation, RSM will successfully establish an alliance with other attest firms.
- We have assumed that ongoing negotiations between RSM and M&P will not result in modifications of their relationship that would be materially adverse to the financial interests of RSM.

- In the event of a separation, we have made various assumptions concerning client retention and post-separation operating margins.
- In the event of a separation, we have assumed M&P would be able to repay its indebtedness to RSM.

It is difficult to predict the outcome of the above matters, including the outcome of mitigating factors that we are currently pursuing. Therefore, it is possible that changes in our assumptions, based on future events or circumstances, could result in changes in our fair value estimates and corresponding impairment charges.

RSM's subsidiary, RSM EquiCo, Inc. (RSM EquiCo), which assists clients with capital markets transactions, has experienced declining revenues in the current economic environment. If availability of financing for acquisitions in the middle-market remains limited, revenues may continue to fall below our expectations, which could lead us to consider impairment of the $29.3 million carrying value of goodwill related to our capital markets business.

Intangible assets consist of the following:

(in 000s)

As of	October 31, 2009			April 30, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Tax Services:						
Customer relationships	$ 61,475	$ (29,237)	$ 32,238	$ 54,655	$ (25,267)	$ 29,388
Noncompete agreements	22,537	(20,808)	1,729	23,263	(20,941)	2,322
Reacquired franchise rights	229,438	(4,045)	225,393	229,438	(1,838)	227,600
Franchise agreements	19,201	(1,173)	18,028	19,201	(533)	18,668
Purchased technology	12,500	(5,219)	7,281	12,500	(4,240)	8,260
Trade name	1,325	(300)	1,025	1,025	(217)	808
Business Services:						
Customer relationships	145,177	(115,558)	29,619	146,040	(111,017)	35,023
Noncompete agreements	33,061	(21,031)	12,030	33,068	(19,908)	13,160
Trade name – amortizing	2,600	(2,600)	-	2,600	(2,600)	-
Trade name – non-amortizing	55,637	(4,868)	50,769	55,637	(4,868)	50,769
	$582,951	$ (204,839)	$378,112	$577,427	$ (191,429)	$385,998

Amortization of intangible assets for the three and six months ended October 31, 2009 was $7.5 million and $14.4 million, respectively, and $8.0 million and $13.6 million, for the three and six months ended October 31, 2008, respectively. Estimated amortization of intangible assets for fiscal years 2010 through 2014 is $29.7 million, $27.1 million, $24.1 million, $19.8 million and $16.4 million, respectively.

6. Income Taxes

We file a consolidated federal income tax return in the United States and file tax returns in various state and foreign jurisdictions. Consolidated tax returns for the years 1999 through 2007 are currently under examination by the Internal Revenue Service. Tax years prior to 1999 are closed by statute. Historically, tax returns in various foreign and state jurisdictions are examined and settled upon completion of the exam.

During the six months ended October 31, 2009, we accrued an additional $0.8 million for interest and penalties related to our uncertain tax positions. We had unrecognized tax benefits of $121.9 million and $124.6 million at October 31, 2009 and April 30, 2009, respectively. The unrecognized tax benefits decreased $2.7 million in the current year, due primarily to positions related to prior years. Except as noted below, we have classified the liability for unrecognized tax benefits, including corresponding accrued interest, as long-term at October 31, 2009, which is included in other noncurrent liabilities on the condensed consolidated balance sheets.

Based upon the expiration of statutes of limitations, payments of tax and other factors in several jurisdictions, we believe it is reasonably possible that the total amount of reserves for previously unrecognized tax benefits may decrease by approximately $16 million within twelve months of October 31, 2009. This portion of our liability for unrecognized tax benefits has been classified as current and is included in accounts payable, accrued expenses and other current liabilities on the condensed consolidated balance sheets.

7. Interest Income and Expense

The following table shows the components of interest income and expense of our continuing operations:

(in 000s)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2009	2008	2009	2008
Interest income:				
Mortgage loans	$ 8,072	$12,098	$15,968	$25,363
Other	4,041	4,949	8,432	9,531
	$12,113	$17,047	$24,400	$34,894
Interest expense:				
Borrowings	$18,514	$21,054	$37,471	$39,226
Deposits	2,284	3,884	4,333	7,927
FHLB advances	508	1,327	1,017	2,655
	$21,306	$26,265	$42,821	$49,808

8. Fair Value

The following table presents for each hierarchy level the financial assets that are measured at fair value on both a recurring and non-recurring basis at October 31, 2009:

(dollars in 000s)

	Total	Level 1	Level 2	Level 3
Recurring:				
Available-for-sale securities	$ 40,702	$ -	$40,702	$ -
Non-recurring:				
Impaired mortgage loans held for investment	252,351	-	-	252,351
	$293,053	$ -	$40,702	$252,351
As a percentage of total assets	5.9%	-%	0.8%	5.1%

There were no significant changes to the unobservable inputs used in determining the fair values of our level 2 and level 3 financial assets.

The carrying amounts and estimated fair values of our financial instruments at October 31, 2009 are as follows:

(in 000s)

	Carrying Amount	Estimated Fair Value
Mortgage loans held for investment	$ 671,049	$ 506,622
IRAs and other time deposits	732,355	732,245
Long-term debt	1,032,562	1,106,878

9. Regulatory Requirements

H&R Block Bank (HRB Bank) files its regulatory Thrift Financial Report (TFR) on a calendar quarter basis with the Office of Thrift Supervision (OTS). The following table sets forth HRB Bank's regulatory capital requirements at September 30, 2009, as calculated in the most recently filed TFR:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(dollars in 000s)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio(1)	$287,082	50.1%	$ 45,883	8.0%	$ 57,354	10.0%
Tier 1 risk-based capital ratio(2)	$279,460	48.7%	N/A	N/A	$ 34,412	6.0%
Tier 1 capital ratio (leverage)(3)	$279,460	19.4%	$ 172,746	12.0%	$ 71,977	5.0%
Tangible equity ratio(4)	$279,460	19.4%	$ 21,593	1.5%	N/A	N/A

(1) Total risk-based capital divided by risk-weighted assets.
(2) Tier 1 (core) capital less deduction for low-level recourse and residual interest divided by risk-weighted assets.
(3) Tier 1 (core) capital divided by adjusted total assets.
(4) Tangible capital divided by tangible assets.

Block Financial LLC (BFC) typically makes capital contributions to HRB Bank to help it meet its capital requirements. Capital contributions totaling $245.0 million were made by BFC during the fiscal year ended April 30, 2009. BFC made capital contributions to HRB Bank of $150.0 million during the six months ended October 31, 2009 and, in November 2009, BFC made an additional capital contribution to HRB Bank of $85.0 million. As of October 31, 2009, HRB Bank's leverage ratio was 14.6%.

10. Commitments and Contingencies

Changes in deferred revenue balances related to our Peace of Mind (POM) program, the current portion of which is included in accounts payable, accrued expenses and other current liabilities and the long-term portion of which is included in other noncurrent liabilities in the condensed consolidated balance sheets, are as follows:

(in 000s) Six Months Ended October 31,	2009	2008
Balance, beginning of period	$146,807	$140,583
Amounts deferred for new guarantees issued	1,351	1,148
Revenue recognized on previous deferrals	(47,044)	(45,826)
Balance, end of period	$101,114	$ 95,905

The following table summarizes certain of our other contractual obligations and commitments:

(in 000s) As of	October 31, 2009	April 30, 2009
Franchise Equity Lines of Credit – undrawn commitment	$ 29,286	$ 38,055
Contingent business acquisition obligations	24,973	24,165
Media advertising purchase obligation	45,768	45,768

We routinely enter into contracts that include embedded indemnifications that have characteristics similar to guarantees. Guarantees and indemnifications of the Company and its subsidiaries include obligations to protect counterparties from losses arising from the following: (1) tax, legal and other risks related to the purchase or disposition of businesses; (2) penalties and interest assessed by federal and state taxing authorities in connection with tax returns prepared for clients; (3) indemnification of our directors and officers; and (4) third-party claims relating to various arrangements in the normal course of business. Typically, there is no stated maximum payment related to these indemnifications, and the terms of the indemnities may vary and in many cases are limited only by the applicable statute of limitations. The likelihood of any claims being asserted against us and the ultimate liability related to any such claims, if any, is difficult to predict. While we cannot provide assurance we will ultimately prevail in the event any such claims are asserted, we believe the fair value of guarantees and indemnifications relating to our continuing operations is not material as of October 31, 2009.

Discontinued Operations

Sand Canyon Corporation (SCC), formerly Option One Mortgage Corporation, maintains recourse with respect to loans previously sold or securitized under indemnification of loss provisions relating to breach of representations and warranties made to purchasers or insurers. At October 31, 2009 and April 30, 2009, our loan repurchase reserve totaled $201.2 million and $206.6 million, respectively. This liability is included in accounts payable, accrued expenses and other current liabilities on our condensed consolidated balance sheets.

11. Litigation and Related Contingencies

We are party to investigations, legal claims and lawsuits arising out of our business operations. As required, we accrue our best estimate of loss contingencies when we believe that a loss is probable and that we can reasonably estimate the amount of any such loss. Amounts accrued, including obligations under indemnifications, totaled $32.9 million and $27.9 million at October 31, 2009 and April 30, 2009, respectively. Litigation is inherently unpredictable and it is difficult to predict the outcome of particular matters with reasonable certainty and, therefore, the actual amount of any loss may prove to be larger or smaller than the amounts reflected in our consolidated financial statements.

RAL Litigation

We have been named as a defendant in numerous lawsuits throughout the country regarding our refund anticipation loan programs (collectively, "RAL Cases"). The RAL Cases have involved a variety of legal theories asserted by plaintiffs. These theories include allegations that, among other things: disclosures in the RAL applications were inadequate, misleading and untimely; the RAL interest rates were usurious and unconscionable; we did not disclose that we would receive part of the finance charges paid by the customer for such loans; untrue, misleading or deceptive statements in marketing RALs; breach of state laws on credit service organizations; breach of contract, unjust enrichment, unfair and deceptive acts or practices; violations of the federal Racketeer Influenced and Corrupt Organizations Act; violations of the federal Fair Debt Collection Practices Act and unfair competition regarding debt collection activities; and that we owe, and breached, a fiduciary duty to our customers in connection with the RAL program.

