AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 26, 1997

REGISTRATION NO. 333-33655

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO 1
TO

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

BLOCK FINANCIAL CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	52-1781495
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(IRS EMPLOYER IDENTIFICATION NUMBER)

4435 MAIN STREET, SUITE 500
KANSAS CITY, MISSOURI 64111
(816) 751-6000
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

H&R BLOCK, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MISSOURI	44-0607856
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(IRS EMPLOYER IDENTIFICATION NUMBER)

4400 MAIN STREET
KANSAS CITY, MISSOURI 64111
(816) 753-6900
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

JOHN R. COX, ESQ.
DIRECTOR, CONTRACTS AND REGULATORY AFFAIRS
4435 MAIN STREET, SUITE 500
KANSAS CITY, MISSOURI 64111
(816) 751-6000
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

Copies to:

LARRY D. IRICK, ESQ.
GREGORY G. JOHNSON, ESQ.
BRYAN CAVE LLP
1200 MAIN STREET, SUITE 3500
KANSAS CITY, MISSOURI 64105
(816) 374-3200

B. ROBBINS KIESSLING
CRAVATH, SWAINE & MOORE
825 EIGHTH AVENUE
NEW YORK, NEW YORK 10019
(212) 474-1500

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time to time after the effective date of this Registration Statement as determined by market factors and other conditions.

If the only securities being registered on this Form are to be offered pursuant to dividend or interest reimbursement plans, check the following box: / /

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: /x/

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: /x/

THE REGISTRANTS HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANTS SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION, DATED SEPTEMBER 26, 1997

PROSPECTUS [LOGO]
BLOCK FINANCIAL CORPORATION

DEBT SECURITIES
UNCONDITIONALLY GUARANTEED BY H&R BLOCK, INC.

Block Financial Corporation (the 'Company' or 'BFC') may offer from time to time, in one or more series, debentures, notes, bonds or other obligations ('Debt Securities'), which may be senior ('Senior Debt Securities') or

subordinated ('Subordinated Debt Securities') to other indebtedness of the Company, all having an aggregate initial public offering price not to exceed $1,000,000,000 or the equivalent thereof in one or more foreign currencies, foreign currency units or composite currencies, including European Currency Units. The Debt Securities may be offered in separate series in amounts, at prices and on terms to be determined at or prior to the time of sale. The Debt Securities will be direct unsecured obligations of the Company. The payment of principal, premium, if any, and interest with respect to the Debt Securities will be unconditionally guaranteed by H&R Block, Inc. (the 'Guarantor' or 'Block'), the indirect parent company of BFC.

The specific terms of the Debt Securities with respect to which this Prospectus is being delivered will be set forth in one or more supplements to this Prospectus (each a 'Prospectus Supplement'), together with the terms of the offering and sale of the Debt Securities, the initial offering price and the net proceeds to the Company from the sale thereof. Each Prospectus Supplement will include, among other things, the specific designation, aggregate principal amount, ranking, authorized denomination, maturity, rate or method of calculation of interest and dates for payment thereof, any index or formula for determining the amount of any principal, premium, or interest payment, any exchange, redemption, prepayment or sinking fund provisions, the currency or currency unit in which principal, premium, or interest is payable, whether the securities are issuable in registered form or in the form of global securities, and the designation of the trustee acting under the indenture. Each Prospectus Supplement will also contain information, where applicable, about material United States federal income tax considerations relating to, and any listings on a securities exchange of, the Debt Securities covered by such Prospectus Supplement.

The Company may sell the Debt Securities directly to purchasers, through agents designated from time to time or through underwriters or dealers on terms determined by market conditions at the time of sale. If any agents, underwriters, or dealers are involved in the sale of the Debt Securities, the names of such agents, underwriters or dealers and any applicable commissions or discounts and the net proceeds to the Company from such sale will be set forth in the applicable Prospectus Supplement.

