

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

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 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, Inc.

(Exact name of registrant as specified in its charter)

MISSOURI
(State or other jurisdiction of
incorporation or organization)

44-0607856
(I.R.S. Employer
Identification 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 August 31, 2009 was 335,306,120 shares.



H&R BLOCK

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

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

	July 31, 2009	April 30, 2009
	(Unaudited)	
ASSETS		
Cash and cash equivalents	\$ 1,006,303	\$ 1,654,663
Cash and cash equivalents – restricted	46,639	51,656
Receivables, less allowance for doubtful accounts of \$129,433 and \$128,541	379,177	512,814
Prepaid expenses and other current assets	396,027	351,947
Total current assets	1,828,146	2,571,080
Mortgage loans held for investment, less allowance for loan losses of \$91,691 and \$84,073	707,712	744,899
Property and equipment, at cost, less accumulated depreciation and amortization of \$643,978 and \$625,075	359,408	368,289
Intangible assets, net	379,622	385,998
Goodwill	852,018	850,230
Other assets	418,856	439,226
Total assets	<u>\$ 4,545,762</u>	<u>\$ 5,359,722</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Customer banking deposits	\$ 712,008	\$ 854,888
Accounts payable, accrued expenses and other current liabilities	648,470	705,945
Accrued salaries, wages and payroll taxes	101,410	259,698
Accrued income taxes	330,145	543,967
Current portion of long-term debt	6,093	8,782
Federal Home Loan Bank borrowings	25,000	25,000
Total current liabilities	1,823,126	2,398,280
Long-term debt	1,032,395	1,032,122
Federal Home Loan Bank borrowings	75,000	75,000
Other noncurrent liabilities	424,527	448,461
Total liabilities	<u>3,355,048</u>	<u>3,953,863</u>
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	824,212	836,477
Accumulated other comprehensive income (loss)	(2,849)	(11,639)
Retained earnings	2,437,017	2,671,437
Less treasury shares, at cost	(2,072,108)	(2,094,858)
Total stockholders' equity	<u>1,190,714</u>	<u>1,405,859</u>
Total liabilities and stockholders' equity	<u>\$ 4,545,762</u>	<u>\$ 5,359,722</u>

See Notes to Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

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

Three Months Ended July 31,	2009	2008
Revenues:		
Service revenues	\$ 247,985	\$ 240,720
Interest income	12,287	17,847
Product and other revenues	15,233	13,342
	<u>275,505</u>	<u>271,909</u>
Operating expenses:		
Cost of revenues	386,450	360,138
Selling, general and administrative	103,217	123,386
	<u>489,667</u>	<u>483,524</u>
Operating loss	(214,162)	(211,615)
Other income (expense), net	3,289	(1,355)
Loss from continuing operations before tax benefit	(210,873)	(212,970)
Income tax benefit	(80,256)	(84,547)
Net loss from continuing operations	(130,617)	(128,423)
Net loss from discontinued operations	(3,017)	(4,296)
Net loss	<u>\$ (133,634)</u>	<u>\$ (132,719)</u>
Basic and diluted loss per share:		
Net loss from continuing operations	\$ (0.39)	\$ (0.39)
Net loss from discontinued operations	(0.01)	(0.02)
Net loss	<u>\$ (0.40)</u>	<u>\$ (0.41)</u>
Basic and diluted shares	<u>334,533</u>	<u>327,141</u>
Dividends paid per share	<u>\$ 0.15</u>	<u>\$ 0.14</u>
Comprehensive income (loss):		
Net loss	\$ (133,634)	\$ (132,719)
Change in unrealized gain on available-for-sale securities, net	(747)	(1,967)
Change in foreign currency translation adjustments	9,537	314
Comprehensive loss	<u>\$ (124,844)</u>	<u>\$ (134,372)</u>

See Notes to Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, amounts in 000s)

Three Months Ended July 31,	2009	2008
Net cash used in operating activities	\$ (454,577)	\$ (364,923)
Cash flows from investing activities:		
Principal repayments on mortgage loans held for investment, net	19,264	31,619
Purchases of property and equipment, net	(8,760)	(14,648)
Other, net	4,856	(901)
Net cash provided by investing activities	15,360	16,070
Cash flows from financing activities:		
Repayments of Federal Home Loan Bank borrowings	-	(40,000)
Proceeds from Federal Home Loan Bank borrowings	-	15,000
Customer banking deposits, net	(143,199)	(8,795)
Dividends paid	(50,287)	(46,790)
Acquisition of treasury shares	(3,483)	(4,116)
Proceeds from issuance of common stock, net	6,651	28,507
Other, net	(25,888)	(14,387)
Net cash used in financing activities	(216,206)	(70,581)
Effects of exchange rates on cash	7,063	-
Net decrease in cash and cash equivalents	(648,360)	(419,434)
Cash and cash equivalents at beginning of the period	1,654,663	664,897
Cash and cash equivalents at end of the period	\$ 1,006,303	\$ 245,463
Supplementary cash flow data:		
Income taxes paid	\$ 155,804	\$ 83,111
Interest paid on borrowings	26,168	27,258
Interest paid on deposits	1,318	4,048
Transfers of loans to foreclosed assets	3,797	53,469

See Notes to Condensed Consolidated Financial Statements

1. Summary of Significant Accounting Policies**Basis of Presentation**

The condensed consolidated balance sheet as of July 31, 2009, the condensed consolidated statements of operations and comprehensive income (loss) for the three months ended July 31, 2009 and 2008, and the condensed consolidated statements of cash flows for the three months ended July 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 July 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 in 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 September 4, 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 51% 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. RSM and M&P are engaged in arbitration to determine several of their rights and responsibilities under their contractual obligations to each other. An arbitration hearing is scheduled for November 2009. RSM and M&P are also engaged in negotiations to determine if there are mutually agreeable changes to the current arrangements that would allow our collaboration to continue. There are no assurances as to the outcome.

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

Basic and diluted loss per share is computed using the two-class method per FASB Staff Position EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities" (FSP 03-6-1). See note 13 for additional information. 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 19.4 million shares and 25.7 million shares for the three months ended July 31, 2009 and 2008, respectively, 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 July 31,	2009	2008
Net loss from continuing operations attributable to shareholders	\$(130,617)	\$(128,423)
Income allocated to participating securities (nonvested shares)	(367)	(199)
Net loss from continuing operations attributable to common shareholders	<u>\$(130,984)</u>	<u>\$(128,622)</u>
Basic weighted average common shares	334,533	327,141
Potential dilutive shares from stock options and nonvested shares	-	-
Convertible preferred stock	-	-
Dilutive weighted average common shares	<u>334,533</u>	<u>327,141</u>
Earnings (loss) per share from continuing operations:		
Basic	\$ (0.39)	\$ (0.39)
Diluted	(0.39)	(0.39)

The weighted average shares outstanding for the three months ended July 31, 2009 increased to 334.5 million from 327.1 million for the three months ended July 31, 2008, primarily due to the issuance of shares of our common stock in October 2008.

During the three months ended July 31, 2009 and 2008, we issued 1.4 million and 2.3 million shares of common stock, respectively, due to the exercise of stock options, employee stock purchases and vesting of nonvested shares.

During the three months ended July 31, 2009, we acquired 0.2 million shares of our common stock at an aggregate cost of \$3.5 million, and during the three months ended July 31, 2008, we acquired 0.2 million shares at an aggregate cost of \$4.1 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.

At July 31, 2009, we had accrued but unpaid dividends totaling \$50.5 million. This amount is included in accounts payable, accrued expenses and other current liabilities on the condensed consolidated balance sheet.

During the three months ended July 31, 2009, we granted 4.0 million stock options and 0.8 million nonvested shares and units in accordance with our stock-based compensation plans. The weighted average fair value of options granted was \$3.14 for management options and \$2.70 for options granted to

our seasonal associates. Stock-based compensation expense of our continuing operations totaled \$7.3 million and \$4.5 million for the three months ended July 31, 2009 and 2008, respectively. At July 31, 2009, unrecognized compensation cost for options totaled \$17.0 million, and for nonvested shares and units totaled \$26.4 million.

4. Mortgage Loans Held for Investment and Related Assets

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

	(dollars in 000s)			
	July 31, 2009		April 30, 2009	
	Amount	% of Total	Amount	% of Total
Adjustable-rate loans	\$501,112	63%	\$534,943	65%
Fixed-rate loans	292,014	37%	286,894	35%
	793,126	100%	821,837	100%
Unamortized deferred fees and costs	6,277		7,135	
Less: Allowance for loan losses	(91,691)		(84,073)	
	<u>\$707,712</u>		<u>\$744,899</u>	

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

Three Months Ended July 31,	(in 000s)	
	2009	2008
Balance, beginning of the period	\$84,073	\$ 45,401
Provision	13,600	14,991
Recoveries	28	-
Charge-offs	(6,010)	(13,539)
Balance, end of the period	<u>\$91,691</u>	<u>\$ 46,853</u>

Our loan loss reserve as a percent of mortgage loans was 11.56% at July 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 \$161.6 million and \$160.7 million at July 31, 2009 and April 30, 2009, respectively. The principal balance of impaired loans as of July 31, 2009 and April 30, 2009 is as follows:

	(in 000s)	
	July 31, 2009	April 30, 2009
60 – 89 days	\$ 14,519	\$ 21,415
90+ days, non-accrual	148,603	121,685
TDR loans, accrual	90,275	60,044
TDR loans, non-accrual	71,295	100,697
	<u>\$ 324,692</u>	<u>\$ 303,841</u>

Activity related to our real estate owned is as follows:

Three Months Ended July 31,	(in 000s)	
	2009	2008
Balance, beginning of the period	\$44,533	\$ 350
Additions	3,797	53,469
Sales	(4,348)	-
Writedowns	(1,241)	(5,409)
Balance, end of the period	<u>\$42,741</u>	<u>\$48,410</u>

5. Goodwill and Intangible Assets

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

(in 000s)

	April 30, 2009	Additions	Impairment	Other	July 31, 2009
Tax Services	\$ 447,591	\$ 1,004	\$ -	\$ 1,483	\$ 450,078
Business Services	402,639	-	-	(699)	401,940
Total	\$ 850,230	\$ 1,004	\$ -	\$ 784	\$ 852,018

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 \$372.7 million at July 31, 2009. The net carrying value of other intangible assets of RSM totaled \$96.0 million at July 31, 2009, including \$50.8 million for an indefinite-lived trade name asset. We have concluded that, as of July 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 that 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. However, 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.

Intangible assets consist of the following:

(in 000s)

	July 31, 2009			April 30, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Tax Services:						
Customer relationships	\$ 54,907	\$ (26,938)	\$ 27,969	\$ 54,655	\$ (25,267)	\$ 29,388
Noncompete agreements	23,271	(21,272)	1,999	23,263	(20,941)	2,322
Reacquired franchise rights	229,438	(2,942)	226,496	229,438	(1,838)	227,600
Franchise agreements	19,201	(853)	18,348	19,201	(533)	18,668
Purchased technology	12,500	(4,730)	7,770	12,500	(4,240)	8,260
Trade name	1,325	(250)	1,075	1,025	(217)	808
Business Services:						
Customer relationships	146,011	(113,408)	32,603	146,040	(111,017)	35,023
Noncompete agreements	33,061	(20,468)	12,593	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
	\$577,951	\$ (198,329)	\$379,622	\$577,427	\$ (191,429)	\$385,998

Amortization of intangible assets for the three months ended July 31, 2009 and 2008 was \$6.9 million and \$5.6 million, respectively. Estimated amortization of intangible assets for fiscal years 2010 through 2014 is \$28.8 million, \$26.5 million, \$23.5 million, \$19.2 million and \$15.8 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 (IRS). 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 three months ended July 31, 2009, we accrued an additional \$1.2 million of interest and penalties related to our uncertain tax positions. We had unrecognized tax benefits of \$126.0 million and \$124.6 million at July 31, 2009 and April 30, 2009, respectively. The unrecognized tax benefits increased \$1.4 million in the current year, due primarily to positions related to prior years. We have classified the liability for unrecognized tax benefits, including corresponding accrued interest, as long-term at July 31, 2009, which is included in other noncurrent liabilities on the condensed consolidated balance sheet. Amounts that we expect to pay, or for which statutes expire, within the next twelve months have been included in accounts payable, accrued expenses and other current liabilities on the condensed consolidated balance sheet.