The amounts claimed in the RAL Cases have been very substantial in some instances, with one settlement resulting in a pretax expense of $43.5 million in fiscal year 2003 (the "Texas RAL Settlement") and other settlements resulting in a combined pretax expense in fiscal year 2006 of $70.2 million.

We have settled all but one of the RAL Cases. The sole remaining RAL Case is a putative class action entitled *Sandra J. Basile, et al. v. H&R Block, Inc., et al.*, April Term 1992 Civil Action No. 3246 in the Court of Common Pleas, First Judicial District Court of Pennsylvania, Philadelphia County, instituted on April 23, 1993. The plaintiffs seek unspecified actual and punitive damages, injunctive relief, attorneys' fees and costs. A Pennsylvania class was certified, but later decertified by the trial court in December 2003. The trial court's decertification decision is currently on appeal. We believe we have meritorious defenses to this case and intend to defend it vigorously. There can be no assurances, however, as to the outcome of this case or its impact on our consolidated results of operations.

Peace of Mind Litigation

We are defendants in lawsuits regarding our Peace of Mind program (collectively, the "POM Cases"), under which our applicable tax return preparation subsidiary assumes liability for additional tax assessments attributable to tax return preparation error. The POM Cases are described below.

Lorie J. Marshall, et al. v. H&R Block Tax Services, Inc., et al., Case No. 08-CV-591 in the U.S. District Court for the Southern District of Illinois, is a putative class action case originally filed in the Circuit Court of Madison County, Illinois on January 18, 2002. The plaintiffs allege that the sale of POM guarantees constitutes (1) statutory fraud by selling insurance without a license, (2) an unfair trade practice, by omission and by "cramming" (i.e., charging customers for the guarantee even though they did not request it or want it), and (3) a breach of fiduciary duty. The plaintiffs seek unspecified damages, attorneys' fees and costs. The Madison County court ultimately certified a class consisting of all persons residing in 13 states who from January 1, 1997 to final judgment (1) were charged a separate fee for POM by "H&R Block;" (2) were charged a separate fee for POM by an "H&R Block" entity not licensed to sell insurance; or (3) had an unsolicited charge for POM posted to their bills by "H&R Block." Persons who received the POM guarantee through an H&R Block Premium office were excluded from the class. We subsequently removed the case to federal court in the Southern District of Illinois, where it is now pending. In November 2009, the federal court issued an order effectively vacating the state court's class certification ruling and allowing plaintiffs time to file a renewed motion for class certification under the federal rules.

There is one other putative class action pending against us in Texas that involves the POM guarantee. This case, styled *Desiri L. Soliz v. H&R Block, et al.* (Cause No. 03-032-D), was filed on January 23, 2003 in the District Court of Kleberg County, Texas and is pending before the same judge that presided over the Texas RAL Settlement, involves the same plaintiffs' attorneys that are involved in the *Marshall* litigation in Illinois, and contains allegations similar to those in the *Marshall* case. The plaintiff seeks actual and treble damages, equitable relief, attorney fees and costs. No class has been certified in this case.

We believe we have meritorious defenses to the claims in the POM Cases, and we intend to defend them vigorously. The amounts claimed in the POM Cases are substantial, however, and there can be no assurances as to the outcome of these pending actions or their impact on our consolidated results of operations individually or in the aggregate.

Express IRA Litigation

On March 15, 2006, the New York Attorney General filed a lawsuit in the Supreme Court of the State of New York, County of New York (Index No. 06/401110) entitled *The People of New York v. H&R Block, Inc. and H&R Block Financial Advisors, Inc. et al*. The complaint asserts nationwide jurisdiction and alleges fraudulent business practices, deceptive acts and practices, common law fraud and breach of fiduciary duty with respect to the Express IRA product and seeks equitable relief, disgorgement of profits, damages and restitution, civil penalties and punitive damages. In July 2007, the Supreme Court of the State of New York issued a ruling that dismissed all defendants other than H&R Block Financial Advisors, Inc. (HRBFA) and the claims of common law fraud. The intermediate appellate court reversed this ruling in January 2009. The amount claimed in this case is substantial. We believe we have meritorious defenses to the claims in this case and intend to defend this case vigorously. There can be no assurances, however, as to the outcome of this case or its impact on our consolidated results of operations.

On January 2, 2008, the Mississippi Attorney General filed a lawsuit in the Chancery Court of Hinds County, Mississippi First Judicial District (Case No. G 2008 6 S 2) entitled *Jim Hood, Attorney for the State of Mississippi v. H&R Block, Inc., et al.* The complaint alleges fraudulent business practices, deceptive acts and practices, common law fraud and breach of fiduciary duty with respect to the Express IRA product and seeks equitable relief, disgorgement of profits, damages and restitution, civil penalties and punitive damages. The defendants have filed a motion to dismiss. We believe we have meritorious defenses to the claims in this case, and we intend to defend this case vigorously, but there can be no assurances as to its outcome or its impact on our consolidated results of operations.

In addition to the New York and Mississippi Attorney General actions, a number of civil actions were filed against HRBFA and us concerning the Express IRA product, the first of which was filed on March 15, 2006. Except for two cases pending in state court, all of the civil actions have been consolidated by the panel for Multi-District Litigation into a single action styled *In re H&R Block, Inc. Express IRA Marketing Litigation* (Case No. 06-1786-MD-RED) in the United States District Court for the Western District of Missouri. The amounts claimed in these cases are substantial. We believe we have meritorious defenses to the claims in these cases and intend to defend these cases vigorously, but there can be no assurances as to their outcome or their impact on our consolidated results of operations.

Although we sold HRBFA effective November 1, 2008, we remain responsible for any liabilities relating to the Express IRA litigation through an indemnification agreement.

Securities and Shareholder Litigation

On April 6, 2007, a putative class action styled *In re H&R Block Securities Litigation* (Case No. 06-0236-CV-W-ODS) was filed against the Company and certain of its officers in the United States District Court for the Western District of Missouri. The complaint alleged, among other things, deceptive, material and misleading financial statements and failure to prepare financial statements in accordance with generally accepted accounting principles. The complaint sought unspecified damages and equitable relief. The court dismissed the complaint in February 2008, and the plaintiffs appealed the dismissal in March 2008.

In addition, plaintiffs in a shareholder derivative action that was consolidated into the securities litigation filed a separate appeal in March 2008, contending that the derivative action was improperly consolidated. The derivative action is *Iron Workers Local 16 Pension Fund v. H&R Block, et al.*, in the United States District Court for the Western District of Missouri, Case No. 06-cv-00466-ODS (instituted on June 8, 2006) and was brought against certain of our directors and officers purportedly on behalf of the Company. The derivative action alleged breach of fiduciary duty, abuse of control, gross mismanagement, waste, and unjust enrichment pertaining to (1) our restatement of financial results in fiscal year 2006 due to errors in determining our state effective income tax rate and (2) certain of our products and business activities. In September 2009, the appellate court affirmed the dismissal of the securities fraud class action, but reversed the dismissal of the shareholder derivative action. We believe we have meritorious defenses to the claims in the shareholder derivative action and intend to defend the action vigorously. There can be no assurances, however, as to its outcome.

RSM McGladrey Litigation

RSM EquiCo, its parent and certain of its subsidiaries and affiliates, are parties to a class action filed on July 11, 2006 and entitled *Do Right's Plant Growers, et al. v. RSM EquiCo, Inc., et al.* Case No. 06 CC00137, in the California Superior Court, Orange County. The complaint contains allegations relating to business valuation services provided by RSM EquiCo, including allegations of fraud, negligent misrepresentation, breach of contract, breach of implied covenant of good faith and fair dealing, breach of fiduciary duty and unfair competition. Plaintiffs seek unspecified actual and punitive damages, in addition to pre-judgment interest and attorneys' fees. On March 17, 2009, the court granted plaintiffs' motion for class certification on all claims. The defendants filed two requests for interlocutory review of the decision, the last of which was denied by the Supreme Court of California on September 30, 2009. A trial date has been set for January 2011.

The certified class consists of all RSM EquiCo U.S. clients who signed platform agreements and for whom RSM EquiCo did not ultimately market their business for sale. The fees paid to RSM EquiCo in connection with these agreements total approximately $185 million, a number which substantially exceeds the equity of RSM EquiCo. We intend to defend this case vigorously. The amount claimed in this action is substantial and could have a material adverse impact on our consolidated results of operations. There can be no assurance regarding the outcome of this matter.

On December 7, 2009, a lawsuit was filed in the Circuit Court of Cook County, Illinois (2009-L-014920) against M&P, RSM and H&R Block entitled Ronald R. Peterson ex rel. Lancelot Investors Fund, L.P., et al. v. McGladrey & Pullen LLP, et al. The complaint, which was filed by the trustee for certain bankrupt investment funds, seeks unspecified damages and asserts claims against M&P for failure to meet generally accepted auditing standards and failure to detect fraud in financial statement audits. The complaint also asserts claims for vicarious liability and alter ego liability against RSM, and for equitable restitution against H&R Block. We are evaluating the claims asserted and have not yet formed an opinion about the case or its materiality.