THIS PROSPECTUS MAY NOT BE USED TO CONSUMMATE SALES OF DEBT SECURITIES UNLESS ACCOMPANIED BY A PROSPECTUS SUPPLEMENT.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS OR ANY ACCOMPANYING PROSPECTUS SUPPLEMENT AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE GUARANTOR, OR ANY UNDERWRITER, AGENT OR DEALER. NEITHER THE DELIVERY OF THIS PROSPECTUS OR ANY PROSPECTUS SUPPLEMENT NOR ANY SALE MADE THEREUNDER SHALL, UNDER ANY CIRCUMSTANCE, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR THE GUARANTOR SINCE THE DATE HEREOF OR THEREOF. THIS PROSPECTUS AND ANY RELATED PROSPECTUS SUPPLEMENT DO NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION.

The date of this Prospectus is September , 1997.

AVAILABLE INFORMATION

The Company and the Guarantor have filed with the Securities and Exchange Commission (the 'Commission') a Registration Statement on Form S-3 (together with all amendments and exhibits thereto, the 'Registration Statement') under the Securities Act of 1933, as amended (the 'Securities Act'), for the registration of the Debt Securities offered hereby. This Prospectus, which constitutes a part of the Registration Statement, does not contain all of the

information set forth in the Registration Statement, certain items of which are contained in exhibits and schedules to, or incorporated by reference in, the Registration Statement as permitted by the rules and regulations of the Commission. For further information with respect to the Company, the Guarantor and the Debt Securities offered hereby, reference is made to the Registration Statement, including the exhibits thereto, and financial statements and notes filed as a part thereof or incorporated by reference therein. Statements made in this Prospectus and in the accompanying Prospectus Supplement concerning the contents of any document referred to herein are not necessarily complete. With respect to each such document filed with the Commission as an exhibit to, or incorporated by reference in, the Registration Statement, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference.

The Guarantor is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the 'Exchange Act'), and in accordance therewith the Guarantor files reports, proxy statements and other information with the Commission. Reports, proxy statements and other information filed by the Guarantor may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's Regional Offices located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and 7 World Trade Center, Suite 1300, New York, New York 10048. Copies of such material can be obtained at prescribed rates from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington D.C. 20549. The Commission maintains an Internet Web site at http://www.sec.gov that contains reports, proxy statements and other information regarding registrants that file electronically with the Commission. In addition, such material filed by the Guarantor may also be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, and the Pacific Stock Exchange Incorporated, 301 Pine Street, San Francisco, California 94104, on which exchanges the Common Stock of the Guarantor is listed.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by the Guarantor with the Commission pursuant to the Exchange Act under File No. 1-6089 are incorporated herein by reference and shall be deemed to be a part hereof:

1. the Guarantor's Annual Report on Form 10-K for the fiscal year ended April 30, 1997 (as amended on Forms 10-K/A for such fiscal year);

2. the Guarantor's Current Reports on Form 8-K dated July 2, 1997 (as amended on Form 8-K/A filed August 14, 1997), September 7, 1997 and September 25, 1997;

3. the Guarantor's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1997.

All documents filed by the Company or the Guarantor pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of the offering of the Debt Securities made hereby shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the date of filing such documents. See 'Available Information.' Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein or in any Prospectus Supplement modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

This Prospectus incorporates documents by reference which are not presented herein or delivered herewith, as indicated above. The Company will provide without charge to each person, including any beneficial owner, to whom a copy of

this Prospectus is delivered, upon the written or oral request of such person, a copy of any or all of the documents which are incorporated herein by reference (other than exhibits to such documents unless they are specifically incorporated by reference into such documents). Requests for such copies should be directed to Block Financial Corporation, 4435 Main Street, Suite 500, Kansas City, Missouri 64111, Attention: John R. Cox, telephone (816) 751-6019.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 (the 'Reform Act') provides a 'safe harbor' for certain forward-looking statements. Certain statements contained in the sections entitled 'The Company' and 'The Guarantor,' and certain statements incorporated by reference from documents filed with the Commission by the Company, are or may constitute forward-looking statements as defined in the Reform Act. However, the safe harbor does not apply to forward-looking statements made in connection with an initial public offering. Since the offering of Debt Securities is an initial public offering by the Company, the safe harbor would not apply to any such forward-looking statements concerning the Company. Because such statements are subject to risks and uncertainties, actual results may differ from those expressed or implied by such forward-looking statements.