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 previously unrecognized tax benefits may decrease by approximately \$18 million within twelve months of July 31, 2009.

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 July 31,	2009	2008
Interest income:		
Mortgage loans, net	\$ 7,896	\$13,265
Other	4,391	4,582
	<u>\$12,287</u>	<u>\$17,847</u>
Interest expense:		
Borrowings	\$18,957	\$18,172
Deposits	2,049	4,043
FHLB advances	509	1,328
	<u>\$21,515</u>	<u>\$23,543</u>

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 July 31, 2009:

	(dollars in 000s)			
	Total	Level 1	Level 2	Level 3
Recurring:				
Available-for-sale securities	\$ 42,430	\$ -	\$42,430	\$ -
Non-recurring:				
Impaired mortgage loans held for investment	248,529	-	-	248,529
	<u>\$290,959</u>	<u>\$ -</u>	<u>\$42,430</u>	<u>\$248,529</u>
As a percentage of total assets	6.4%	-%	0.9%	5.5%

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 July 31, 2009 are as follows:

	(in 000s)	
	Carrying Amount	Estimated Fair Value
Mortgage loans held for investment	\$ 707,712	\$ 549,497
IRAs and other time deposits	479,758	479,375
Long-term debt	1,038,488	1,064,855

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 June 30, 2009, as calculated in the most recently filed TFR:

	(dollars in 000s)					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio(1)	\$142,490	21.9%	\$ 52,020	8.0%	\$ 65,025	10.0%
Tier 1 risk-based capital ratio(2)	\$133,811	20.6%	n/a	n/a	\$ 39,015	6.0%
Tier 1 capital ratio (leverage)(3)	\$133,811	13.6%	\$ 118,381	12.0%	\$ 49,325	5.0%
Tangible equity ratio(4)	\$133,811	13.6%	\$ 14,798	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.

As of July 31, 2009, HRB Bank's leverage ratio was 13.8%.

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)	
Three Months Ended July 31,	2009	2008
Balance, beginning of period	\$146,807	\$140,583
Amounts deferred for new guarantees issued	583	513
Revenue recognized on previous deferrals	(27,913)	(27,241)
Balance, end of period	<u>\$119,477</u>	<u>\$113,855</u>

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

	(in 000s)	
As of	July 31, 2009	April 30, 2009
Franchise Equity Lines of Credit – undrawn commitment	\$ 35,976	\$ 38,055
Contingent business acquisition obligations	24,504	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 July 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 July 31, 2009 and April 30, 2009, our loan repurchase liability totaled \$202.4 million and \$206.6 million, respectively. This liability is included in accounts payable, accrued expenses and other current liabilities on our consolidated balance sheets.

11. Litigation and Related Contingencies

We are party to investigations, legal claims and lawsuits arising out of our business operations. We accrue our best estimate of the probable loss upon resolution of such matters. Amounts accrued, including obligations under indemnifications, totaled \$25.3 million and \$27.9 million at July 31, 2009 and April 30, 2009, respectively.

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. In *Basile*, the court decertified the class in December 2003, and the Pennsylvania appellate court subsequently reversed the trial court's decertification decision. In September 2006, the Pennsylvania Supreme Court reversed the appellate court's reversal of the trial court's decertification decision. In June 2007, the appellate court affirmed its earlier decision to reverse the trial court's decertification decision. In June 2009, the Pennsylvania Supreme Court again reversed the appellate court's reversal of the trial court's decertification decision and remanded the case to the appellate court for additional review. We believe we have meritorious defenses to this case and we intend to defend it vigorously. There can be no assurances, however, as to the outcome of this case or its impact on our financial statements.

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 class action case originally filed in the Circuit Court of Madison County, Illinois on January 18, 2002, in which class certification was granted in August 2003. 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. A class was certified 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 plaintiff class. In August 2008, we removed the case from state court in Madison County, Illinois to the U.S. District Court for the Southern District of Illinois. In December 2008, the U.S. District Court remanded the case back to state court. On April 3, 2009, the United States Court of Appeals for the Seventh Circuit reversed the decision to remand the case back to state court, ruling that the case had been properly removed to federal court. The plaintiffs filed a petition for rehearing of this decision with the Seventh Circuit, which was denied in August 2009.

There is one other putative class action pending against us in Texas that involves the POM guarantee. This case 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. 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 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 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. We believe we have meritorious defenses to the claims in this case and intend to defend this case vigorously, but there are no assurances as to its outcome.

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 are no assurances as to its outcome.

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 are no assurances as to their outcome.

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 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. We believe we have meritorious defenses to the claims in these cases and intend to defend this litigation vigorously. We currently do not believe that we will incur a material loss with respect to this litigation.

RSM McGladrey Litigation

RSM McGladrey Business Services, Inc. and certain of its subsidiaries 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, Inc., 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 and seeks unspecified damages, restitution and equitable relief. On March 17, 2009, the court granted plaintiffs' motion for class certification on all claims. The 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. RSM EquiCo filed a writ petition for interlocutory appeal of this certification ruling, which was denied. 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.

RSM McGladrey, Inc. (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.

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, but there are no assurances as to its outcome.

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 be material.

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, financial position or cash flows.

12. Segment Information

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

	(in 000s)	
Three Months Ended July 31,	2009	2008
Revenues:		
Tax Services	\$ 87,963	\$ 81,700
Business Services	177,618	174,651
Corporate	9,924	15,558
	<u>\$ 275,505</u>	<u>\$ 271,909</u>
Pretax income (loss):		
Tax Services	\$(171,974)	\$(163,657)
Business Services	1,321	(295)
Corporate	(40,220)	(49,018)
Loss from continuing operations before tax benefit	<u>\$(210,873)</u>	<u>\$(212,970)</u>

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 shifting of assets between segments. Identifiable assets by reportable segment at July 31, 2009 were as follows:

(in 000s)	
Tax Services	\$1,794,754
Business Services	829,772
Corporate	<u>1,921,236</u>
	<u>\$4,545,762</u>

13. Accounting Pronouncements

In June 2009, Statement of Financial Accounting Standards No. 167, "Amendments to FASB Interpretation No. 46(R)"

(SFAS 167) was issued. 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, Statement of Financial Accounting Standards No. 166, "Accounting for Transfers of Financial Assets" (SFAS 166), was issued. 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, changes the requirements for derecognizing financial assets. SFAS 166 will be effective at the start of our fiscal year 2011. We are currently evaluating the effect of this statement on its consolidated financial statements.

In May 2009, Statement of Financial Accounting Standards No. 165, "Subsequent Events" (SFAS 165) was issued. SFAS 165 establishes 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. SFAS 165 is effective for fiscal years and interim periods ending after June 15, 2009 and is

applied prospectively. We adopted the new disclosure requirements in the condensed consolidated financial statements effective July 31, 2009. See note 1 for the related disclosure.

In December 2007, Statement of Financial Accounting Standards No. 141(R), “Business Combinations,” (SFAS 141R), and Statement of Financial Accounting Standards No. 160, “Non-Controlling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51” (SFAS 160) were issued. These standards require 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. SFAS 141R 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 SFAS 141R, 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 these standards as of May 1, 2009. The adoption of SFAS 141R and SFAS 160 did not have a material impact on our consolidated financial statements.

In June 2008, FSP 03-6-1 was issued. FSP 03-6-1 addresses 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 FSP 03-6-1 as of May 1, 2009. The adoption and retrospective application of the provisions of FSP 03-6-1 did not change the current year or prior period earnings per share amounts for the fiscal quarter. The adoption of this standard 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

Block Financial LLC (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 July 31, 2009	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	\$ -	\$ 23,196	\$ 252,365	\$ (56)	\$ 275,505
Cost of revenues	-	45,560	340,890	-	386,450
Selling, general and administrative	-	2,498	100,775	(56)	103,217
Total expenses	-	48,058	441,665	(56)	489,667
Operating income (loss)	-	(24,862)	(189,300)	-	(214,162)
Other income (expense), net	(210,873)	(1,233)	4,522	210,873	3,289
Income (loss) from continuing operations					
before taxes (benefit)	(210,873)	(26,095)	(184,778)	210,873	(210,873)
Income taxes (benefit)	(80,256)	(10,692)	(69,564)	80,256	(80,256)
Net income (loss) from continuing operations	(130,617)	(15,403)	(115,214)	130,617	(130,617)
Net loss from discontinued operations	(3,017)	(3,017)	-	3,017	(3,017)
Net income (loss)	\$ (133,634)	\$ (18,420)	\$ (115,214)	\$ 133,634	\$ (133,634)

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Three Months Ended July 31, 2008	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	\$ -	\$ 20,775	\$ 252,572	\$ (1,438)	\$ 271,909
Cost of revenues	-	39,362	320,772	4	360,138
Selling, general and administrative	-	19,396	104,083	(93)	123,386
Total expenses	-	58,758	424,855	(89)	483,524
Operating loss	-	(37,983)	(172,283)	(1,349)	(211,615)
Other income, net	(212,970)	(4,350)	2,995	212,970	(1,355)
Loss from continuing operations before tax benefit	(212,970)	(42,333)	(169,288)	211,621	(212,970)
Income tax benefit	(84,547)	(16,438)	(67,535)	83,973	(84,547)
Net loss from continuing operations	(128,423)	(25,895)	(101,753)	127,648	(128,423)
Net loss from discontinued operations	(4,296)	(5,071)	-	5,071	(4,296)
Net loss	\$ (132,719)	\$ (30,966)	\$ (101,753)	\$ 132,719	\$ (132,719)

Condensed Consolidating Balance Sheets					(in 000s)
July 31, 2009	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Cash & cash equivalents	\$ -	\$ 122,895	\$ 883,968	\$ (560)	\$ 1,006,303
Cash & cash equivalents — restricted	-	355	46,284	-	46,639
Receivables, net	1,110	109,803	268,264	-	379,177
Mortgage loans held for investment	-	707,712	-	-	707,712
Intangible assets and goodwill, net	-	-	1,231,640	-	1,231,640
Investments in subsidiaries	3,055,015	-	185	(3,055,015)	185
Other assets	-	317,877	856,229	-	1,174,106
Total assets	\$ 3,056,125	\$ 1,258,642	\$ 3,286,570	\$ (3,055,575)	\$ 4,545,762
Customer deposits	\$ -	\$ 712,568	\$ -	\$ (560)	\$ 712,008
Long-term debt	-	998,335	34,060	-	1,032,395
FHLB borrowings	-	100,000	-	-	100,000
Other liabilities	50,500	124,914	1,335,231	-	1,510,645
Net intercompany advances	1,814,911	(811,975)	(1,002,936)	-	-
Stockholders' equity	1,190,714	134,800	2,920,215	(3,055,015)	1,190,714
Total liabilities and stockholders' equity	\$ 3,056,125	\$ 1,258,642	\$ 3,286,570	\$ (3,055,575)	\$ 4,545,762