RSM has a relationship with certain public accounting firms (collectively, "the Attest Firms") pursuant to which (1) some RSM employees are also partners or employees of the Attest Firms, (2) many clients of the Attest Firms are also RSM clients, and (3) our RSM McGladrey brand is closely linked to the Attest Firms. The Attest Firms are parties to claims and lawsuits (collectively, "Attest Firm Claims") arising in the normal course of business. Judgments or settlements arising from Attest Firm Claims exceeding the Attest Firms' insurance coverage could have a direct adverse effect on Attest Firm operations and could impair RSM's ability to attract and retain clients and quality professionals. For example, accounting and auditing firms (including one of the Attest Firms) have become subject to claims based on losses their clients suffered from investments in investment funds managed by third parties. Although RSM may not have a direct liability for significant Attest Firm Claims, such Attest Firm Claims could have a material adverse effect on RSM's operations and impair the value of our investment in RSM. There is no assurance regarding the outcome of the Attest Firm Claims.

See note 2 for discussion of the arbitration proceeding between RSM and M&P.

Litigation and Claims Pertaining to Discontinued Mortgage Operations

Although mortgage loan origination activities were terminated and the loan servicing business was sold during fiscal year 2008, SCC remains subject to investigations, claims and lawsuits pertaining to its loan origination and servicing activities that occurred prior to such termination and sale. These investigations, claims and lawsuits include actions by state attorneys general, other state regulators, municipalities, individual plaintiffs, and cases in which plaintiffs seek to represent a class of others alleged to be similarly situated. Among other things, these investigations, claims and lawsuits allege discriminatory or unfair and deceptive loan origination and servicing practices, public nuisance, fraud, and violations of the Truth in Lending Act, Equal Credit Opportunity Act and the Fair Housing Act. In the current non-prime mortgage environment, the number of these investigations, claims and lawsuits has increased over historical experience and is likely to continue at increased levels. The amounts claimed in these investigations, claims and lawsuits are substantial in some instances, and the ultimate resulting liability is difficult to predict. In the event of unfavorable outcomes, the amounts SCC may be required to pay in the discharge of liabilities or settlements could be substantial and, because SCC's operating results are included in our consolidated financial statements, could have a material adverse impact on our consolidated results of operations.

On June 3, 2008, the Massachusetts Attorney General filed a lawsuit in the Superior Court of Suffolk County, Massachusetts (Case No. 08-2474-BLS) entitled *Commonwealth of Massachusetts v. H&R Block, Inc., et al.,* alleging unfair, deceptive and discriminatory origination and servicing of mortgage loans and seeking equitable relief, disgorgement of profits, restitution and statutory penalties. In November 2008, the court granted a preliminary injunction limiting the ability of the owner of SCC's former loan servicing business to initiate or advance foreclosure actions against certain loans originated by SCC or its subsidiaries without (1) advance notice to the Massachusetts Attorney General and (2) if the Attorney General objects to foreclosure, approval by the court. The preliminary injunction generally applies to loans meeting all of the following four characteristics: (1) adjustable rate mortgages with an introductory period of three years or less; (2) the borrower has a debt-to-income ratio generally exceeding 50 percent; (3) an introductory interest rate at least 2 percent lower than the fully indexed rate (unless the debt-to-income ratio is 55% or greater); and (4) loan-to-value ratio of 97 percent or certain prepayment penalties. We have appealed this preliminary injunction. We believe the claims in this case are without merit, and we intend to defend this case vigorously. There can be no assurances, however, as to its outcome or its impact on our consolidated results of operations.

SCC also remains subject to potential claims for indemnification and loan repurchases pertaining to loans previously sold. In the current non-prime mortgage environment, it is likely that the frequency of repurchase and indemnification claims may increase over historical experience and give rise to additional litigation. In some instances, H&R Block, Inc. was required to guarantee SCC's obligations. The amounts involved in these potential claims may be substantial, and the ultimate resulting liability is difficult to predict. Because SCC's operating results are included in our consolidated financial statements, the amounts SCC may be required to pay in the discharge or settlement of these claims in the event of unfavorable outcomes could have a material adverse impact on our consolidated results of operations.

Other Claims and Litigation

We are from time to time party to investigations, claims and lawsuits not discussed herein arising out of our business operations. These investigations, claims and lawsuits include actions by state attorneys general, other state regulators, individual plaintiffs, and cases in which plaintiffs seek to represent a class of others similarly situated. Some of these investigations, claims and lawsuits pertain to RALs, the electronic filing of customers' income tax returns, the POM guarantee program, wage and hour claims and investment products. We believe we have meritorious defenses to each of these investigations, claims and lawsuits, and we are defending or intend to defend them vigorously. The amounts claimed in these matters are substantial in some instances, however the ultimate liability with respect to such matters is difficult to predict. In the event of an unfavorable outcome, the amounts we may be required to pay in the discharge of liabilities or settlements could have a material adverse impact on our consolidated results of operations.

In addition to the aforementioned types of matters, we are party to claims and lawsuits that we consider to be ordinary, routine litigation incidental to our business, including claims and lawsuits (collectively, "Other Claims") concerning the preparation of customers' income tax returns, the fees charged customers for various products and services, relationships with franchisees, intellectual property disputes, employment matters and contract disputes. While we cannot provide assurance that we will ultimately prevail in each instance, we believe the amount, if any, we are required to pay in the discharge of liabilities or settlements in these Other Claims will not have a material adverse effect on our consolidated operating results.

12. Segment Information

Results of our continuing operations by reportable operating segment are as follows:

(in 000s)

	Three Months Ended October 31, 2009	2008	Six Months Ended October 31, 2009	2008
Revenues:				
Tax Services	$ 109,305	$ 104,734	$ 197,268	$ 186,434
Business Services	206,602	233,045	384,220	407,696
Corporate	10,174	13,690	20,098	29,248
	$ 326,081	$ 351,469	$ 601,586	$ 623,378
Pretax income (loss):				
Tax Services	$ (172,188)	$ (188,125)	$(344,162)	$(351,782)
Business Services	174	13,081	1,495	12,786
Corporate	(40,839)	(52,409)	(81,059)	(101,427)
Loss from continuing operations before tax benefit	$ (212,853)	$ (227,453)	$(423,726)	$(440,423)

Effective May 1, 2009, we realigned certain segments of our business to reflect a new management reporting structure. The operations of HRB Bank, which was previously reported as the Consumer Financial Services segment, have now been reclassified, with activities that support our retail tax network included in the Tax Services segment, and the net interest margin and gains and losses relating to our portfolio of mortgage loans held for investment and related assets included in corporate. Presentation of prior period results reflects the new segment reporting structure.

These segment changes also resulted in the reclassification of assets between segments. Identifiable assets by reportable segment at October 31, 2009 are as follows:

	(in 000s)
Tax Services	$2,790,766
Business Services	857,698
Corporate	1,318,895
	$4,967,359

13. Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2009-13, "Revenue Recognition (Topic 605) – Multiple-Deliverable Revenue Arrangements" (ASU 2009-13). This guidance amends the criteria for separating consideration in multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (1) vendor-specific objective evidence; (2) third-party evidence; or (3) estimates. This guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. In addition, this guidance significantly expands required disclosures related to a vendor's multiple-deliverable revenue arrangements. This guidance is effective prospectively for revenue arrangements entered into or materially modified beginning with our fiscal year 2012. We are currently evaluating the effect of this statement on our consolidated financial statements.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, “Amendments to FASB Interpretation No. 46(R)” (SFAS 167). SFAS 167 changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting or similar rights should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity’s purpose and design and the reporting entity’s ability to direct the activities of the other entity that most significantly impact the other entity’s economic performance. SFAS 167 will require a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. SFAS 167 will be effective for our fiscal year 2011. We are currently evaluating the effect of this statement on our consolidated financial statements.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 166, “Accounting for Transfers of Financial Assets” (SFAS 166). SFAS 166 is a revision to FASB Statement No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” and will require more disclosure about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a qualifying special purpose entity and changes the requirements for derecognizing financial assets. SFAS 166 will be effective at the beginning of our fiscal year 2011. We are currently evaluating the effect of this statement on our consolidated financial statements.

In May 2009, the FASB issued guidance, under Topic 855 – Subsequent Events, to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This guidance is effective for fiscal years and interim periods ending after June 15, 2009 and is applied prospectively. We adopted the new disclosure requirements in our condensed consolidated financial statements effective July 31, 2009.

In December 2007, the FASB issued guidance, under Topic 805 – Business Combinations, requiring an acquiring entity to recognize all the assets acquired and liabilities assumed in a transaction, including non-controlling interests, at the acquisition-date fair value with limited exceptions. This guidance will require acquisition-related expenses to be expensed and will generally require contingent consideration to be recorded as a liability at the time of acquisition. Under this guidance, subsequent changes to deferred tax valuation allowances relating to acquired businesses and acquired liabilities for uncertain tax positions will no longer be applied to goodwill but will instead be typically recognized as an adjustment to income tax expense. We adopted the provisions of this guidance as of May 1, 2009. The adoption did not have a material impact on our consolidated financial statements.

In June 2008, the FASB issued guidance, under Topic 260 – Earnings Per Share, addressing whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, should be included in the process of allocating earnings for purposes of computing earnings per share. We adopted the provisions of this guidance as of May 1, 2009. The adoption and retrospective application of this guidance did not change the current year or prior period earnings per share amounts for the fiscal quarter. The adoption of this accounting guidance will reduce earnings per share as previously reported for fiscal year 2009 by $0.01. See additional discussion in note 3.

14. Condensed Consolidating Financial Statements

BFC is an indirect, wholly-owned consolidated subsidiary of the Company. BFC is the Issuer and the Company is the Guarantor of the Senior Notes issued on January 11, 2008 and October 26, 2004, our unsecured committed lines of credit (CLOCs) and other indebtedness issued from time to time. These condensed consolidating financial statements have been prepared using the equity method of accounting. Earnings of subsidiaries are, therefore, reflected in the Company’s investment in subsidiaries account. The elimination entries eliminate investments in subsidiaries, related stockholders’ equity and other intercompany balances and transactions.