THE COMPANY

BFC is an indirect subsidiary of Block. It was organized in May 1992 for the purpose of developing and providing tax-related and technology-related financial services. The principal business activities of BFC include (i) the origination, purchase, servicing, sale and securitization of nonconforming residential mortgages, (ii) the purchase of participation interests in refund anticipation loans ('RALs') made by Beneficial National Bank ('Beneficial') to Block tax customers, (iii) the offering of credit cards for CompuServe Corporation ('CompuServe') and WebBank Corporation, a Utah Industrial Loan Company and wholly-owned subsidiary of BFC, (iv) the development, publishing, and marketing of software products designed to assist individuals in managing their personal finances and preparing tax returns, and (v) the offering of equity lines of credit to Block's tax preparation franchisees. BFC's principal executive office is located at 4435 Main Street, Suite 500, Kansas City, Missouri 64111 and its telephone number is (816) 751-6000.

Nonconforming Mortgages. BFC operates a nonconforming mortgage origination and funding business in which fixed and adjustable-rate mortgages, including purchase money first mortgages, refinance first mortgages and second mortgages, are offered to the public. Nonconforming mortgages are those that may not be offered through government-sponsored loan agencies.

In a strategic initiative to develop a retail nonconforming mortgage business, BFC and Block formed Block Mortgage Company, L.L.C. ('Block Mortgage') in August 1995 to offer nonconforming mortgages at H&R Block tax offices. Block Mortgage is a limited liability company in which a subsidiary of Block owns a 99% membership interest and BFC owns a 1% membership interest. During the 1997 tax season, Block Mortgage offered nonconforming mortgages through 31 tax offices in Colorado, Indiana, North Carolina and Virginia. Block Mortgage plans to continue the test of this business in additional tax offices during fiscal year 1998.

BFC further increased its commitment to the nonconforming mortgage business with its purchase of Option One Mortgage Corporation ('Option One') from Fleet Financial Group, Inc. ('Fleet') in June 1997. Option One engages in the origination, purchase, securitization, sale and servicing of one-to-four family residential mortgage loans made primarily to sub-prime borrowers who do not qualify for loans which conform to FNMA and FHLMC guidelines. Option One is headquartered in Santa Ana, California, and has a network of more than 5,000 mortgage brokers in 46 states. In calendar 1996, Option One originated more than $1 billion in mortgage loans. BFC believes that Option One will provide BFC with

experienced associates in the nonconforming mortgage business and assist BFC and Block in handling mortgage applications, processing loans and underwriting mortgages originated through Block Mortgage.

BFC paid $218.1 million in cash for Option One, consisting of $28.1 million

in adjusted stockholder's equity and a premium of $190 million. In addition, BFC made a cash payment of $456 million to Fleet to eliminate intercompany loans made by Fleet to Option One to finance Option One's mortgage loan business. The $456 million payment was recorded as an intercompany loan from BFC to Option One and was repaid by Option One on June 30, 1997, when Option One sold mortgage loans to a third party in the ordinary course of business.

BFC completed its first securitization of nonconforming mortgage loans on January 30, 1997 through a $102 million asset-backed security issue. Substantially all of the mortgages involved in this securitization were mortgages offered through independent mortgage brokers. On July 30, 1997, BFC completed its second securitization of nonconforming mortgages through a $215 million asset-backed security issue. This securitization included $134 million of mortgages offered through independent mortgage brokers, $81 million of mortgages offered by Option One and $10 million of mortgages offered by Block Mortgage.