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)
Three Months Ended July 31, 2009	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block	
Net cash used in operating activities:	\$ 868	\$ (4,881)	\$ (450,564)	\$ -	\$ (454,577)	
Cash flows from investing:						
Mortgage loans originated for investment, net	-	19,264	-	-	19,264	
Purchase property & equipment	-	-	(8,760)	-	(8,760)	
Net intercompany advances	45,536	-	-	(45,536)	-	
Other, net	-	6,803	(1,947)	-	4,856	
Net cash provided by (used in) investing activities	45,536	26,067	(10,707)	(45,536)	15,360	
Cash flows from financing:						
Customer banking deposits	-	(148,861)	-	5,662	(143,199)	
Dividends paid	(50,287)	-	-	-	(50,287)	
Acquisition of treasury shares	(3,483)	-	-	-	(3,483)	
Proceeds from issuance of common stock, net	6,651	-	-	-	6,651	
Net intercompany advances	-	18,058	(63,594)	45,536	-	
Other, net	715	(8,838)	(17,765)	-	(25,888)	
Net cash provided by financing activities	(46,404)	(139,641)	(81,359)	51,198	(216,206)	
Effects of exchange rates on cash	-	-	7,063	-	7,063	
Net increase (decrease) in cash	-	(118,455)	(535,567)	5,662	(648,360)	
Cash – beginning of period	-	241,350	1,419,535	(6,222)	1,654,663	
Cash – end of period	\$ -	\$ 122,895	\$ 883,968	\$ (560)	\$ 1,006,303	

Three Months Ended July 31, 2008	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block	
Net cash provided by (used in) operating activities:	\$ (11,615)	\$ 58,425	\$ (411,733)	\$ -	\$ (364,923)	
Cash flows from investing:						
Mortgage loans originated for investment, net	-	31,619	-	-	31,619	
Purchase property & equipment	-	(186)	(14,462)	-	(14,648)	
Net intercompany advances	29,630	-	-	(29,630)	-	
Other, net	-	1,365	(2,266)	-	(901)	
Net cash provided by (used in) investing activities	29,630	32,798	(16,728)	(29,630)	16,070	
Cash flows from financing:						
Repayments of FHLB borrowings	-	(40,000)	-	-	(40,000)	
Proceeds from FHLB borrowings	-	15,000	-	-	15,000	
Customer banking deposits	-	(8,964)	-	169	(8,795)	
Dividends paid	(46,790)	-	-	-	(46,790)	
Acquisition of treasury shares	(4,116)	-	-	-	(4,116)	
Proceeds from issuance of common stock, net	28,507	-	-	-	28,507	
Net intercompany advances	-	(50,203)	20,573	29,630	-	
Other, net	4,384	(3,828)	(14,943)	-	(14,387)	
Net cash provided by (used in) financing activities	(18,015)	(87,995)	5,630	29,799	(70,581)	
Net increase (decrease) in cash	-	3,228	(422,831)	169	(419,434)	
Cash – beginning of period	-	34,611	630,933	(647)	664,897	
Cash – end of period	\$ -	\$ 37,839	\$ 208,102	\$ (478)	\$ 245,463	

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 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. RSM and M&P are engaged in arbitration to determine several of their rights and responsibilities under their contractual obligations to each other. An arbitration hearing is scheduled for November 2009. RSM and M&P are also engaged in negotiations to determine if there are mutually agreeable changes to the current arrangements that would allow our collaboration to continue. There are no assurances as to the outcome.

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 July 31,	2009	2008
Tax preparation fees	\$ 33,625	\$ 29,432
Fees from Peace of Mind guarantees	27,913	27,241
Fees from Emerald Card activities	11,691	10,893
Royalties	3,607	3,684
Other	11,127	10,450
Total revenues	<u>87,963</u>	<u>81,700</u>
Compensation and benefits:		
Field wages	39,379	39,819
Corporate wages	29,880	28,810
Benefits and other compensation	21,316	13,903
Occupancy and equipment	90,575	82,532
Depreciation and amortization	87,920	86,056
Marketing and advertising	22,316	17,110
Other	6,839	5,544
Total expenses	<u>259,937</u>	<u>245,357</u>
Pretax loss	<u>\$(171,974)</u>	<u>\$(163,657)</u>

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

Tax Services' revenues increased \$6.3 million, or 7.7%, for the three months ended July 31, 2009 compared to the prior year. Tax preparation fees increased \$4.2 million, or 14.2%, primarily due to favorable results in our Australian tax operations.

Total expenses increased \$14.6 million, or 5.9%, for the three months ended July 31, 2009. Approximately \$9 million of this increase was the result of the November 2008 acquisition of our last major independent franchise operator, which includes approximately \$2 million of amortization due to higher intangible asset balances and additional pre-season expenses. Benefits and other compensation increased \$7.4 million, or 53.3%, primarily as a result of severance costs and related payroll taxes in the current year.

The pretax loss for the three months ended July 31, 2009 and 2008 was \$172.0 million and \$163.7 million, respectively.

BUSINESS SERVICES

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

Business Services – Operating Results		(in 000s)
Three Months Ended July 31,	2009	2008
Tax services	\$ 77,584	\$ 76,301
Business consulting	61,921	53,508
Accounting services	11,529	12,960
Capital markets	1,517	5,818
Reimbursed expenses	4,149	4,205
Other	20,918	21,859
Total revenues	<u>177,618</u>	<u>174,651</u>
Compensation and benefits	134,380	122,908
Occupancy	19,449	19,834
Amortization of intangible assets	2,965	3,419
Other	19,503	28,785
Total expenses	<u>176,297</u>	<u>174,946</u>
Pretax income (loss)	<u>\$ 1,321</u>	<u>\$ (295)</u>

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

Business Services' revenues for the three months ended July 31, 2009 increased \$3.0 million, or 1.7% from the prior year. Revenues from core tax, consulting and accounting services increased \$8.3 million, or 5.8%, over the prior year primarily due to revenues from consulting engagements related to financial institutions.

Capital markets revenues decreased \$4.3 million, or 73.9%, primarily due to a 72.7% decline in the number of transactions closed in the current year due to the continued weak economic conditions. Given the continued limited availability of financing for acquisitions in the middle-market, our capital markets 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.

Total expenses increased \$1.4 million, or 0.8%, from the prior year. Compensation and benefits increased \$11.5 million, or 9.3%, primarily due to increases in managing director compensation and outside contractor costs related to consulting engagements. Other expenses decreased \$9.3 million primarily as a result of our cost reduction program.

Pretax income for the three months ended July 31, 2009 was \$1.3 million compared to a loss of \$0.3 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

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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 July 31,		2009	2008
Interest income:			
Mortgage loans held for investment, net		\$ 7,896	\$ 13,265
Other investments		824	1,094
		<u>8,720</u>	<u>14,359</u>
Other			
Total revenues		<u>9,924</u>	<u>15,558</u>
Interest expense:			
Borrowings — HRB Bank		2,011	5,125
Borrowings — Corporate		<u>17,647</u>	<u>17,617</u>
		19,658	22,742
Provision for loan losses		13,600	14,991
Compensation and benefits		13,301	12,748
Other		<u>3,585</u>	<u>14,095</u>
Total expenses		<u>50,144</u>	<u>64,576</u>
Pretax loss		<u><u>\$(40,220)</u></u>	<u><u>\$(49,018)</u></u>

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

Interest income earned on mortgage loans held for investment decreased \$5.4 million from the prior year, primarily as a result of declining rates and non-performing loans. Other expenses declined \$10.5 million due to impairments of residual interests totaling \$5.0 million recorded in the prior year, coupled with a \$4.2 million decline in impairments of real estate owned.

Income Taxes

Our effective tax rate for continuing operations was 38.1% and 39.7% for the three months ended July 31, 2009 and 2008, respectively. Our effective tax rate 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 \$514.3 million, or approximately 65% of the total loan portfolio at July 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 \$278.9 million and is characteristic of a prime loan portfolio, and we believe subject to a lower loss exposure.

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

(dollars in 000s)			
	Outstanding Principal Balance	Loan Loss Allowance	%30+Days Past Due
As of July 31, 2009:			
Purchased from SCC	\$ 514,267	\$ 85,644	32.55%
All other	<u>278,859</u>	<u>6,047</u>	6.94%
	<u>\$ 793,126</u>	<u>\$ 91,691</u>	23.67%
As of April 30, 2009:			
Purchased from SCC	\$ 531,233	\$ 78,067	28.74%
All other	<u>290,604</u>	<u>6,006</u>	4.44%
	<u>\$ 821,837</u>	<u>\$ 84,073</u>	20.23%

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We recorded a provision for loan losses of \$13.6 million during the current quarter, compared to \$15.0 million in the prior year. Our allowance for loan losses as a percent of mortgage loans was 11.56%, or \$91.7 million, at July 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.

Our non-performing assets consist of the following:

	(in 000s)	
As of	July 31, 2009	April 30, 2009
Impaired loans:		
60 — 89 days	\$ 14,519	\$ 21,415
90+ days, non-accrual	148,603	121,685
TDR loans, accrual	90,275	60,044
TDR loans, non-accrual	71,295	100,697
	324,692	303,841
Real estate owned(1)	42,741	44,533
Total non-performing assets	<u>\$ 367,433</u>	<u>\$ 348,374</u>

(1) Includes loans accounted for as in-substance foreclosures of \$23.5 million and \$27.4 million at July 31, 2009 and April 30, 2009, respectively.

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 unsecured committed lines of credit (CLOCs), we believe, that in the absence of any unexpected developments, our existing sources of capital at July 31, 2009 are sufficient to meet our operating needs.

CASH FROM OPERATING ACTIVITIES — Cash used by operations totaled \$454.6 million for the first three months of fiscal year 2010, compared with \$364.9 million for the same period last year. The increase was primarily due to increases in income tax payments made during the quarter.

CASH FROM INVESTING ACTIVITIES — Cash provided by investing activities totaled \$15.4 million for the first three months of fiscal year 2010, compared to \$16.1 million for the same period last year.

Mortgage Loans Held for Investment. We received net payments of \$19.3 million and \$31.6 million on our mortgage loans held for investment for the first three months of fiscal years 2010 and 2009, respectively. Cash payments declined due 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 \$8.8 million and \$14.6 million for the first three months of fiscal years 2010 and 2009, respectively.

CASH FROM FINANCING ACTIVITIES — Cash used in financing activities totaled \$216.2 million for the first three months of fiscal year 2010, compared to \$70.6 million for the same period last year.

Customer Banking Deposits. Customer banking deposits used cash of \$143.2 million for the three months ended July 31, 2009 compared to \$8.8 million in the prior year, due to declines in prepaid debit card deposits.

Dividends. We have consistently paid quarterly dividends. Dividends paid totaled \$50.3 million and \$46.8 million for the three months ended July 31, 2009 and 2008, respectively.

Issuances of Common Stock. Proceeds from the issuance of common stock resulting from stock compensation plans totaled \$6.7 million and \$28.5 million for the three months ended July 31, 2009 and 2008, respectively. This decline is due to a reduction in stock option exercises and the related tax benefits.

BORROWINGS

At July 31, 2009, we maintained \$2.0 billion in revolving credit facilities to support commercial paper issuance and for general corporate purposes. These CLOCs, and outstanding borrowings thereunder, 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

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credit ratings. We had no balance outstanding as of July 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 \$1.2 billion at July 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, we 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. In *Basile*, the court decertified the class in December 2003, and the Pennsylvania appellate court subsequently reversed the trial court’s decertification decision. In September 2006, the Pennsylvania Supreme Court reversed the appellate court’s reversal of the trial court’s decertification decision. In June 2007, the appellate court affirmed its earlier decision to reverse the trial court’s decertification decision. In June 2009, the Pennsylvania Supreme Court again reversed the appellate court’s reversal of the trial court’s decertification decision and remanded the case to the appellate court for additional review. We believe we have meritorious defenses to this case and we intend to defend it vigorously. There can be no assurances, however, as to the outcome of this case or its impact on our financial statements.