Condensed Consolidating Income Statements					(in 000s)
Three Months Ended October 31, 2009	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ -	$ 21,026	$ 305,055	$ -	$ 326,081
Cost of revenues	-	45,861	365,088	-	410,949
Selling, general and administrative	-	2,457	127,228	-	129,685
Total expenses	-	48,318	492,316	-	540,634
Operating loss	-	(27,292)	(187,261)	-	(214,553)
Other income (expense), net	(212,853)	(2,607)	4,307	212,853	1,700
Loss from continuing operations before tax benefit	(212,853)	(29,899)	(182,954)	212,853	(212,853)
Income tax benefit	(86,381)	(12,294)	(74,087)	86,381	(86,381)
Net loss from continuing operations	(126,472)	(17,605)	(108,867)	126,472	(126,472)
Net loss from discontinued operations	(2,115)	(2,115)	-	2,115	(2,115)
Net loss	$ (128,587)	$(19,720)	$ (108,867)	$128,587	$ (128,587)

Three Months Ended October 31, 2008	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ -	$ 18,326	$ 334,434	$ (1,291)	$ 351,469
Cost of revenues	-	46,744	392,040	(19)	438,765
Selling, general and administrative	-	17,493	120,639	(96)	138,036
Total expenses	-	64,237	512,679	(115)	576,801
Operating loss	-	(45,911)	(178,245)	(1,176)	(225,332)
Other income (expense), net	(227,453)	460	(2,581)	227,453	(2,121)
Loss from continuing operations before tax benefit	(227,453)	(45,451)	(180,826)	226,277	(227,453)
Income tax benefit	(94,292)	(18,001)	(75,736)	93,737	(94,292)
Net loss from continuing operations	(133,161)	(27,450)	(105,090)	132,540	(133,161)
Net loss from discontinued operations	(2,713)	(3,285)	-	3,285	(2,713)
Net loss	$ (135,874)	$(30,735)	$ (105,090)	$135,825	$ (135,874)

Six Months Ended October 31, 2009	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ -	$ 44,222	$ 557,420	$ (56)	$ 601,586
Cost of revenues	-	91,421	705,978	-	797,399
Selling, general and administrative	-	4,955	228,003	(56)	232,902
Total expenses	-	96,376	933,981	(56)	1,030,301
Operating loss	-	(52,154)	(376,561)	-	(428,715)
Other income (expense), net	(423,726)	(3,840)	8,829	423,726	4,989
Loss from continuing operations before tax benefit	(423,726)	(55,994)	(367,732)	423,726	(423,726)
Income tax benefit	(166,637)	(22,986)	(143,651)	166,637	(166,637)
Net loss from continuing operations	(257,089)	(33,008)	(224,081)	257,089	(257,089)
Net loss from discontinued operations	(5,132)	(5,132)	-	5,132	(5,132)
Net loss	$ (262,221)	$(38,140)	$ (224,081)	$262,221	$ (262,221)

Six Months Ended October 31, 2008	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ -	$ 39,101	$ 587,006	$ (2,729)	$ 623,378
Cost of revenues	-	92,444	712,656	(15)	805,085
Selling, general and administrative	-	30,544	224,878	(182)	255,240
Total expenses	-	122,988	937,534	(197)	1,060,325
Operating loss	-	(83,887)	(350,528)	(2,532)	(436,947)
Other income (expense), net	(440,423)	(3,890)	414	440,423	(3,476)
Loss from continuing operations before tax benefit	(440,423)	(87,777)	(350,114)	437,891	(440,423)
Income tax benefit	(178,839)	(34,540)	(143,271)	177,811	(178,839)
Net loss from continuing operations	(261,584)	(53,237)	(206,843)	260,080	(261,584)
Net loss from discontinued operations	(7,009)	(8,464)	-	8,464	(7,009)
Net loss	$ (268,593)	$ (61,701)	$ (206,843)	$268,544	$ (268,593)

Condensed Consolidating Balance Sheets (in 000s)

October 31, 2009	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Cash & cash equivalents	$ -	$1,088,485	$ 346,151	$ (2,393)	$ 1,432,243
Cash & cash equivalents – restricted	-	386	45,686	-	46,072
Receivables, net	3	111,025	350,457	-	461,485
Mortgage loans held for investment	-	671,049	-	-	671,049
Intangible assets and goodwill, net	-	-	1,234,992	-	1,234,992
Investments in subsidiaries	2,926,151	-	190	(2,926,151)	190
Other assets	-	314,954	806,374	-	1,121,328
Total assets	$ 2,926,154	$2,185,899	$ 2,783,850	$(2,928,544)	$ 4,967,359
Customer deposits	$ -	$1,496,119	$ -	$ (2,393)	$ 1,493,726
Long-term debt	-	998,425	34,137	-	1,032,562
FHLB borrowings	-	100,000	-	-	100,000
Other liabilities	45	122,724	1,147,205	-	1,269,974
Net intercompany advances	1,855,012	(644,470)	(1,210,542)	-	-
Stockholders' equity	1,071,097	113,101	2,813,050	(2,926,151)	1,071,097
Total liabilities and stockholders' equity	$ 2,926,154	$2,185,899	$ 2,783,850	$(2,928,544)	$ 4,967,359

April 30, 2009	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Cash & cash equivalents	$ -	$ 241,350	$ 1,419,535	$ (6,222)	$ 1,654,663
Cash & cash equivalents – restricted	-	4,303	47,353	-	51,656
Receivables, net	38	114,442	398,334	-	512,814
Mortgage loans held for investment	-	744,899	-	-	744,899
Intangible assets and goodwill, net	-	-	1,236,228	-	1,236,228
Investments in subsidiaries	3,289,435	-	194	(3,289,435)	194
Other assets	-	308,481	850,787	-	1,159,268
Total assets	$ 3,289,473	$1,413,475	$ 3,952,431	$(3,295,657)	$ 5,359,722
Customer deposits	$ -	$ 861,110	$ -	$ (6,222)	$ 854,888
Long-term debt	-	998,245	33,877	-	1,032,122
FHLB borrowings	-	100,000	-	-	100,000
Other liabilities	2	130,362	1,836,477	12	1,966,853
Net intercompany advances	1,883,612	(827,453)	(1,056,147)	(12)	-
Stockholders' equity	1,405,859	151,211	3,138,224	(3,289,435)	1,405,859
Total liabilities and stockholders' equity	$ 3,289,473	$1,413,475	$ 3,952,431	$(3,295,657)	$ 5,359,722

Condensed Consolidating Statements of Cash Flows					(in 000s)
Six Months Ended October 31, 2009	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Net cash provided by (used in) operating activities:	$ 5,880	$ (14,655)	$ (777,377)	$ -	$ (786,152)
Cash flows from investing:					
Mortgage loans originated for investment, net	-	38,693	-	-	38,693
Purchase property & equipment	-	546	(7,826)	-	(7,280)
Net intercompany advances	89,577	-	-	(89,577)	-
Other, net	-	13,847	(1,980)	-	11,867
Net cash provided by (used in) investing activities	89,577	53,086	(9,806)	(89,577)	43,280
Cash flows from financing:					
Customer banking deposits	-	634,637	-	3,829	638,466
Dividends paid	(100,784)	-	-	-	(100,784)
Acquisition of treasury shares	(3,785)	-	-	-	(3,785)
Proceeds from stock options	8,218	-	-	-	8,218
Net intercompany advances	-	183,042	(272,619)	89,577	-
Other, net	894	(8,975)	(22,803)	-	(30,884)
Net cash provided by (used in) financing activities	(95,457)	808,704	(295,422)	93,406	511,231
Effects of exchange rates on cash	-	-	9,221	-	9,221
Net increase (decrease) in cash	-	847,135	(1,073,384)	3,829	(222,420)
Cash – beginning of period	-	241,350	1,419,535	(6,222)	1,654,663
Cash – end of period	$ -	$1,088,485	$ 346,151	$ (2,393)	$ 1,432,243

Six Months Ended October 31, 2008	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Net cash used in operating activities:	$ (6,752)	$ (40,397)	$ (618,782)	$ -	$ (665,931)
Cash flows from investing:					
Mortgage loans originated for investment, net	-	54,501	-	-	54,501
Purchase property & equipment	-	(6,822)	(51,764)	-	(58,586)
Net intercompany advances	(112,550)	-	-	112,550	-
Investing cash flows of discontinued operations	-	(48,917)	-	-	(48,917)
Other, net	-	4,407	(206)	-	4,201
Net cash provided by (used in) investing activities	(112,550)	3,169	(51,970)	112,550	(48,801)
Cash flows from financing:					
Repayments of short-term borrowings	-	(100,000)	-	-	(100,000)
Proceeds from short-term borrowings	-	768,625	-	-	768,625
Customer banking deposits	-	96,205	-	(136,800)	(40,595)
Dividends paid	(96,555)	-	-	-	(96,555)
Acquisition of treasury shares	(4,467)	-	-	-	(4,467)
Proceeds from stock options	61,699	-	-	-	61,699
Proceeds from issuance of stock	141,558	-	-	-	141,558
Net intercompany advances	-	(533,396)	645,946	(112,550)	-
Financing cash flows of discontinued operations	-	4,783	-	-	4,783
Other, net	17,067	-	(8,654)	-	8,413
Net cash provided by financing activities	119,302	236,217	637,292	(249,350)	743,461
Net increase (decrease) in cash	-	198,989	(33,460)	(136,800)	28,729
Cash – beginning of period	-	34,611	630,933	(647)	664,897
Cash – end of period	$ -	$ 233,600	$ 597,473	$(137,447)	$ 693,626

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

H&R Block provides tax services, banking services and business and consulting services. Our Tax Services segment provides income tax return preparation services, electronic filing services and other services and products related to income tax return preparation to the general public primarily in the United States, Canada and Australia. This segment also offers The H&R Block Prepaid Emerald MasterCard® and Emerald Advance lines of credit through H&R Block Bank (HRB Bank), which was previously reported in our Consumer Financial Services segment. Our Business Services segment consists of RSM McGladrey, Inc. (RSM), a national accounting, tax and business consulting firm primarily serving mid-sized businesses. Corporate operating losses include interest income from U.S. passive investments, interest expense on borrowings, net interest margin and gains or losses relating to mortgage loans held for investment, real estate owned, residual interests in securitizations and other corporate expenses, principally related to finance, legal and other support departments. All periods presented reflect our new segment reporting structure.