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 class action case originally filed in the Circuit Court of Madison County, Illinois on January 18, 2002, in which class certification was granted in August 2003. 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. A class was certified 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 plaintiff class. In August 2008, we removed the case from state court in Madison County, Illinois to the U.S. District Court for the Southern District of Illinois. In December 2008, the U.S. District Court remanded the case back to state court. On April 3, 2009, the United States Court of Appeals for the Seventh Circuit reversed the decision to remand the case back to state court, ruling that the case had been properly removed to federal court. The plaintiffs filed a petition for rehearing of this decision with the Seventh Circuit, which was denied in August 2009.

There is one other putative class action pending against us in Texas that involves the POM guarantee. This case 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. 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 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 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. We believe we have meritorious defenses to the claims in this case and intend to defend this case vigorously, but there are no assurances as to its outcome.

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 are no assurances as to its outcome.

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 are no assurances as to their outcome.

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 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. We believe we have meritorious defenses to the claims in these cases and intend to defend this litigation vigorously. We currently do not believe that we will incur a material loss with respect to this litigation.

RSM McGladrey Litigation

RSM McGladrey Business Services, Inc. and certain of its subsidiaries 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, Inc., 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 and seeks unspecified damages, restitution and equitable relief. On March 17, 2009, the court granted plaintiffs' motion for class certification on all claims. The 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. RSM EquiCo filed a writ petition for interlocutory appeal of this certification ruling, which was denied. 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.

RSM McGladrey, Inc. (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.

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, but there are no assurances as to its outcome.

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 be material.

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, financial position or cash flows.

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. RSM and M&P are engaged in arbitration to determine several of their rights and responsibilities under their contracts, including rights of RSM relating to noncompete provisions of the contracts. In addition, the parties have held a series of meetings and discussions regarding several aspects of the relationship between RSM and M&P. 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 first 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
May 1 – May 31	-	\$ -	-	\$ 1,901,419
June 1 – June 30	134	\$ 17.13	-	\$ 1,901,419
July 1 – July 31	70	\$ 16.89	-	\$ 1,901,419

(1) We purchased 204,373 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 6. EXHIBITS

- 10.1 Separation and Release Agreement dated July 28, 2009, by and between HRB Tax Group, Inc. and Timothy C. Gokey.*
- 10.2 H&R Block, Inc. Executive Severance Plan*
- 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
- 101.REF XBRL Taxonomy Extension Reference Linkbase

* Indicates management contracts, compensatory plans or arrangements.

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
September 4, 2009



Becky S. Shulman
Senior Vice President, Treasurer and
Chief Financial Officer
September 4, 2009



Jeffrey T. Brown
Vice President and
Corporate Controller
September 4, 2009

SEPARATION AND RELEASE AGREEMENT

This SEPARATION AND RELEASE AGREEMENT (the "Agreement") is entered into as of the ___ day of July, 2009, by and between, HRB Tax Group, Inc., a Missouri corporation ("Block"), and Timothy C. Gokey ("Executive").

WHEREAS, Executive and Block are parties to an Employment Agreement dated June 28, 2004 (the "Employment Agreement"),

WHEREAS, Executive and Block agree to end Executive's employment,

WHEREAS, Executive and Block intend the terms and conditions of this Agreement to govern all issues related to Executive's employment and separation,

NOW, THEREFORE, in consideration of the covenants and mutual promises contained in this Agreement, Executive and Block agree as follows:

1. Termination of Employment. The parties agree that Executive's employment with Block will end on August 31, 2009 ("Separation Date"). Until the Separation Date, the Executive will remain on active payroll and be paid his current salary in accordance with Block's regular payroll practices. Until the Separation Date, Executive agrees that he will only perform transition work as specifically agreed by Block Chief Executive Officer ("CEO") Russ Smyth and Executive. Executive further agrees that he will timely respond to questions and provide guidance as requested by Block CEO Russ Smyth. On or after the Separation Date, Executive acknowledges and agrees that he will not represent himself as being an employee, officer, director, trustee, member, partner, agent, or representative of Block for any purpose, and will not make any public statements on behalf of Block. Executive further acknowledges and agrees that he has received proper notice under Section 1.07(b) of his Employment Agreement to terminate it.

2. Resignation. Executive agrees that as of the Separation Date, he resigns from all offices, directorships, trusteeships, committee memberships, and fiduciary capacities held with, or on behalf of, Block or its parents, subsidiaries, or affiliates (collectively as "Affiliates"), or any benefit plans of Block or its Affiliates. Executive will execute the resignations attached as Exhibit A on minute book paper contemporaneously with his execution of this Agreement.

3. Severance Benefits. The parties agree to treat Executive's separation of employment as a termination without "cause" and a "Qualifying Termination" (as defined in Section 1.07 of the Employment Agreement) for purposes of Executive's eligibility for severance compensation and benefits as set forth in this Section. Subject to the terms and conditions of this Agreement, including Executive's executing this Agreement and the Supplemental General Release, Executive acknowledges and agrees that he will not be eligible for any compensation or benefits after the Separation Date except for the following:

a. Severance Pay. Subject to the terms of the H&R Block Severance Plan ("Severance Plan"), Block will pay to Executive \$833,340.00, less required tax

withholdings, in a lump sum payment within 30 days from the later of the Separation Date or the Effective Date of this Agreement.

b. Employee Benefits. Executive will remain eligible to participate in the various health and welfare benefit plans maintained by Block until the Separation Date. After the Separation Date, Block will pay Executive a lump sum payment of \$10,008, less applicable tax withholdings, which represents Executive's monthly post-employment premium for health and welfare benefits under COBRA for twelve (12) months less the amount Executive paid for such benefits as an active employee. To be eligible for the payment described in this subsection, Executive must be enrolled in Block's health and welfare plans on the Terminate Date. If Executive qualifies for this payment, Block will pay Executive this payment within 30 days from the later of the Separation Date or the Effective Date of this Agreement. Conversion privileges may also be available for other benefit plans.

c. Stock Options. Those portions of any outstanding incentive stock options ("ISO Stock Options") and nonqualified stock options ("NQ Stock Options") to purchase shares of Block's common stock Block granted to Executive that are scheduled to vest between the Separation Date and 18 months thereafter (based solely on the time-specific vesting schedule included in the applicable stock option agreement) shall vest and become exercisable as of the Separation Date. A list of the stock options vested as of the date of this Agreement and to become vested pursuant to this Section is attached as Exhibit B. Any stock options unaffected by the operation of this Section shall be forfeited to Block on the Separation Date. No later than the Separation Date, Executive will complete an election form on which he will elect the time period during which he may exercise his ISO and NQ Stock Options. Executive acknowledges and agrees that he is solely responsible for the income tax treatment of his ISO and NQ Stock Options election, and that Block has not provided him any personal tax advice about this election. Block encourages Executive to seek independent tax advice regarding this election.

d. Restricted Shares. All restrictions on any shares of Block's common stock Block awarded to Executive ("Restricted Shares") that would have lapsed absent a termination of employment in accordance with their terms by reason of time between the Separation Date and 18 months thereafter shall terminate (and shall be fully vested) as of the Separation Date. Executive shall forfeit on the Separation Date any shares unaffected by the operation of this Section. A list of the Restricted Shares outstanding as of the date of this Agreement and to become vested pursuant to this Section is attached as Exhibit C.

e. Performance Shares. The number of performance shares Executive will receive at the end of each applicable performance period will be determined based upon (1) Executive's pro-rata length of service during the performance period, and (2) the achievement of the performance goals at the end of the performance period. Block will pay any performance shares due Executive to him at the time payments are generally made to other individuals who received a similar award of performance shares. On the Separation Date, Executive shall forfeit to Block any Performance Shares Block awarded him pursuant to a cycle which is less than one year old. A list of the Performance Shares eligible to become payable pursuant to this subsection is attached as Exhibit D.

f. Outplacement Services. Block will pay directly to Right Management Services for twelve (12) months of outplacement services to be provided to Executive. Executive must elect these outplacement services on or before August 31, 2009 in writing to the Block Senior Vice-President, Human Resources. Executive waives these outplacement services if he fails to provide such written notification on or before August 31, 2009.

g. Deferred Compensation. Executive will receive his vested account balance and payment in accordance with Executive's payment elections under the H&R Block Deferred Compensation Plan for Executives, as amended.

h. Forfeiture. Executive agrees that the compensation and benefits described in this Section will cease, and no further compensation and benefits will be provided to him if he violates any of the post-employment obligations under Section 7 of this Agreement, or Articles Two and Three of the Employment Agreement.

4. Vacation. Block will pay Executive for his accrued, unused paid time off which includes vacation, floating holidays, and personal days (but excludes sick leave as set forth in the Company's policies) within 30 days of the Separation Date (the "PTO Payout"). Executive agrees that his PTO Payout will be \$60,332.31, less applicable withholdings. Executive will not receive any other payment for vacation or holidays.

5. Executive's Representations. Executive represents and acknowledges to Block that (a) Block has advised him to consult with an attorney of his choosing; (b) he has had twenty-one (21) days to consider the waiver of his rights under the Age Discrimination in Employment Act of 1967, as amended ("ADEA") prior to signing this Agreement; (c) he has disclosed to Block any information in his possession concerning any conduct involving Block or its Affiliates that he has any reason to believe involves any false claims to any governmental agency, or is or may be unlawful, or violates Block policy in any respect; (d) the consideration provided him under this Agreement is sufficient to support the releases provided by him under this Agreement; and (e) he has not filed any charges, claims or lawsuits against Block involving any aspect of his employment which have not been terminated as of the date of this Agreement. Executive understands that Block regards the representations made by him as material and that Block is relying on these representations in entering into this Agreement.

6. Effective Date of this Agreement. Executive shall have seven (7) days from the date he signs this Agreement to revoke his consent to the waiver of his rights under the ADEA in writing addressed and delivered to CEO Russ Smyth which action shall revoke this Agreement. If Executive revokes this Agreement, all of its provisions shall be void and unenforceable. If Executive does not revoke his consent, this Agreement will take effect on the day after the end of this revocation period (the "Effective Date").

7. Surviving Employment Agreement Obligations. Executive and Block agree that the termination of Executive's employment will not affect the following provisions of the Employment Agreement which, by their express terms, impose continuing obligations on one or more of the parties following termination of the Employment Agreement: (a) Article Two, "Confidentiality" — Sections 2.01, 2.02; (b) Article Three, "Non-Hiring; Non-Solicitation; No Conflicts; Non-Competition" — Sections 3.01, 3.02, 3.03, 3.05, 3.07; and (c) Article Four, "Specific Performance" — Section 4.03. Executive acknowledges and agrees that he will fully

comply with these obligations. Block may agree to waive any of Executive's surviving post-employment obligations under the Employment Agreement. Any such waiver must be in writing and signed by Executive and the Block CEO. Unless otherwise agreed by the parties in writing, any payments made to Executive under this Agreement will immediately cease upon any such waiver.

8. Indemnification. Block and Executive agree that Executive will receive, as applicable, the indemnification set forth in Paragraph 4.06 of the Employment Agreement.

9. Business Expenses and Commitments. As of the Separation Date, Executive agrees that he will have submitted required documentation for all outstanding expenses on his corporate credit card and he will have fully paid off all such outstanding expenses. As of the Effective Date, Executive further agrees that he will not initiate, make, renew, confirm or ratify any contracts or commitments for or on behalf of Block or any Affiliate, nor will he incur any expenses on behalf of Block or any Affiliate without Block's prior written consent.

10. Release. Executive and his heirs, assigns, and agents forever release, waive, and discharge Block, Affiliates, and Released Parties as defined below from each and every claim, action, or right of any sort, known or unknown, arising on or before the Effective Date.

a. The foregoing release includes, but is not limited to, (1) any claim of retaliation or discrimination on the basis of race, sex, pregnancy, religion, marital status, sexual orientation, national origin, handicap or disability, age, veteran status, special disabled veteran status, or citizenship status or any other category protected by law; (2) any other claim based on a statutory prohibition or requirement such as the Age Discrimination in Employment Act, Title VII of the Civil Rights Act, the Americans With Disabilities Act, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, the Missouri Human Rights Act, the Missouri Service Letter Statute, and the Civil Rights Ordinance of Kansas City, Missouri; (3) any claim arising out of or related to an express or implied employment contract, any other contract affecting terms and conditions of employment, or a covenant of good faith and fair dealing; (4) any tort claims such as wrongful discharge, detrimental reliance, defamation, emotional distress, or compensatory or punitive damages; (5) any personal gain with respect to any claim arising under the qui tam provisions of the False Claims Act, 31 U.S.C. 3730, and (6) any claims to attorney fees, expenses, costs, disbursements, and the like.

b. Executive represents that he understands the foregoing release, that rights and claims under the Age Discrimination in Employment Act of 1967, as amended, are among the rights and claims against the Released Parties he is releasing, and that he understands that he is not releasing any rights or claims arising after the Effective Date.

c. Executive further agrees never to sue the Released Parties or cause the Released Parties to be sued regarding any matter within the scope of the above release. If Executive violates this release by suing the Released Parties or causing the Released Parties to be sued, Executive agrees to pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees except to the extent that paying such costs and expenses is prohibited by law or would result in the invalidation of the foregoing release.

d. "Released Parties" for purposes of this Agreement are Block, all current and former parents, subsidiaries, related companies, partnerships or joint ventures, and, with respect to each of them, their predecessors and successors; and, with respect to each such entity, all of its past, present, and future employees, officers, directors, stockholders, owners, representatives, assigns, attorneys, agents, insurers, employee benefit programs (and the trustees, administrators, fiduciaries and insurers of such programs), and any other person acting by, through, under or in concert with any of the persons or entities listed in this paragraph, and their successors.

11. Breach by Executive. Block's obligations to Executive after the Effective Date are contingent on his obligations under this Agreement. Any material breach of this Agreement by Executive will result in the immediate cancellation of Block's obligations under this Agreement and of any benefits that have been granted to Executive by the terms of this Agreement except to the extent that such cancellation is prohibited by law or would result in the invalidation of the foregoing release.

12. Executive Availability. Executive agrees to make himself reasonably available to Block and/or Affiliates to respond to requests for information pertaining to or relating to Block and/or its Affiliates, agents, officers, directors, or employees. Executive will cooperate fully with Block and/or Affiliates in connection with any and all existing or future litigation or investigations brought by or against Block or any of its Affiliates, agents, officers, directors or employees, whether administrative, civil or criminal in nature, in which and to the extent Block and/or Affiliates deem Executive's cooperation necessary. Block will reimburse Executive for reasonable out-of-pocket expenses incurred as a result of such cooperation. Nothing herein shall prevent Executive from communicating with or participating in any government investigation.

13. Non-Disparagement. Executive agrees, subject to any obligations he may have under applicable law, that he will not make or cause to be made any statements that disparage, are inimical to, or damage the reputation of Block or any of its Affiliates, agents, officers, directors, or employees. In the event such a communication is made to anyone, including but not limited to the media, public interest groups and publishing companies, it will be considered a material breach of the terms of this Agreement and Executive will be required to reimburse Block for any and all compensation and benefits (other than those already vested) paid under the terms of this Agreement and all commitments to make additional payments to Executive will be null and void. Block likewise agrees, subject to any obligations that it may have under applicable law, that the following individuals during their Block employment will not make or cause to be made any statements that disparage, are inimical to, or damage the reputation of Executive: Russ Smyth, Becky Shulman, Tammy Serati, Sabrina Wiewel, Phil Mazzini, and Ken Treat.

14. Return of Company Property. Executive agrees that as of the Separation Date he will have returned to Block any and all Block and/or Affiliates' property or equipment in his possession, including but not limited to, any computer, printer, fax, phone, credit card, badge, Blackberry, and telephone card assigned to him.

15. Severability of Provisions. In the event that any provision in this Agreement is determined to be legally invalid or unenforceable by any court of competent jurisdiction, and

cannot be modified to be enforceable, the affected provision shall be stricken from the Agreement, and the remaining terms of the Agreement and its enforceability shall remain unaffected.

16. Entire Agreement. This Agreement sets forth the entire agreement and understanding between the parties and may be changed only with the written consent of both parties and only if both parties make express reference to this Agreement. The parties have not relied on any oral statements that are not included in this Agreement. This Agreement supersedes all prior agreements and understandings concerning the subject matter of this Agreement. Any modifications to this Agreement must be in writing and signed by Executive and the Block CEO. Failure of Block to insist upon strict compliance with any of the terms, covenants, or conditions of this Agreement will not be deemed a waiver of such terms, covenants, or conditions.

17. Applicable Law. This Agreement shall be construed, interpreted, and applied in accordance with the law of the State of Missouri.

18. Successors and Assigns. This Agreement and each of its provisions will be binding upon Executive and his executors, successors, and administrators, and will inure to the benefit of Block and its successors and assigns. Executive may not assign or transfer to others the obligation to perform his duties hereunder.

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

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

21. Supplemental Release. Executive agrees that within 21 days after the Separation Date, he will execute an additional release covering the period from the Effective Date to the Separation Date. Executive agrees that all Block covenants that relate to its obligations beyond the last day of employment will be contingent on Executive's execution of the supplemental release. The supplemental release will be in the form of Exhibit E to this Agreement.

22. 409A Representations. Because the requirements of Section 409A of the Internal Revenue Code are still being developed and interpreted by government agencies, certain issues under Section 409A remain unclear as of the Effective Date. Block has made a good faith effort to comply with current guidance under Section 409A. Notwithstanding the foregoing or any provision in this Agreement to the contrary, Block does not warrant or promise compliance with Section 409A, and Executive understands and agrees that he shall not have any claim against Block or any Affiliate for any good faith effort taken by them to comply with Section 409A.

EXECUTIVE:

/s/ Timothy C. Gokey

Timothy C. Gokey

Dated: 7-26-09

Accepted and Agreed:

HRB Tax Group, Inc.

By: /s/ Russell P. Smyth

Russell P. Smyth

President and Director

Dated: 7/28/09

EXHIBIT A
RESIGNATION

To Whom It May Concern:

Effective May 8, 2009, I hereby resign from the following director and officer positions:

<u>Business Entity</u>	<u>Title</u>
Financial Stop Inc.	Director
H&R Block (Nova Scotia), Incorporated	Director
H&R Block Canada Financial Services, Inc.	Director
H&R Block Canada Financial Services, Inc.	Chairman of the Board
H&R Block Canada, Inc.	Director
H&R Block Canada, Inc.	President
H&R Block Eastern Enterprises, Inc.	Director
H&R Block Eastern Enterprises, Inc.	President
H&R Block Enterprises LLC	President
H&R Block Global Solutions (Hong Kong) Limited	Director
H&R Block Limited	Director
H&R Block Tax and Business Services, Inc.	Director
H&R Block Tax Services LLC	President
HRB Tax Group, Inc.	Director
HRB Tax Group, Inc.	President
Vantive Partners LLC	President

Dated: 7-26-09

/s/ Timothy C. Gokey
Timothy C. Gokey

EXHIBIT B
STOCK OPTION SUMMARY

<u>Grant Date</u>	<u>Grant Price</u>	<u>Shares Granted</u>	<u>Vested</u>	<u>Accelerated</u>
6/28/2004	\$24.235	100,000	100,000	0
6/30/2005	\$29.175	100,000	100,000	0
6/30/2006	\$ 23.86	125,000	125,000	0
6/30/2007	\$ 23.37	125,000	83,333	41,667
7/3/2008	\$ 21.81	173,522	57,840	57,840*
10/1/2008	\$ 23.76	179,855	0	179,855
Total			466,173	279,362

* Executive forfeits 57,842 stock options from the July 3, 2008 grant.

EXHIBIT C
RESTRICTED SHARES SUMMARY

<u>Grant Date</u>	<u>Grant Price</u>	<u>Shares Granted</u>	<u>Vested</u>	<u>Accelerated</u>
7/3/2008	\$21.81	290	96	97*
10/1/2008	\$23.76	10,520	<u>0</u>	<u>10,520</u>
Total			96	10,617

* Executive forfeits 97 shares from the July 3, 2008 grant.

EXHIBIT D
PERFORMANCE SHARES SUMMARY

<u>Grant Date</u>	<u>Grant Price</u>	<u>Shares Granted</u>	<u>Vested</u>	<u>Accelerated</u>
6/30/2006	\$0.00	15,000		*
6/30/2007	\$0.00	15,000		*
7/3/2008	\$0.00	9,834		*

* The number of shares actually awarded will be determined at the end of the applicable 3-year performance cycle based upon actual performance results. Award will be prorated based upon the number of days worked by Executive during the applicable three year performance cycle.

H&R BLOCK, INC. EXECUTIVE SEVERANCE PLAN

This Plan document is adopted by H&R Block, Inc., a Missouri corporation (“HRB”) effective as of May 12, 2009.

Section 1. Purpose

The Company considers the establishment and maintenance of a sound and vital management to be essential to protecting and enhancing the best interests of the Company and its shareholders. This Plan provides severance pay to compensate management for the involuntary loss of employment and a period of readjustment. The Company also recognizes that a Change in Control of HRB may arise in the future and that such event may result in the departure or distraction of management to the detriment of the Company and its shareholders. Accordingly, the Board has determined it is in the best interests of the Company and its shareholders to secure the continued services and dedication of such management in the event of any threat or occurrence of a Change in Control of HRB by providing such management the benefits set forth in this Plan.

This Plan supersedes all prior agreements, arrangements or plans of the Company related to separation pay in the event of a Qualifying Termination or Change in Control Termination. Notwithstanding the foregoing, nothing under this Plan supersedes or replaces any rights to acceleration of vesting granted to a Participant under the H&R Block, Inc. 2003 Long-Term Executive Compensation Plan for grants prior to participation in the Plan. Any benefits under this Plan will be provided to eligible employees in lieu of benefits under any other severance plan.

Section 2. Definitions

For purposes of this Plan, the following terms shall have the meanings specified below unless the context clearly requires otherwise:

- (a) “Affiliate” shall have the meaning ascribed to such term in Rule 12b-2 of Regulation 12B under the Securities Exchange Act of 1934, as amended.
 - (b) “Board” means the Board of Directors of HRB.
 - (c) “Cause” means any of the following unless, if capable of cure, such events are fully corrected in all material respects by Participant within ten (10) days after the Company provides notice of the occurrence of such event:
 - (i) A Participant’s misconduct that materially interferes with or materially prejudices the proper conduct of the business of the Company;
 - (ii) A Participant’s commission of an act materially and demonstrably detrimental to the good will of the Company;
 - (iii) A Participant’s commission of any act of dishonesty or breach of trust resulting or intending to result in material personal gain or enrichment of the Participant at the expense of the Company;
-

(iv) A Participant's violation of any non-competition, non-solicitation, confidentiality or similar restrictive covenant under any employment-related agreement, plan or policy with respect to which the Participant is a party or is bound; or

(v) A Participant's conviction of, or plea of nolo contendere to, a misdemeanor involving an act of moral turpitude or a felony.

If the Company does not give the Participant a termination notice within sixty (60) days after the Board or the Chairman of the Board has knowledge that an event constituting Cause has occurred, the event will no longer constitute Cause. The Company may place a Participant on unpaid leave for up to 30 consecutive days while it is determining whether there is a basis to terminate the Participant's employment for Cause. Such unpaid leave will not constitute Good Reason.

For purposes of this definition, (a) no act or omission by the Participant will be "willful" unless it is made by the Participant in bad faith or without a reasonable belief that the Participant's act or omission furthered the interests of the Company and (b) any act or omission by the Participant based on authority given pursuant to a resolution duly adopted by the Board will be deemed made in good faith and in the best interests of the Company.