Recent Events. RSM McGladrey, Inc. (RSM) and McGladrey & Pullen LLP (M&P), an independent registered public accounting firm, collaborate to provide accounting, tax and consulting services to clients under an alternative practice structure. RSM and M&P also share in certain common overhead costs through an administrative services agreement. These services are provided by, and coordinated through, RSM, for which RSM receives a management fee.

On July 21, 2009, M&P provided 210 days notice of its intent to terminate the administrative services agreement. The effect of the notice will be to terminate the alternative practice structure on February 16, 2010, unless revoked or modified prior to that time. As a protective measure, on September 15, 2009, RSM provided notice of its intent to terminate the administrative services agreement. Absent revocation or modification by RSM, the effect of RSM's notice will be to terminate the alternative practice structure on April 13, 2010 even in the event M&P revokes or modifies the M&P notice. Since July 23, 2009, RSM and M&P have been engaged in arbitration to resolve various disputes regarding their contractual relationship, including the scope and enforceability of restrictive covenants agreed to by M&P. On November 24, 2009, the arbitration panel issued a final and binding ruling regarding the enforceability of the covenants. The ruling is confidential. RSM and M&P are continuing negotiations to determine if there are mutually agreeable changes to the current arrangements that would allow the alternative practice structure with M&P to continue. There are no assurances as to the outcome of these negotiations.

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TAX SERVICES

This segment primarily consists of our income tax preparation businesses – retail, online and software. Additionally, this segment includes the product offerings and activities of HRB Bank that primarily support the tax network, our participations in refund anticipation loans, and our commercial tax businesses, which provide tax preparation software to CPAs and other tax preparers.

Tax Services – Operating Results (in 000s)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2009	2008	2009	2008
Tax preparation fees	$ 59,305	$ 56,907	$ 92,930	$ 86,339
Fees from Peace of Mind guarantees	19,130	18,586	47,044	45,826
Fees from Emerald Card activities	9,428	7,757	21,119	18,650
Royalties	6,055	5,299	9,662	8,983
Other	15,387	16,185	26,513	26,636
Total revenues	109,305	104,734	197,268	186,434
Compensation and benefits:				
Field wages	54,938	56,085	94,317	95,904
Other wages	28,841	28,072	58,721	56,882
Benefits and other compensation	19,795	19,819	41,111	33,722
	103,574	103,976	194,149	186,508
Occupancy and equipment	93,023	89,700	180,943	175,756
Depreciation and amortization	22,410	19,757	44,726	36,867
Marketing and advertising	15,261	14,396	22,100	19,940
Other	47,225	65,030	99,512	119,145
Total expenses	281,493	292,859	541,430	538,216
Pretax loss	$(172,188)	$(188,125)	$(344,162)	$(351,782)

Three months ended October 31, 2009 compared to October 31, 2008

Tax Services' revenues increased $4.6 million, or 4.4%, for the three months ended October 31, 2009 over the prior year. Tax preparation fees increased $2.4 million, or 4.2%, primarily as a result of an increase in the volume of tax returns prepared and the November 2008 acquisition of our last major independent franchise operator. This increase was partially offset by the impact of unfavorable exchange rates on our foreign operations.

Total expenses decreased $11.4 million, or 3.9%, for the three months ended October 31, 2009. Occupancy and equipment, and depreciation and amortization expenses combined increased approximately $6 million as a result of the acquisition discussed above. Occupancy costs also increased as we incurred expenses associated with the closure of certain offices. These items were offset by declines in other expenses, which decreased $17.8 million, or 27.4%, primarily as a result of a goodwill impairment and tax and legal expenses in the prior year that did not recur in the current quarter, and, to a lesser extent, cost-saving initiatives.

The pretax loss for the three months ended October 31, 2009 and 2008 was $172.2 million and $188.1 million, respectively.

Six months ended October 31, 2009 compared to October 31, 2008

Tax Services' revenues increased $10.8 million, or 5.8%, for the six months ended October 31, 2009 over the prior year. Tax preparation fees increased $6.6 million, or 7.6%, primarily as a result of an increase in the volume of tax returns prepared and the acquisition discussed above. This increase was partially offset by the impact of unfavorable exchange rates on our foreign operations.

Total expenses increased $3.2 million, or 0.6%, for the six months ended October 31, 2009 over the prior year. Benefits and other compensation increased $7.4 million, or 21.9%, primarily as a result of severance costs and related payroll taxes in the current year. Occupancy and equipment, and depreciation and amortization expenses combined increased approximately $12 million as a result of the acquisition discussed above. Other expenses decreased $19.6 million or 16.5% primarily as a result of expenses in the prior year that did not recur, as discussed above, and cost-saving initiatives.

The pretax loss for the six months ended October 31, 2009 and 2008 was $344.2 million and $351.8 million, respectively.

BUSINESS SERVICES

This segment offers accounting, tax and consulting services to middle-market companies.

Business Services – Operating Results	Three Months Ended October 31, 2009	Three Months Ended October 31, 2008	Six Months Ended October 31, 2009	Six Months Ended October 31, 2008
(in 000s)				
Tax services	$100,709	$110,569	$178,293	$186,870
Business consulting	61,224	73,249	123,145	126,757
Accounting services	12,520	13,421	24,049	26,381
Capital markets	1,012	4,965	2,529	10,783
Reimbursed expenses	6,204	4,330	10,353	8,535
Other	24,933	26,511	45,851	48,370
Total revenues	206,602	233,045	384,220	407,696
Compensation and benefits	149,309	161,381	283,689	284,289
Occupancy	19,053	20,650	38,502	40,484
Depreciation	5,540	5,480	10,830	11,129
Marketing and advertising	4,721	6,116	9,554	12,206
Amortization of intangible assets	2,942	3,350	5,907	6,769
Other	24,863	22,987	34,243	40,033
Total expenses	206,428	219,964	382,725	394,910
Pretax income	$ 174	$ 13,081	$ 1,495	$ 12,786

Three months ended October 31, 2009 compared to October 31, 2008

Business Services' revenues for the three months ended October 31, 2009 decreased $26.4 million, or 11.3% from the prior year. Revenues from tax services decreased $9.9 million, or 8.9%, from the prior year primarily due to lower rates and fewer chargeable hours resulting from reduced client demand given the current economic conditions. Business consulting revenues declined $12.0 million primarily due to decreased demand for discretionary projects, including a large one-time financial institution engagement in the prior year.

Capital markets revenues decreased $4.0 million, or 79.6%, primarily due to an 80% decline in the number of transactions closed in the current year due to the continued weak economic conditions.

Total expenses decreased $13.5 million, or 6.2%, from the prior year. Compensation and benefits decreased $12.1 million, or 7.5%, primarily due to declines in employee compensation and outside contractor costs, both driven by lower revenues. Other expenses increased over the prior year primarily due to increased costs related to litigation, partially offset by our cost reduction program.

Pretax income for the three months ended October 31, 2009 was $0.2 million compared to $13.1 million in the prior year.

Six months ended October 31, 2009 compared to October 31, 2008

Business Services' revenues for the six months ended October 31, 2009 decreased $23.5 million, or 5.8% from the prior year. Revenues from tax services decreased $8.6 million, or 4.6%, from the prior year primarily due to lower rates and chargeable hours resulting from reduced client demand given the current economic conditions.

Capital markets revenues decreased $8.3 million, or 76.5%, primarily due to a 75% decline in the number of transactions closed in the current year due to the continued weak economic conditions.

Total expenses decreased $12.2 million, or 3.1%, from the prior year. Other expenses decreased $5.8 million primarily as a result of our cost reduction program, partially offset by increased costs related to litigation.

Pretax income for the six months ended October 31, 2009 was $1.5 million compared to $12.8 million in the prior year.

CORPORATE, ELIMINATIONS AND INCOME TAXES ON CONTINUING OPERATIONS

Corporate operating losses include interest income from U.S. passive investments, interest expense on borrowings, net interest margin and gains or losses relating to mortgage loans held for investment, real estate owned, residual interests in securitizations and other corporate expenses, principally related to finance, legal and other support departments.

Corporate – Operating Results				(in 000s)
	Three Months Ended October 31,		Six Months Ended October 31,	
	2009	2008	2009	2008
Interest income on mortgage loans held for investment	$ 8,072	$ 12,098	$ 15,968	$ 25,363
Other	2,102	1,592	4,130	3,885
Total revenues	10,174	13,690	20,098	29,248
Interest expense	19,216	23,632	38,874	46,374
Provision for loan losses	13,400	23,092	27,000	38,083
Compensation and benefits	13,486	12,443	26,787	25,191
Other	4,911	6,932	8,496	21,027
Total expenses	51,013	66,099	101,157	130,675
Pretax loss	$(40,839)	$(52,409)	$ (81,059)	$(101,427)

Three months ended October 31, 2009 compared to October 31, 2008

Interest income earned on mortgage loans held for investment for the three months ended October 31, 2009 decreased $4.0 million, or 33.3%, from the prior year, primarily as a result of non-performing loans. Interest expense decreased $4.4 million, or 18.7% due to lower funding costs related to our mortgage loan portfolio and lower corporate borrowings. Our provision for loan losses decreased $9.7 million from the prior year as a result of declining rates of new delinquencies in our static loan portfolio. See related discussion below under “Mortgage Loans Held for Investment.”

Six months ended October 31, 2009 compared to October 31, 2008

Interest income earned on mortgage loans held for investment for the six months ended October 31, 2009 decreased $9.4 million, or 37.0%, from the prior year, primarily as a result of non-performing loans. Interest expense decreased $7.5 million, or 16.2%, due to lower funding costs related to our mortgage loan portfolio and lower corporate borrowings. Our provision for loan losses decreased $11.1 million from the prior year. See related discussion below under “Mortgage Loans Held for Investment.”