(d) "Change in Control" means the occurrence of one or more of the following events:

(i) Any one person, or more than one person acting as a group, acquires ownership of stock of HRB that, together with stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of HRB. If any one person, or more than one person acting as a group, is considered to own more than 50 percent of the total fair market value or total voting power of the stock of HRB, the acquisition of additional stock by the same person or persons shall not be considered to cause a change in the ownership of the corporation. An increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which HRB acquires its stock in exchange for property will be treated as an acquisition of stock for purposes of this Section 2(d)(i).

(ii) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of HRB possessing 35 percent or more of the total voting power of the stock of HRB. If any one person, or more than one person acting as a group, is considered to effectively control a corporation within the meaning of Treasury Regulation §1.409A-3(i)(5)(vi), the acquisition of additional control of the corporation by the same person or persons is not considered to cause a change in the effective control of the corporation.

(iii) A majority of members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by two-thirds (2/3) of the members of the Board before the date of such appointment or election.

(iv) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from HRB that have a total gross fair market value equal to or more than 50 percent of the total gross fair market value of all of the assets of

HRB immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of HRB, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. Notwithstanding the foregoing, there is no Change in Control event under this Section 2(d)(iv) when there is a transfer to an entity that is controlled by the shareholders of HRB immediately after the transfer. A transfer of assets by HRB is not treated as a change in the ownership of such assets if the assets are transferred to: (a) a shareholder of HRB (immediately before the asset transfer) in exchange for or with respect to its stock; (b) an entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by HRB; (c) a person, or more than one person acting as a group, that owns, directly or indirectly, 50 percent or more of the total value or voting power of all the outstanding stock of HRB; or (d) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person described in (c) above.

For purposes of the foregoing, persons will be considered acting as a group in accordance with Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended, and Section 409A of the Code.

(e) "Change in Control Termination" means a Participant's Qualifying Termination or Good Reason Termination, in either event within 24 months immediately following a Change in Control.

(f) "COBRA Subsidy" means an amount equal to the Participant's monthly post-employment premium for health and welfare benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") less the amount paid from time to time by active employees for similar coverage. To be eligible for the COBRA Subsidy, the Participant must be enrolled in the Participating Employer's health and welfare plans on the date of Separation from Service.

(g) "Code" means the Internal Revenue Code of 1986, as amended.

(h) "Company" means HRB and its Affiliates.

(i) "Comparable Position" means a position where:

(i) the primary work location is within 50 miles of the Participant's primary work location prior to the Qualifying Termination, and,

(ii) the compensation rate (salary and target bonus) is not more than 10% below the Participant's compensation rate at the time of the Qualifying Termination.

(j) "Effective Date" means May 12, 2009.

(k) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

(l) "Good Reason Termination" means a Separation from Service within 24 months immediately following a Change in Control which is initiated by the Participant upon one or more of the following occurrences:

- (i) A material diminution in the Participant's base compensation;
- (ii) A material diminution in the Participant's authority, duties, or responsibilities;
- (iii) A material change in the geographic location at which the Participant must perform the services; or
- (iv) Any other action or inaction that constitutes a material breach by the Company of any written employment-related agreement between the Participant and the Company.

A Participant must provide notice to the Company of the existence of any of the foregoing conditions within 10 days of the initial existence of the condition, upon the notice of which the Company must be provided a period of at least 30 days during which it may substantially remedy the condition and not be required to pay the amount.

(m) "HRB" means H&R Block, Inc., a Missouri corporation.

(n) "Monthly Compensation" means a Participant's highest annual salary as of the Change in Control or during the 12-month period immediately preceding his Separation Date divided by 12.

(o) "Participant" means an associate of the Company who is nominated by HRB's Chief Executive Officer and approved by the Compensation Committee of the Board.

(p) "Payment Date" means the date which is thirty (30) days after the later of: (i) a Participant's Separation Date or (ii) the Release Date.

(q) "Plan" means this H&R Block, Inc. Executive Severance Plan, as amended from time to time. This document serves as both the legal plan document and summary plan description.

(r) "Plan Administrator" and "Plan Sponsor" means H&R Block Management, LLC. The address and telephone number of H&R Block Management, LLC is One H&R Block Way, Kansas City, Missouri 64105, (816)854-3000. The Employer Identification Number assigned to H&R Block Management, LLC by the Internal Revenue Service is 43-1632589.

(s) "Qualifying Termination" means the involuntary Separation from Service by the Company under circumstances not constituting Cause but does not include:

(i) the elimination of the Participant's position where the Participant was offered a Comparable Position with the Company or with a party that acquires any asset from the Company (or a subsidiary or an affiliate of such a party), or

(ii) the redefinition of a Participant's position to a lower compensation rate or grade.

(t) "Release Agreement" means the release agreement, substantially in the form set forth as Exhibit A to this Plan, which a Participant shall be required to execute as a condition to receiving payments and benefits under this Plan.

(u) "Release Date" means 60 days after a Participant's Separation Date.

(v) "Separation Date" means the effective date of a Participant's Separation from Service.

(w) "Separation from Service" means the date that a Participant separates from service within the meaning of Section 409A of the Code and Treasury Regulation §1.409A-1(h).

(x) "Year of Service" means each period of 12 consecutive months of employment measured from the Participant's employment commencement date. In determining a Participant's Years of Service, the Participant will be credited with a partial Year of Service for his or her final period of employment commencing on his or her most recent employment anniversary date equal to a fraction calculated in accordance with the following formula:

(Number of days since most recent employment anniversary date ÷ 365)

Notwithstanding the foregoing, in no event will a Participant be credited with less than 12 Years of Service or more than 18 Years of Service.

Section 3. Severance Benefits.

(a) If a Participant (1) incurs a Qualifying Termination or a Change in Control Termination and (2) executes his Release Agreement and returns it to the Company by the deadline set forth in the Release Agreement, then the Participant shall be entitled to the following compensation and benefits:

(i) The Company shall pay the Participant, on the Payment Date, a lump sum severance amount equal to:

(A) the Participant's Monthly Compensation multiplied by the Participant's Years of Service; plus

(B) a specified percentage of the Participant's Monthly Compensation as set forth in the Appendix to this Plan multiplied by the Participant's Years of Service; plus

(C) an amount equal to the Participant's COBRA Subsidy multiplied by 12. To be eligible for a payment under this Section 3(a)(i)(C), the Participant must be enrolled in the Company's applicable health, dental, and vision benefits on the date of the Separation from Service.

(ii) Subject to Section 13, the Company, at its expense, shall provide reasonable outplacement assistance to the Participant, for a period not to exceed fifteen (15) months following the Participant's Separation Date, from a professional outplacement assistance firm which is reasonably suitable to the Participant and commensurate with the Participant's position and responsibilities. In no event shall the amount expended for outplacement assistance for the Participant exceed One Thousand Dollars (\$1,000) per month.

(iii) The Participant shall be entitled to a pro-rata award of any award payable under the Company's Short Term Incentive Plan ("Incentive Plan") based upon the Participant's actual performance and the attainment of goals established under the Plan as determined by the Board in its sole discretion. Such pro-rata award shall be payable at the time such awards are payable under the Incentive Plan. The pro-rata portion shall be based on the number of days preceding the Separation Date in the performance period during which the Separation Date occurs, divided by 365.

(iv) The Participant shall be entitled to a pro-rata award of any outstanding performance shares granted under HRB's 2003 Long-Term Executive Compensation Plan (or any predecessor or successor plan) as of his Separation Date based on the achievement of the performance goals at the end of the then applicable performance period. Payment of such performance shares shall be made in a single lump sum upon the later of: (a) ten (10) days following the expiration of the applicable performance period or (ii) the date which is six (6) months following the Participant's Separation from Service.

(b) A Participant who receives any payments and other benefits under this Section 3 shall not be eligible for any severance-related payments or benefits under any employment-related agreement or plan, policy or program of the Company. The payments and other benefits under this Section 3 shall offset any amounts due under the Worker Adjustment Retraining Notification Act of 1988 or any similar statute or regulation.

Section 4. Equity Awards.

(a) Qualifying Termination

(i) In the event a Participant incurs a Qualifying Termination, such Participant shall become vested in any outstanding stock options that would have vested during the 12-month period following the Participant's Separation Date had the Participant remained an employee with the Company. This Section 4(a)(i) applies to stock options granted under HRB's 2003 Long-Term Executive Compensation Plan or any predecessor or successor plan. The Participant may exercise such options until the earlier of: (a) fifteen (15) months following the Participant's Separation Date or (b) the last day the options would have been exercisable if the Participant had not incurred a Separation from Service.

(ii) In the event a Participant incurs a Qualifying Termination, such Participant shall become vested in any portion of any outstanding restricted stock/stock unit awards (other than performance shares) that would have lapsed during the 12-month period following the Participant's Separation Date had the Participant remained an employee with the Company. This Section 4(a)(ii) applies to restricted shares/units granted under HRB's 2003 Long-Term Executive Compensation Plan or any predecessor or successor plan.

(b) Change in Control

(i) In the event a Participant incurs a Change in Control Termination, such Participant shall become 100% vested in all outstanding stock options granted under HRB's 2003 Long-Term Executive Compensation Plan or any predecessor or successor plan. The Participant may exercise such options until the earlier of: (a) fifteen (15)

months following the Participant's Separation Date or (b) the last day the options would have been exercisable if the Participant had not incurred a Separation from Service.

(ii) In the event a Participant incurs a Change in Control Termination, such Participant shall become 100% vested in all outstanding restricted stock awards (other than performance shares) granted under HRB's 2003 Long-Term Executive Compensation Plan or any predecessor or successor plan.

Section 5. Repayment; Clawback.

Notwithstanding any provision in this Plan to the contrary, if (x) the Company is required to restate any of its financial statements filed with the Securities and Exchange Commission, other than restatements due solely to factors external to the Company such as a change in accounting principles or a change in securities laws or regulations with retroactive effect or (y) the Participant violates the provisions of any confidentiality, non-competition, non-solicitation or similar agreement or policy, then the Board may recover or require reimbursement of all severance, equity compensation awards (including profits from the sale of Company stock acquired pursuant to such awards) and/or other payments or benefits made to the Participant under this Plan. In exercising its discretion to recover or require reimbursement of any amounts as a result of any restatement pursuant to clause (x) above, the Board will give reasonable and due consideration to, among other relevant factors, the level of the Participant's responsibility or influence, as well as the level of others' responsibility or influence, over the judgments or actions that gave rise to the restatement.

Section 6. Other Payments.

Upon any Separation from Service entitling the Participant to payments under this Plan, the Participant shall receive all accrued but unpaid salary and all benefits accrued and payable under any plans, policies and programs of the Company, except for benefits payable under any severance plan, policy or arrangement of the Company.

Section 7. Enforcement.

If a Participant incurs any expenses associated with the successful enforcement of his rights under this Plan by arbitration, litigation or other legal action, then the Company shall pay the Participant on demand of all reasonable expenses (including all attorneys' fees and legal expenses) incurred by the Participant in enforcing such rights under this Plan. The Participant shall notify the Company of the expenses for which the Participant demands reimbursement within sixty (60) days after the Participant receives an invoice for such expenses, and the Company shall pay the reimbursement amount within fifteen (15) days after receipt of such notice, subject to Section 13. For purposes of clarity, the Company shall have no obligation to reimburse the Participant for any expenses incurred by such Participant if any court, arbitrator, mediator or other judicial panel rules in favor of the Company with respect to the dispute giving rise to such expenses.

Section 8. No Mitigation.

A Participant shall not be required to mitigate the amount of any payment or benefit provided for in this Plan by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for herein be reduced by any compensation earned by other employment or otherwise.

Section 9. Nonexclusivity of Rights.

Nothing in this Plan shall prevent or limit a Participant's continued or future participation in or rights under any benefit, bonus, incentive or other plan or program provided by the Company and for which the Participant may qualify, except as provided in this Plan.

Section 10. No Set Off.

The Company's obligation to make the payments provided for in this Plan and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Participant or others.

Section 11. Taxation.

(a) To the extent applicable, this Plan shall be construed and administered consistently with Section 409A and the regulations and guidance issued thereunder. If the Participant is a "specified employee" as described in Section 409A, on his Separation Date, then any amount to which the Participant would otherwise be entitled during the first six months following his Separation from Service that constitutes nonqualified deferred compensation within the meaning of Section 409A and therefore is not exempt from 409A shall be accumulated and paid in a single lump sum (without interest) on the date which is six (6) months following the Participant's Separation from Service, but only to the extent required by Section 409A(a)(2)(B)(i). Because the requirements of Section 409A are still being developed and interpreted by government agencies, certain issues under Section 409A remain unclear as of the Effective Date of this Plan, and the Company has made a good faith effort to comply with current guidance under Section 409A. Notwithstanding the foregoing or any provision in this Plan to the contrary, the Company does not warrant or promise compliance with Section 409A of the Code and no Participant or other person shall have any claim against the Company for any good faith effort taken by the Company to comply with Section 409A.

(b) All payments and other benefits received by the Participant under this Plan shall be subject to all requirements of the law with regard to tax withholding and reporting and filing requirements, and the Company shall use its best efforts to satisfy promptly all such requirements.

Section 12. Golden Parachute Payment.

(a) In the event that it is determined that any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of a Participant, whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise (the "Change in Control Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, then the Company shall pay to the Participant whichever of the following gives the Participant the highest net after-tax amount (after taking into account all applicable federal, state, local and security taxes): (1) the Change in Control Payment, or (2) the amount that would not result in the imposition of excise tax on the Participant under Code Section 4999. Any required reduction in the Change in Control Payment pursuant to the foregoing shall be accomplished solely by reducing the lump sum severance payment payable pursuant to Section 3(a)(i) of this Plan.

(b) All determinations to be made under this Section 12 shall be made by an independent registered public accounting firm selected by the Company immediately prior to the Change in Control (the "Accounting Firm"), which shall provide its determinations and any supporting calculations both to the Company and the Participant within ten (10) days of the Change in Control. Any such determination by the Accounting Firm shall be binding upon the Company and the Participant. All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Section 12 shall be borne solely by the Company.

Section 13. Reimbursements.

Any reimbursements or in-kind benefits to be provided pursuant to this Plan (including, but not limited to under Section 3(a)(ii)) that are taxable to the Participant shall be subject to the following restrictions: (a) each reimbursement must be paid no later than the last day of the calendar year following the calendar year during which the expense was incurred or tax was remitted, as the case may be; (b) the amount of expenses or taxes eligible for reimbursement, or in kind benefits provided, during a calendar year may not affect the expenses or taxes eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; and (c) the period during which any reimbursement may be paid or in-kind benefit may be provided shall end ten years after termination of this Agreement; and (d) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

Section 14. Term.

This Plan is effective as of the Effective Date and shall continue with respect to a Participant until the earliest of: (a) the Participant's Separation from Service, or (b) the date the Participant enters into a written separation agreement with the Company.

Section 15. Successor Company.

The Company shall require any successor or successors (whether direct or indirect, by purchase, merger or otherwise) to all or substantially all of the business or assets of the Company to acknowledge expressly that this Plan is binding upon and enforceable against the Company in accordance with the terms hereof, and to become jointly and severally obligated with the Company to perform this Plan in the same manner and to the same extent that the Company would be required to perform if no such succession or successions had taken place.

Section 16. Notice.

All notices and other communications required or permitted hereunder or necessary or convenient in connection herewith shall be in writing and shall be delivered personally or mailed by registered or certified mail, return receipt requested, or by overnight express courier service, as follows:

If to the Company, to:

H&R Block, Inc.
One H&R Block Way
Kansas City MO 64105
Attention: Corporate Secretary

If to the Participant, to the most recent address provided by the Participant to the Company for payroll purposes, or to such other address as the Company or the Participant, as the case may be, shall designate by notice to the other party hereto in the manner specified in this Section 17; provided, however, that if no such notice is given by the Company following a Change in Control, notice at the last address of the Company or any successor shall be deemed sufficient for the purposes hereof. Any such notice shall be deemed delivered and effective when received in the case of personal delivery, five (5) days after deposit, postage prepaid, with the U.S. Postal Service in the case of registered or certified mail, or on the next business day in the case of overnight express courier service.

Section 17. Amendment.

This Plan may be amended at anytime by the Board with respect to all or some of the Participants, provided that any such amendment may not decrease or restrict a Participant's rights under this Plan without his consent.

Section 18. Administration.

The Plan shall be administered by the Board which shall have the exclusive discretion and authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Plan and to decide or resolve any and all questions that may arise in connection with the Plan. Any decision or action of the Board with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan. In the administration of this Plan, the Board may employ agents and delegate to them such administrative duties as the Board deems appropriate (including acting through a duly appointed representative) and may from time to time consult with counsel who may be counsel to the Company.

Section 19. No Right to Continued Employment.

Nothing in this Plan shall be construed as giving the Participant any right to be retained in the employ of the Company.

Section 20. Claims Procedure

Any Participant may deliver to the Board a written claim for a determination with respect to the amounts distributable to such Participant from the Plan. If such a claim relates to the contents of a notice received by the Participant, the claim must be made within 60 days after such notice was received by the Participant. The claim must state with particularity the determination desired by the Participant. All other claims must be made within 180 days of the date on which the event that caused the claim to arise occurred.

The Board shall consider a Participant's claim within 90 days (unless special circumstances require additional time), and shall notify the Participant in writing: (i) that the Participant's requested determination has been made, and that the claim has been allowed in full; or (ii) that the Board has reached a conclusion contrary, in whole or in part, to the Participant's requested determination. Such notice must set forth in a manner calculated to be understood by the Participant and include the following information:

- (a) the specific reason(s) for the denial of the claim, or any part of it;

(b) specific reference(s) to pertinent provisions of the Plan upon which such denial was based;

(c) a description of any additional material or information necessary for the Participant to perfect the claim, and an explanation of why such material or information is necessary; and

(d) an explanation of the claim review procedure set forth below.

Within 60 days after receiving a notice from the Board that a claim has been denied, in whole or in part, a Participant (or the Participant's duly authorized representative) may file with the Board a written request for a review of the denial of the claim. Thereafter, but not later than 30 days after the review procedure began, the Participant (or the Participant's duly authorized representative):

(i) may review pertinent documents;

(ii) may submit written comments or other documents; and/or

(iii) may request a hearing, which the Board, in its sole discretion, may grant.

The Board shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of the denial, unless a hearing is held or other special circumstances require additional time, in which case the Board's decision must be rendered within 120 days after such date. Such decision must be written in a manner calculated to be understood by the Participant, and it must contain:

(x) specific reasons for the decision;

(y) specific reference(s) to the pertinent Plan provisions upon which the decision was based; and

(z) such other matters as the Board deems relevant.

A Participant's compliance with the foregoing provisions of this Section 21 is a mandatory prerequisite to a Participant's right to commence any legal action with respect to any claim for benefits under this Plan. Service of legal process shall be made to: H&R Block Management, LLC, Attention: General Counsel, One H&R Block Way, Kansas City, Missouri 64105.

Section 21. Governing Law.

This Plan shall be governed by and interpreted under the laws of the State of Missouri without giving effect to any conflict of laws provisions. Any legal action or proceeding with respect with this Plan shall be brought exclusively in the courts of the State of Missouri without regard to any conflicts of law.

Section 22. Successors and Assigns.

All of the terms and provisions of this Plan shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, representatives, successors and assigns of the

parties hereto, except that the duties and responsibilities of the Participant and the Company hereunder shall not be assignable in whole or in part.

Section 23. Severability.

If any provision of this Plan or application thereof to anyone or under any circumstances shall be determined to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions or applications of this Plan which can be given effect without the invalid or unenforceable provision or application.

Section 24. Remedies Cumulative; No Waiver.

No right conferred upon the Participant by this Plan is intended to be exclusive of any other right or remedy, and each and every such right or remedy shall be cumulative and shall be in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission by the Participant in exercising any right, remedy or power hereunder or existing at law or in equity shall be construed as a waiver thereof.

Section 25. Headings.

The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

Section 26. Statement of ERISA Rights.

In accordance with ERISA, each Participant shall be entitled to:

- (a) Examine, without charge (by contacting the Plan Administrator) all Plan documents and copies of all documents governing the Plan and a copy of the latest annual report (Form 5500 series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration;
- (b) Obtain copies of all Plan documents and other Plan information upon written request to the Plan Administrator. A reasonable fee may be charged for these copies;
- (c) Receive a summary of the Plan's annual financial report. The Plan Administrator is required to furnish each Participant with a copy of this summary annual report; and
- (d) Obtain a statement showing the Participant's account balance (if any).

In addition to creating rights for Plan Participants, ERISA imposes duties upon the persons who are responsible for the operation of the Plan. The persons who operate the Plan are called "fiduciaries" and have a duty to operate the Plan prudently and in the interest of Plan Participants and beneficiaries. No one, including the employer, may fire a Participant or otherwise discriminate against the Participant in any way to prevent him from obtaining a benefit or exercising his rights under ERISA. If a claim for a benefit is denied in whole or in part the Participant must receive a written explanation of the reason for the denial. The Participant has the right to have the Plan Administrator review and reconsider the claim.

Under ERISA, there are steps a Participant can take to enforce the above rights. For instance, if a Participant may request any of the materials listed above from the Plan Administrator and do not receive them within 30 days, the Participant may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay up to \$110 a day until the Participant receives the materials, unless the materials were not provided because of reasons beyond the control of the Plan Administrator.

If a claim for benefits is denied or ignored, either in whole or in part, the Participant may file suit in a state or federal court. In the event that Plan fiduciaries misuse the Plan's funds, or if the Participant is discriminated against for asserting his rights, he may seek assistance from the U.S. Department of Labor, or file suit in a federal court. The court will decide who should pay court costs and legal fees. If a Participant is successful the court may order the person have sued to pay these costs and fees. But if the Participant loses, the court may order the Participant to pay these costs and fees if, for example, it finds the claim is frivolous.

Any questions concerning the Plan should be directed to the Plan Administrator. Additional information about this statement or a Participant's rights under ERISA may be obtained from the nearest Office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in the telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210. A Participant may also obtain certain publications about his rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

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IN WITNESS WHEREOF, the Company has executed this Plan this 12th day of May 2009, but effective as of the Effective Date.

H&R BLOCK, INC.

By: _____
Title: _____

SEVERANCE AND RELEASE AGREEMENT

_____ (“Employee”) and _____ (“Company”) enter into this Severance and Release Agreement (“Release Agreement”) under the terms and conditions recited below:

I. Recitations

- A. Due to changing business needs, Employee has been notified that his/her employment with Company will end on _____ (the “Termination Date”).
- B. Employee and Company want to enter into a full and final settlement of all issues and matters between them, occurring on or before the date Employee signs this Release Agreement. These include, but are not limited to, any issues and matters that may have arisen out of Employee’s employment with or separation from Company.
- C. Employee specifically acknowledges that Company has told him/her to consult with a lawyer prior to signing this Release Agreement.
- D. Employee specifically agrees that he/she will not sign this Release Agreement until after the Termination Date.
- E. In exchange for the mutual promises of Employee and Company set forth in this Release Agreement, Employee and Company agree to the terms and conditions set out below.