Other expenses declined $12.5 million, or 59.6%, primarily due to impairments of residual interests totaling $5.2 million recorded in the prior year, compared with gains of $3.9 million in the current year and a $1.1 million decline in impairments of real estate owned.

Income Taxes

Our effective tax rate for continuing operations was 40.6% and 39.3% for the three and six months ended October 31, 2009, respectively, compared to 41.5% and 40.6% for the three and six months ended October 31, 2008, respectively. Our effective tax rates declined from the prior year due to non-deductible losses from investments in company-owned life insurance assets recorded in the first fiscal quarter of last year. We expect our effective tax rate for full fiscal year 2010 to be approximately 40%.

Mortgage Loans Held for Investment

Mortgage loans held for investment include loans originated by our affiliate, Sand Canyon Corporation (SCC), and purchased by HRB Bank totaling $490.9 million, or approximately 64% of the total loan portfolio at October 31, 2009. We have experienced higher rates of delinquency and have greater exposure to loss with respect to this segment of our loan portfolio. Our remaining loan portfolio totaled $270.2 million and is characteristic of a prime loan portfolio, and we believe subject to a lower loss exposure.

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Detail of our mortgage loans held for investment and the related allowance at October 31, 2009 and April 30, 2009 is as follows:

(dollars in 000s)

	Outstanding Principal Balance	Loan Loss Allowance Amount	Loan Loss Allowance % of Principal	%30+ Days Past Due
As of October 31, 2009:				
Purchased from SCC	$ 490,873	$89,438	18.22%	35.69%
All other	270,243	6,555	2.43%	7.96%
	$ 761,116	$95,993	12.61%	25.98%
As of April 30, 2009:				
Purchased from SCC	$ 531,233	$78,067	14.70%	28.74%
All other	290,604	6,006	2.07%	4.44%
	$ 821,837	$84,073	10.23%	20.23%

We recorded provisions for loan losses of $13.4 million and $27.0 million during the three and six months ended October 31, 2009, respectively, compared to $23.1 million and $38.1 million during the three and six months ended October 31, 2008, respectively. Our allowance for loan losses as a percent of mortgage loans was 12.61%, or $96.0 million, at October 31, 2009, compared to 10.23%, or $84.1 million, at April 30, 2009. This allowance represents our best estimate of credit losses inherent in the loan portfolio as of the balance sheet dates.

FINANCIAL CONDITION

These comments should be read in conjunction with the condensed consolidated balance sheets and condensed consolidated statements of cash flows found on pages 1 and 3, respectively.

CAPITAL RESOURCES AND LIQUIDITY – Our sources of capital include cash from operations, issuances of common stock and debt. We use capital primarily to fund working capital, pay dividends, repurchase treasury shares and acquire businesses. Our operations are highly seasonal and therefore generally require the use of cash to fund operating losses during the period May through mid-January.

Given the likely availability of a number of liquidity options discussed herein, including borrowing capacity under our commercial paper program, unsecured committed lines of credit (CLOCs) and seasonal CLOC used to purchase RAL participations, we believe, that in the absence of any unexpected developments, our existing sources of capital at October 31, 2009 are sufficient to meet our operating needs.

CASH FROM OPERATING ACTIVITIES – Cash used in operations totaled $786.2 million for the first six months of fiscal year 2010, compared with $665.9 million for the same period last year. The increase was primarily due to increases in income tax payments made during the current year.

CASH FROM INVESTING ACTIVITIES – Cash provided by investing activities totaled $43.3 million for the first six months of fiscal year 2010, compared to a use of $48.8 million for the same period last year, primarily as a result of lower capital expenditures and the prior year impact of discontinued operations.

Mortgage Loans Held for Investment. We received net payments of $38.7 million and $54.5 million on our mortgage loans held for investment for the first six months of fiscal years 2010 and 2009, respectively. Cash payments declined primarily due to non-performing loans and continued run-off of our portfolio.

Purchases of Property and Equipment. Total cash paid for property and equipment was $7.3 million and $58.6 million for the first six months of fiscal years 2010 and 2009, respectively.

CASH FROM FINANCING ACTIVITIES – Cash provided by financing activities totaled $511.2 million for the first six months of fiscal year 2010, compared to $743.5 million for the same period last year.

Short-Term Borrowings. In the prior year, we borrowed a net $693.6 million on our CLOCs to fund our off-season working capital needs. Similar borrowings were not required in the current year.

Customer Banking Deposits. Customer banking deposits provided cash of $638.5 million for the six months ended October 31, 2009 compared to using cash of $40.6 million in the prior year. We utilize cash provided by deposit balances as a funding source for our Emerald Advance lines of credit during the tax season. Funding from customer deposits was obtained earlier in the current fiscal year compared to the prior year.

Dividends. We have consistently paid quarterly dividends. Dividends paid totaled $100.8 million and $96.6 million for the six months ended October 31, 2009 and 2008, respectively.

Issuances of Common Stock. Proceeds from the issuance of common stock resulting from stock compensation plans totaled $8.2 million and $61.7 million for the six months ended October 31, 2009 and 2008, respectively. This decline is due to a reduction in stock option exercises and the related tax benefits.

In the prior year, we sold 8.3 million shares of our common stock, without par value, at a price of $17.50 per share in a registered direct offering through subscription agreements with selected institutional investors. We received net proceeds of $141.6 million.

CAPITAL CONTRIBUTIONS TO HRB BANK – Block Financial LLC (BFC) typically makes capital contributions to HRB Bank to help it meet its capital requirements. Capital contributions totaling $245.0 million were made by BFC during the fiscal year ended April 30, 2009. BFC made capital contributions to HRB Bank of $150.0 million during the six months ended October 31, 2009 and, in November 2009, BFC made an additional capital contribution to HRB Bank of $85.0 million.

Historically, capital contributions by BFC have been repaid as a return of capital by HRB Bank as capital requirements decline. During the fiscal year ended April 30, 2009, HRB Bank returned capital of $235.0 million. A return of capital or dividend paid by HRB bank must be approved by the Office of Thrift Supervision (OTS). Although the OTS has approved such payments in the past, there is no assurance that they will continue to do so in the future, in particular if they determine that higher capital levels at HRB Bank are necessary due to non-performing asset levels. In addition, BFC may elect to maintain higher capital levels at HRB Bank.

BORROWINGS

At October 31, 2009, we maintained $2.0 billion in revolving credit facilities to support commercial paper issuance and for general corporate purposes. These CLOCs have a maturity date of August 2010 and an annual facility fee in a range of six to fifteen basis points per annum, based on our credit ratings. We had no balance outstanding as of October 31, 2009. The CLOCs, among other things, require we maintain at least $650.0 million of net worth on the last day of any fiscal quarter. We had net worth of $1.1 billion at October 31, 2009.

Aurora Bank, FSB (Aurora), formerly known as Lehman Brothers Bank, FSB, is a participating lender in our $2.0 billion CLOCs, with a $50.0 million credit commitment. In September 2008, Aurora's parent company declared bankruptcy. Since then, Aurora has not honored any funding requests under these facilities, thereby effectively reducing our available liquidity under our CLOCs to $1.95 billion. We do not expect this change to have a material impact on our liquidity.

There have been no material changes in our borrowings or debt ratings from those reported at April 30, 2009 in our Annual Report on Form 10-K.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

There have been no material changes in our contractual obligations and commercial commitments from those reported at April 30, 2009 in our Annual Report on Form 10-K.

REGULATORY ENVIRONMENT

There have been no material changes in our regulatory environment from those reported at April 30, 2009 in our Annual Report on Form 10-K.

FORWARD-LOOKING INFORMATION

This report and other documents filed with the Securities and Exchange Commission (SEC) may contain forward-looking statements. In addition, our senior management may make forward-looking statements orally to analysts, investors, the media and others. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "will," "would," "should," "could" or "may." Forward-looking statements provide management's current expectations or predictions of future conditions, events or results. They may include projections of revenues, income, earnings per share, capital expenditures, dividends, liquidity, capital structure or other financial items, descriptions of management's plans or objectives for future operations, products or services, or descriptions of assumptions underlying any of the above. They are not guarantees of future performance. By their nature, forward-looking statements are subject to risks and uncertainties. These statements speak only as of the date made and management does not undertake to update them to reflect changes or events occurring after that date except as required by federal securities laws.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risks from those reported at April 30, 2009 in our Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this Form 10-Q, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures. The controls evaluation was done under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information below should be read in conjunction with the information included in note 11 to our condensed consolidated financial statements.

RAL Litigation

We have been named as a defendant in numerous lawsuits throughout the country regarding our refund anticipation loan programs (collectively, "RAL Cases"). The RAL Cases have involved a variety of legal theories asserted by plaintiffs. These theories include allegations that, among other things: disclosures in the RAL applications were inadequate, misleading and untimely; the RAL interest rates were usurious and unconscionable; we did not disclose that we would receive part of the finance charges paid by the customer for such loans; untrue, misleading or deceptive statements in marketing RALs; breach of state laws on credit service organizations; breach of contract, unjust enrichment, unfair and deceptive acts or practices; violations of the federal Racketeer Influenced and Corrupt Organizations Act; violations of the federal Fair Debt Collection Practices Act and unfair competition regarding debt collection activities; and that we owe, and breached, a fiduciary duty to our customers in connection with the RAL program.

The amounts claimed in the RAL Cases have been very substantial in some instances, with one settlement resulting in a pretax expense of $43.5 million in fiscal year 2003 (the "Texas RAL Settlement") and other settlements resulting in a combined pretax expense in fiscal year 2006 of $70.2 million.

We have settled all but one of the RAL Cases. The sole remaining RAL Case is a putative class action entitled *Sandra J. Basile, et al. v. H&R Block, Inc., et al.*, April Term 1992 Civil Action No. 3246 in the Court of Common Pleas, First Judicial District Court of Pennsylvania, Philadelphia County, instituted on April 23, 1993. The plaintiffs seek unspecified actual and punitive damages, injunctive relief, attorneys' fees and costs. A Pennsylvania class was certified, but later decertified by the trial court in December 2003. The trial court's decertification decision is currently on appeal. We believe we have meritorious defenses to this case and intend to defend it vigorously. There can be no assurances, however, as to the outcome of this case or its impact on our consolidated results of operations.

Peace of Mind Litigation

We are defendants in lawsuits regarding our Peace of Mind program (collectively, the "POM Cases"), under which our applicable tax return preparation subsidiary assumes liability for additional tax assessments attributable to tax return preparation error. The POM Cases are described below.

Lorie J. Marshall, et al. v. H&R Block Tax Services, Inc., et al., Case No. 08-CV-591 in the U.S. District Court for the Southern District of Illinois, is a putative class action case originally filed in the Circuit Court of Madison County, Illinois on January 18, 2002. The plaintiffs allege that the sale of POM guarantees constitutes (1) statutory fraud by selling insurance without a license, (2) an unfair trade practice, by omission and by "cramming" (i.e., charging customers for the guarantee even though they did not request it or want it), and (3) a breach of fiduciary duty. The plaintiffs seek unspecified damages, attorneys' fees and costs. The Madison County court ultimately certified a class consisting of all persons residing in 13 states who from January 1, 1997 to final judgment (1) were charged a separate fee for POM by "H&R Block;" (2) were charged a separate fee for POM by an "H&R Block" entity not licensed to sell insurance; or (3) had an unsolicited charge for POM posted to their bills by "H&R Block." Persons who received the POM guarantee through an H&R Block Premium office were excluded from the class. We subsequently removed the case to federal court in the Southern District of Illinois, where it is now pending. In November 2009, the federal court issued an order effectively vacating the state court's class certification ruling and allowing plaintiffs time to file a renewed motion for class certification under the federal rules.

There is one other putative class action pending against us in Texas that involves the POM guarantee. This case, styled *Desiri L. Soliz v. H&R Block, et al.* (Cause No. 03-032-D), was filed on January 23, 2003 in the District Court of Kleberg County, Texas and is pending before the same judge that presided over the Texas RAL Settlement, involves the same plaintiffs' attorneys that are involved in the *Marshall* litigation in Illinois, and contains allegations similar to those in the *Marshall* case. The plaintiff seeks actual and treble damages, equitable relief, attorney fees and costs. No class has been certified in this case.

We believe we have meritorious defenses to the claims in the POM Cases, and we intend to defend them vigorously. The amounts claimed in the POM Cases are substantial, however, and there can be no assurances as to the outcome of these pending actions or their impact on our consolidated results of operations individually or in the aggregate.

Express IRA Litigation

On March 15, 2006, the New York Attorney General filed a lawsuit in the Supreme Court of the State of New York, County of New York (Index No. 06/401110) entitled *The People of New York v. H&R Block, Inc. and H&R Block Financial Advisors, Inc. et al*. The complaint asserts nationwide jurisdiction and alleges fraudulent business practices, deceptive acts and practices, common law fraud and breach of fiduciary duty with respect to the Express IRA product and seeks equitable relief, disgorgement of profits, damages and restitution, civil penalties and punitive damages. In July 2007, the Supreme Court of the State of New York issued a ruling that dismissed all defendants other than H&R Block Financial Advisors, Inc. (HRBFA) and the claims of common law fraud. The intermediate appellate court reversed this ruling in January 2009. The amount claimed in this case is substantial. We believe we have meritorious defenses to the claims in this case and intend to defend this case vigorously. There can be no assurances, however, as to the outcome of this case or its impact on our consolidated results of operations.

On January 2, 2008, the Mississippi Attorney General filed a lawsuit in the Chancery Court of Hinds County, Mississippi First Judicial District (Case No. G 2008 6 S 2) entitled *Jim Hood, Attorney for the State of Mississippi v. H&R Block, Inc., et al.* The complaint alleges fraudulent business practices, deceptive acts and practices, common law fraud and breach of fiduciary duty with respect to the Express IRA product and seeks equitable relief, disgorgement of profits, damages and restitution, civil penalties and punitive damages. The defendants have filed a motion to dismiss. We believe we have meritorious defenses to the claims in this case, and we intend to defend this case vigorously, but there can be no assurances as to its outcome or its impact on our consolidated results of operations.

In addition to the New York and Mississippi Attorney General actions, a number of civil actions were filed against HRBFA and us concerning the Express IRA product, the first of which was filed on March 15, 2006. Except for two cases pending in state court, all of the civil actions have been consolidated by the panel for Multi-District Litigation into a single action styled *In re H&R Block, Inc. Express IRA Marketing Litigation* (Case No. 06-1786-MD-RED) in the United States District Court for the Western District of Missouri. The amounts claimed in these cases are substantial. We believe we have meritorious defenses to the claims in these cases and intend to defend these cases vigorously, but there can be no assurances as to their outcome or their impact on our consolidated results of operations.

Although we sold HRBFA effective November 1, 2008, we remain responsible for any liabilities relating to the Express IRA litigation through an indemnification agreement.

Securities and Shareholder Litigation

On April 6, 2007, a putative class action styled *In re H&R Block Securities Litigation* (Case No. 06-0236-CV-W-ODS) was filed against the Company and certain of its officers in the United States District Court for the Western District of Missouri. The complaint alleged, among other things, deceptive, material and misleading financial statements and failure to prepare financial statements in accordance with generally accepted accounting principles. The complaint sought unspecified damages and equitable relief. The court dismissed the complaint in February 2008, and the plaintiffs appealed the dismissal in March 2008. In addition, plaintiffs in a shareholder derivative action that was consolidated into the securities litigation filed a separate appeal in March 2008, contending that the derivative action was improperly consolidated. The derivative action is *Iron Workers Local 16 Pension Fund v. H&R Block, et al.*, in the United States District Court for the Western District of Missouri, Case No. 06-cv-00466-ODS (instituted on June 8, 2006) and was brought against certain of our directors and officers purportedly on behalf of the Company. The derivative action alleged breach of fiduciary duty, abuse of control, gross mismanagement, waste, and unjust enrichment pertaining to (1) our restatement of financial results in fiscal year 2006 due to errors in determining our state effective income tax rate and (2) certain of our products and business activities. In September 2009, the appellate court affirmed the dismissal of the securities fraud class action, but reversed the dismissal of the shareholder derivative action. We believe we have meritorious defenses to the claims in the shareholder derivative action and intend to defend the action vigorously. There can be no assurances, however, as to its outcome.

RSM McGladrey Litigation

RSM EquiCo, Inc. (RSM EquiCo), its parent and certain of its subsidiaries and affiliates, are parties to a class action filed on July 11, 2006 and entitled *Do Right's Plant Growers, et al. v. RSM EquiCo, Inc., et al.* Case No. 06 CC00137, in the California Superior Court, Orange County. The complaint contains allegations relating to business valuation services provided by RSM EquiCo, including allegations of fraud, negligent misrepresentation, breach of contract, breach of implied covenant of good faith and fair dealing, breach of fiduciary duty and unfair competition. Plaintiffs seek unspecified actual and punitive damages, in addition to pre-judgment interest and attorneys' fees. On March 17, 2009, the court granted plaintiffs' motion for class certification on all claims. The defendants filed two requests for interlocutory review of the decision, the last of which was denied by the Supreme Court of California on September 30, 2009. A trial date has been set for January 2011.

The certified class consists of all RSM EquiCo U.S. clients who signed platform agreements and for whom RSM EquiCo did not ultimately market their business for sale. The fees paid to RSM EquiCo in connection with these agreements total approximately $185 million, a number which substantially exceeds the equity of RSM EquiCo. We intend to defend this case vigorously. The amount claimed in this action is substantial and could have a material adverse impact on our consolidated results of operations. There can be no assurance regarding the outcome of this matter.

On December 7, 2009, a lawsuit was filed in the Circuit Court of Cook County, Illinois (2009-L-014920) against M&P, RSM and H&R Block entitled Ronald R. Peterson ex rel. Lancelot Investors Fund, L.P., et al. v. McGladrey & Pullen LLP, et al. The complaint, which was filed by the trustee for certain bankrupt investment funds, seeks unspecified damages and asserts claims against M&P for failure to meet generally accepted auditing standards and failure to detect fraud in financial statement audits. The complaint also asserts claims for vicarious liability and alter ego liability against RSM, and for equitable restitution against H&R Block. We are evaluating the claims asserted and have not yet formed an opinion about the case or its materiality.

RSM has a relationship with certain public accounting firms (collectively, "the Attest Firms") pursuant to which (1) some RSM employees are also partners or employees of the Attest Firms, (2) many clients of the Attest Firms are also RSM clients, and (3) our RSM McGladrey brand is closely linked to the Attest Firms. The Attest Firms are parties to claims and lawsuits (collectively, "Attest Firm Claims") arising in the normal course of business. Judgments or settlements arising from Attest Firm Claims exceeding the Attest Firms' insurance coverage could have a direct adverse effect on Attest Firm operations and could impair RSM's ability to attract and retain clients and quality professionals. For example, accounting and auditing firms (including one of the Attest Firms) have become subject to claims based on losses their clients suffered from investments in investment funds managed by third parties. Although RSM may not have a direct liability for significant Attest Firm Claims, such Attest Firm Claims could have a material adverse effect on RSM's operations and impair the value of our investment in RSM. There is no assurance regarding the outcome of the Attest Firm Claims.

See note 2 to the condensed consolidated financial statements for discussion of the arbitration proceeding between RSM and M&P.