II. Basic Terms of the Release Agreement

A. Upon receipt of a fully executed copy of this Release Agreement and after the expiration of the period defined in paragraph III(A) below, Company agrees to provide Employee with the payments and benefits to which Employee is entitled under the H&R Block, Inc. Executive Change in Control and Severance Plan (the “Plan”). A copy of the Plan is attached to this Release Agreement as Exhibit A. Employee is not entitled to any payments or benefits under the Plan unless Employee signs and returns this Release Agreement within twenty-one (21) calendar days of being presented with it. Employee may sign this Release Agreement at any time prior to conclusion of the twenty-one (21) day period. Assuming Employee chooses to sign this Release Agreement and that such signature becomes binding because Employee has not revoked his/her signature within seven (7) calendar days after signing, the terms of the Plan govern the payments and benefits to which Employee is entitled.

B. Employee agrees to the following:

- 1. *Release of Claims.* Employee agrees to release and discharge Company, and any of its related companies, present and former officers, agents, successors, assigns, other employees and attorneys from any and all claims arising before the date Employee signs the Release Agreement including, without limitation, any claims that may have arisen from

Employee's employment with or separation from Company, all as more fully set forth in paragraphs IV(A) through (E) below.

2. *Confidential Information.* Employee agrees, during and after the term of this Release Agreement he/she will not, without the prior written consent of Company, directly or indirectly use for the benefit of any person or entity other than Company, or make known, divulge or communicate to any person, firm, corporation or other entity, any confidential or proprietary information, knowledge or trade secrets acquired, developed or learned of by Employee during his/her employment with Company. Employee shall not retain after the Termination Date, any document, record, paper, disk, tape or compilation of information relating to any such confidential information.

3. *Return of Company Property.* Employee shall return to Company by the Termination Date, any and all things in his/her possession or control relating to Company and its related entities, including but not limited to any equipment issued to Employee, all correspondence, reports, contracts, financial or budget information, personnel or labor relations files, office keys, manuals, and all similar materials not specifically listed here. Employee further agrees that as of the Termination Date he/she will have no outstanding balance on his/her corporate credit card for which appropriate travel and expense accounting has not been submitted.

4. *Non-Solicitation of Employees.* For a period of two years after Employee's Termination Date, Employee agrees that he/she will not directly or indirectly recruit, solicit, or hire any employee of the Company or of its parents, subsidiaries or related-companies (collectively "Affiliates") or otherwise induce any Company or Affiliate employee to leave the employment of the Company or Affiliate to become an employee of or otherwise be associated with any other party or with Employee or any company or business with which Employee is or may become associated. The running of the two-year period will be suspended during any period of violation and/or any period of time required to enforce this covenant by litigation or threat of litigation.

5. *Non-Solicitation of Customers.* For a period of two years after Employee's Termination Date, Employee agrees that he/she will not directly or indirectly solicit or enter into any arrangement with any person or entity which is, at the time of the solicitation, a significant customer of the Company or an Affiliate for the purpose of engaging in any business transaction of the nature performed by the Company or such Affiliate, or contemplated to be performed by the Company or such Affiliate, for such customer, provided that this Section will only apply to customers for whom Employee personally provided services while employed by the Company or customers about whom or which Employee acquired material information while employed by the Company. The running of the two-year period will be suspended during any period of violation and/or any period of time required to enforce this covenant by litigation or threat of litigation.

6. *Non-Competition.* For two years after Employee's Termination Date, Employee agrees that he/she will not engage in, or own or control any interest in (except as a passive investor in less than one percent of the outstanding securities of publicly held companies), or act as an officer, director or employee of, or consultant or advisor to, any firm, corporation, partnership, limited liability company, institution, business, government agency, or entity that engages in any line of business that is competitive with any Line of Business of Block (as defined below). The definition of "*Line of Business of Block*" shall be determined as of the Termination Date and shall mean any line of business (including lines of business under substantial evaluation

or substantial development) of the Company as of such date, as well as any one or more lines of business (including lines of business under substantial evaluation or substantial development) of any Affiliate as of such date, if Employee was employed during the two-year period preceding the Termination Date by such Affiliate, provided that, "Line of Business of Block" will in all events include, but not be limited to, the income tax return preparation business, and provided further that if Employee's employment was, as of the Termination Date or during the two-year period immediately prior to the Termination Date, with the Company or any successor entity thereto, "Line of Business of Block" means any line of business (including lines of business under substantial evaluation or substantial development) of Block and all of the Affiliates as of the date of Employee's termination. The running of the two-year period will be suspended during any period of violation and/or any period of time required to enforce this covenant by litigation or threat of litigation.

7. *Non-disparagement.* Employee agrees he/she will not disparage Company or make or solicit any comments to the media or others that may be considered derogatory or detrimental to the good business name or reputation of Company. This clause has no application to any communications with the Equal Employment Opportunity Commission or any state or local agency responsible for investigation and enforcement of discrimination laws.

8. *Employee Availability/Cooperation.* Employee agrees to reasonably assist and cooperate with the Company and/or any Affiliate (and their outside counsel) in connection with the defense or prosecution of any claim that may be made or threatened against or by the Company or any Affiliate, or in connection with any ongoing or future investigation or dispute or claim of any kind involving the Company or any Affiliate, including any proceeding before any arbitral, administrative, judicial, legislative, or other body or agency, including preparing for and testifying in any proceeding to the extent such claims, investigations or proceedings relate to services performed or required to be performed by Employee, pertinent knowledge possessed by Employee, or any act or omission by Employee. Employee will perform all acts and execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Section. Upon presentment to the Company of appropriate documentation, the Company will pay directly or reimburse Employee for the reasonable out-of-pocket expenses incurred as a result of such cooperation.

III. Acknowledgments and Additional Terms

A. *Revocation Period.* Employee acknowledges that if he/she accepts the terms of this Release Agreement he/she will have seven (7) calendar days after the date he/she signs this Release Agreement to revoke his/her acceptance of its terms. Such revocation, to be effective, must be delivered by written notice, in a manner so the notice is received on or before the seventh day by: Human Resources, Compensation Department, H&R Block, Inc., One H&R Block Way, Kansas City, MO 64105.

B. *Opportunity to Consult Attorney.* Employee acknowledges he/she has consulted or has had the opportunity to consult with her/his attorney prior to executing the Release Agreement.

C. *No Admission of Liability.* Employee and Company agree nothing in this Release Agreement is an admission by either of any wrongdoing, and that nothing in this Release Agreement is to be construed as such by anyone.

D. *Consideration*. Employee agrees provision of the payments and benefits set forth in paragraphs II(A)(1) and (2) are valuable consideration to which Employee would not otherwise be entitled.

E. *Choice of Law*. All disputes which arise out of the interpretation and enforcement of this Release Agreement shall be governed by the laws of the State of Missouri without giving effect to its choice of law provisions.

F. *Entire Agreement*. This Release Agreement including Exhibit A is the entire agreement between the parties. The parties acknowledge the terms of the Plan can be terminated or changed according to the terms set forth in the Plan. The parties acknowledge the terms of this Release Agreement can only be changed by a written amendment to the Release Agreement signed by both parties.

G. *No Reliance*. The parties have not relied on any representations, promises, or agreements of any kind made to them in connection with this Release Agreement, except for those set forth in writing in this Release Agreement or in the Plan.

H. *Separate Signatures*. Separate copies of this Release Agreement shall constitute originals which may be signed separately but which together will constitute one single agreement.

I. *Effective Date*. This Release Agreement becomes effective and binding on the eighth calendar day following Employee's execution of the Release Agreement.

J. *Severability*. If any provision of this Release Agreement, including the Plan, is held to be invalid, the remaining provisions shall remain in full force and effect.

K. *Continuing Obligations*. Any continuing obligations Employee has after separation of employment pursuant to any employment agreement with Company, the Plan, or by operation of law survive this Release Agreement. The terms of this Release Agreement add to any such obligations and are not intended to otherwise modify them in any way.

IV. Release

A. In consideration of the recitations and agreements listed above, Employee releases, and forever discharges Company and each and every one of its parent, affiliate, subsidiary, component, predecessor, and successor companies, and their respective past and present agents, officers, executives, employees, attorneys, directors, and assigns (collectively the "Released Parties"), from any and all matters, claims, charges, demands, damages, causes of action, debts, liabilities, controversies, claims for attorneys' fees, judgments, and suits of every kind and nature whatsoever, foreseen or unforeseen, known or unknown, which have arisen between Employee and the Released Parties up to the date Employee signs this Release Agreement.

B. This release of claims includes, but is not limited to: (1) any claims he/she may have relating to any aspect of her/his employment with the Released Parties and/or the separation of that employment, (2) any breach of an actual or implied contract of employment between Employee and the Released Parties, (3) any claim of unjust or tortious discharge, (4) any common-law claim (including but not limited to fraud, negligence, intentional or negligent infliction of emotional distress, negligent hiring/retention/supervision, or defamation), and (5)(i)

any claims arising under the Civil Rights Act of 1866, 42 U.S.C. § 1981, (ii) the Civil Rights Act of 1964, 42 U.S.C. §§ 2000e, et seq., as amended by the Civil Rights Act of 1991, (iii) the Age Discrimination in Employment Act, 29 U.S.C. §§ 621, et seq. (including but not limited to the Older Worker Benefit Protection Act), (iv) the Employee Retirement Income Security Act, 29 U.S.C. §§ 1001, et seq., (v) the Rehabilitation Act of 1973, 29 U.S.C. §§ 701, et seq., (vi) the American with Disabilities Act, 42 U.S.C. §§ 12101, et seq., (vii) the Occupational Safety and Health Act, 29 U.S.C. §§ 651, et. seq., (viii) the National Labor Relations Act, 29 U.S.C. §§ 151, et. seq., (ix) the Worker Adjustment and Retraining Notification Act, 29 U.S.C. §§ 2101, et seq., (6) any applicable state employment discrimination statute, (7) any applicable state worker's compensation statute, and (8) any other federal, state, or local statutes or ordinances.

C. Employee further agrees in the event any person or entity should bring such a charge, claim, complaint, or action on her/his behalf, he/she hereby waives and forfeits any right to recovery under said claim and will exercise every good faith effort to have such claim dismissed. This Release Agreement does not affect, however, the Equal Employment Opportunity Commission's ("EEOC's") rights and responsibilities to investigate or enforce applicable employment discrimination statutes.

D. For purposes of the Age Discrimination in Employment Act ("ADEA") only, this Release Agreement does not affect the EEOC's rights and responsibilities to enforce the ADEA, nor does this Release Agreement prohibit Employee from filing a charge under the ADEA (including a challenge to the validity of the waiver of claims in this Release Agreement) with the EEOC, or participating in any investigation or proceeding conducted by the EEOC. Nevertheless, Employee agrees that the Released Parties will be shielded against any recovery by Employee, provided this Release Agreement is valid under applicable law.

E. Employee agrees he/she waives any right to participate in any settlement, verdict or judgment in any class action against the Released Parties arising from conduct occurring on or before the date Employee signs this Release Agreement, and that he/she waives any right to accept anything of value or any injunctive relief associated with any such pending or threatened class action against the Released Parties.

THIS IS A RELEASE OF CLAIMS — READ CAREFULLY BEFORE SIGNING

I have read this Severance and Release Agreement. I have had the opportunity to obtain the advice of legal counsel concerning the meaning and effect of this Release Agreement. Company advised me to seek the advice of counsel on this issue. I fully understand the terms of this Release Agreement and I understand it is a complete and final release of any of my claims against Company. I sign the Release Agreement as my own free act and deed.

Employee

Date: _____

Company

By: _____

Title: _____

Date: _____

**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: September 4, 2009

/s/ Russell P. Smyth

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

**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: September 4, 2009

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

**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 July 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.
September 4, 2009

**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 July 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
Executive Vice President and Chief Financial Officer
H&R Block, Inc.
September 4, 2009