Litigation and Claims Pertaining to Discontinued Mortgage Operations

Although mortgage loan origination activities were terminated and the loan servicing business was sold during fiscal year 2008, SCC remains subject to investigations, claims and lawsuits pertaining to its loan origination and servicing activities that occurred prior to such termination and sale. These investigations, claims and lawsuits include actions by state attorneys general, other state regulators, municipalities, individual plaintiffs, and cases in which plaintiffs seek to represent a class of others alleged to be similarly situated. Among other things, these investigations, claims and lawsuits allege discriminatory or unfair and deceptive loan origination and servicing practices, public nuisance, fraud, and violations of the Truth in Lending Act, Equal Credit Opportunity Act and the Fair Housing Act. In the current non-prime mortgage environment, the number of these investigations, claims and lawsuits has increased over historical experience and is likely to continue at increased levels. The amounts claimed in these investigations, claims and lawsuits are substantial in some instances, and the ultimate resulting liability is difficult to predict. In the event of unfavorable outcomes, the amounts SCC may be required to pay in the discharge of liabilities or settlements could be substantial and, because SCC's operating results are included in our consolidated financial statements, could have a material adverse impact on our consolidated results of operations.

On June 3, 2008, the Massachusetts Attorney General filed a lawsuit in the Superior Court of Suffolk County, Massachusetts (Case No. 08-2474-BLS) entitled *Commonwealth of Massachusetts v. H&R Block, Inc., et al.,* alleging unfair, deceptive and discriminatory origination and servicing of mortgage loans and seeking equitable relief, disgorgement of profits, restitution and statutory penalties. In November 2008, the court granted a preliminary injunction limiting the ability of the owner of SCC's former loan servicing business to initiate or advance foreclosure actions against certain loans originated by SCC or its subsidiaries without (1) advance notice to the Massachusetts Attorney General and (2) if the Attorney General objects to foreclosure, approval by the court. The preliminary injunction generally applies to loans meeting all of the following four characteristics: (1) adjustable rate mortgages with an introductory period of three years or less; (2) the borrower has a debt-to-income ratio generally exceeding 50 percent; (3) an introductory interest rate at least 2 percent lower than the fully indexed rate (unless the debt-to-income ratio is 55% or greater); and (4) loan-to-value ratio of 97 percent or certain prepayment penalties. We have appealed this preliminary injunction. We believe the claims in this case are without merit, and we intend to defend this case vigorously. There can be no assurances, however, as to its outcome or its impact on our consolidated results of operations.

SCC also remains subject to potential claims for indemnification and loan repurchases pertaining to loans previously sold. In the current non-prime mortgage environment, it is likely that the frequency of repurchase and indemnification claims may increase over historical experience and give rise to additional litigation. In some instances, H&R Block, Inc. was required to guarantee SCC's obligations. The amounts involved in these potential claims may be substantial, and the ultimate resulting liability is difficult to predict. Because SCC's operating results are included in our consolidated financial statements, the amounts SCC may be required to pay in the discharge or settlement of these claims in the event of unfavorable outcomes could have a material adverse impact on our consolidated results of operations.

Other Claims and Litigation

We are from time to time party to investigations, claims and lawsuits not discussed herein arising out of our business operations. These investigations, claims and lawsuits include actions by state attorneys general, other state regulators, individual plaintiffs, and cases in which plaintiffs seek to represent a class of others similarly situated. Some of these investigations, claims and lawsuits pertain to RALs, the electronic filing of customers' income tax returns, the POM guarantee program, wage and hour claims and investment products. We believe we have meritorious defenses to each of these investigations, claims and lawsuits, and we are defending or intend to defend them vigorously. The amounts claimed in these matters are substantial in some instances, however the ultimate liability with respect to such matters is difficult to predict. In the event of an unfavorable outcome, the amounts we may be required to pay in the discharge of liabilities or settlements could have a material adverse impact on our consolidated results of operations.

In addition to the aforementioned types of matters, we are party to claims and lawsuits that we consider to be ordinary, routine litigation incidental to our business, including claims and lawsuits (collectively, "Other Claims") concerning the preparation of customers' income tax returns, the fees charged customers for various products and services, relationships with franchisees, intellectual property disputes, employment matters and contract disputes. While we cannot provide assurance that we will ultimately prevail in each instance, we believe the amount, if any, we are required to pay in the discharge of liabilities or settlements in these Other Claims will not have a material adverse effect on our consolidated operating results.

ITEM 1A. RISK FACTORS

Alternative Practice Structure with Public Accounting Firms. As previously disclosed, under an alternative practice structure arrangement, RSM and M&P and other public accounting firms (collectively, "the Attest Firms") market their services jointly and provide services to a significant number of common clients. Through an administrative services agreement, RSM also provides operational and administrative support services to the Attest Firms, including accounting, payroll, human resources, marketing, administrative services and personnel, and office space and equipment. In return for these services, RSM receives a management fee and reimbursement of certain costs, mainly for the use of RSM-owned or leased real estate, property and equipment. If the RSM/Attest Firms relationship under the alternative practice structure were to be terminated, RSM could lose key employees and clients and may not be able to recoup its costs associated with the infrastructure used to provide the operational and administrative support services to the Attest Firms. A separation from M&P could result in reduced revenue, increased costs and reduced earnings and, if sufficiently significant, impairment of our investment in RSM.

On July 21, 2009, M&P provided notice of its intent to terminate the administrative services agreement between RSM and M&P. The effect of the notice will be to terminate the alternative practice structure on February 16, 2010, unless revoked or modified prior to that time. As a protective measure, on September 15, 2009, RSM provided notice of its intent to terminate the administrative services agreement. Absent revocation or modification by RSM, the effect of RSM's notice will be to terminate the alternative practice structure on April 13, 2010, even in the event M&P revokes or modifies the M&P notice. Since July 23, 2009, RSM and M&P have been engaged in arbitration to resolve various disputes regarding their contractual relationship, including the scope and enforceability of restrictive covenants agreed to by M&P. On November 24, 2009, the arbitration panel issued a final and binding ruling regarding the enforceability of the covenants. The ruling is confidential. RSM and M&P are continuing negotiations to determine if there are mutually agreeable changes to the current arrangements that would allow the alternative practice structure with M&P to continue. There are no assurances as to the outcome of these negotiations. If the parties do not reach an agreement to continue their relationship, RSM intends to seek alternative attest firms with which to affiliate and to continue to directly provide a full range of tax and business consulting services. The extent of the impact of a separation by M&P cannot be determined at this time, although it could be material to RSM's financial condition and results of operations.

There have been no other material changes in our risk factors from those reported at April 30, 2009 in our Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

A summary of our purchases of H&R Block common stock during the second quarter of fiscal year 2010 is as follows:

(in 000s, except per share amounts)

	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum $ Value of Shares that May Be Purchased Under the Plans or Programs
August 1 – August 31	6	$ 16.72	-	$ 1,901,419
September 1 – September 30	11	$ 16.95	-	$ 1,901,419
October 1 – October 31	1	$ 18.48	-	$ 1,901,419

(1) We purchased 17,782 shares in connection with the funding of employee income tax withholding obligations arising upon the exercise of stock options or the lapse of restrictions on nonvested shares.

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

Our annual meeting of shareholders was held on September 24, 2009, at which time the following directors were elected to serve until the 2010 annual meeting, and the proposals set forth below were voted upon at the meeting and approved by the shareholders.

Nominee	Votes FOR	Votes AGAINST	ABSTAIN
Alan M. Bennett	279,622,213	2,103,069	339,411
Thomas M. Bloch	280,087,477	1,709,735	267,481
Richard C. Breeden	277,318,953	4,389,884	355,856
Robert A. Gerard	277,906,346	2,333,171	1,825,176
Len J. Lauer	277,356,118	2,878,854	1,829,721
David B. Lewis	277,785,382	2,442,647	1,836,664
Tom D. Seip	277,157,681	3,068,581	1,838,431
L. Edward Shaw, Jr.	277,154,982	3,093,990	1,815,721
Russell P. Smyth	279,254,106	2,208,856	601,731
Christianna Wood	277,188,689	3,058,557	1,817,447

Approval of an advisory proposal on the Company’s executive pay-for-performance compensation policies and procedures

Votes For	274,756,904
Votes Against	6,590,018
Abstain	717,771

Approval of a proposal regarding an amendment to the 2003 Long-Term Executive Compensation Plan to increase the aggregate number of shares of Common Stock issuable under the Plan from 10,000,000 to 14,000,000

Votes For	239,445,784
Votes Against	17,628,605
Abstain	380,978
Broker Non-Votes	24,609,326

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Ratification of the Appointment of Deloitte & Touche LLP as our Independent Accountants for the Fiscal Year Ended April 30, 2010

Votes For	280,963,609
Votes Against	765,650
Abstain	335,434

ITEM 6. EXHIBITS

31.1	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Chief Executive Officer furnished pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Chief Financial Officer furnished pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

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

H&R BLOCK, INC.

Russell P. Smyth
President and Chief Executive Officer
December 9, 2009

Becky S. Shulman
Senior Vice President and
Chief Financial Officer
December 9, 2009

Jeffrey T. Brown
Vice President and
Corporate Controller
December 9, 2009

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Russell P. Smyth, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of H&R Block, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 9, 2009

/s/ Russell P. Smyth
Russell P. Smyth
Chief Executive Officer
H&R Block, Inc.

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Becky S. Shulman, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of H&R Block, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 9, 2009

/s/ Becky S. Shulman
Becky S. Shulman
Senior Vice President and Chief Financial Officer
H&R Block, Inc.

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of H&R Block, Inc. (the "Company") on Form 10-Q for the fiscal quarter ending October 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Russell P. Smyth, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Russell P. Smyth
Russell P. Smyth
Chief Executive Officer
H&R Block, Inc.
December 9, 2009

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of H&R Block, Inc. (the “Company”) on Form 10-Q for the fiscal quarter ending October 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Becky S. Shulman, Senior Vice President and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Becky S. Shulman
Becky S. Shulman
Senior Vice President and Chief Financial Officer
H&R Block, Inc.
December 9, 2009