Refund Anticipation Loans. In July 1996, BFC announced its agreement with Beneficial to purchase a participation interest in RALs provided by Beneficial to Block tax customers. In the 10-year agreement, BFC agreed to purchase an initial 40% participation interest in such RALs, which interest would be increased to nearly 50% in specific circumstances. BFC's purchases of participation interests are financed through short-term borrowings. BFC bears all of the risks associated with its interests in the RALs. BFC's total RAL revenue in fiscal year 1997 was approximately $54.5 million, which generated approximately $8.1 million in pretax profits.

Credit Cards. BFC offers Gold and Classic versions of two types of co-branded credit cards: CompuServe Visa and WebCard(Service Mark) Visa. The credit cards are issued under a co-branding agreement between BFC and Columbus Bank and Trust Company, Columbus, Georgia. Approximately 110,000 CompuServe Visa credit cards were issued by the end of fiscal year 1997, compared to 113,425 credit cards at the end of fiscal 1996. The number of WebCard(Service Mark) Visa accounts at April 30, 1997, was 57,223, compared to approximately 6,000 accounts at the end of fiscal year 1996. The aggregate portfolio for the credit cards issued by BFC increased from approximately $165 million at the end of fiscal year 1996 to more than $246 million by the end of fiscal year 1997.

While the aggregate number of BFC's credit cards increased during fiscal year 1997, bad debt expense associated with such accounts also increased substantially. The increase in bad debt expense resulted from the increase in the credit card receivables portfolio and a deterioration in the credit quality arising from the maturation of the credit card portfolio. Measured as a percentage of the credit card receivables, the bad debt expense increased 40 basis points, from 5.5% to 5.9% during fiscal 1997. Based on the balance of the portfolio as of April 30, 1997, every 10 basis point increase in the ratio of bad debt expense to credit card receivables would result in additional expenses of $248,000.

BFC developed the CONDUCTOR(Registered) service, a technology that facilitates the delivery of financial services online through existing commercial online services, the Internet or directly through leased networks. CONDUCTOR(Registered) features a national online electronic credit card statement that provides the cardholder with access to transaction records and credit availability and the ability to download transactions from the Internet into a personal financial software program. A similar service that allows cardholders access online is offered on CompuServe's information service.

The Company is evaluating the possible sale of its credit card operations, including its receivables portfolio and the CONDUCTOR(Registered) service.

Software Products. BFC's software business develops and markets the Kiplinger Tax Cut(Registered) tax preparation software package, and markets the Kiplinger Home Legal Advisor(Service Mark) and Kiplinger Small Business Attorney(Service Mark) software products. As a result of the increase in sales of TaxCut's final edition in

fiscal year 1997, BFC's share in the income tax return preparation software market is now approximately 30%.

Equity Lines of Credit. BFC offers to Block's tax preparation franchisees lines of credit with reasonable interest rates under a program designed to better enable the franchisees to refinance existing business debt, expand or renovate offices or meet off-season cash flow needs. A franchise equity loan is a revolving line of credit secured by the H&R Block franchise and the underlying business.

THE GUARANTOR

Block is a diversified services corporation that was organized in 1955 under the laws of Missouri. It is the parent corporation in a two-tier holding company structure following a 1993 corporate restructuring. The second-tier holding company is H&R Block Group, Inc., which is the direct owner of (i) all of the shares of H&R Block Tax Services, Inc. ('Tax Services'), a subsidiary involved in the business of income tax return preparation, electronic filing of income tax returns and the performance of other tax related services in the United States, (ii) approximately 80.1% of the shares of CompuServe, a corporation that offers worldwide online and Internet access services to consumers and worldwide network access, management and applications, and Internet services to businesses, and (iii) all of the shares of BFC. Indirect subsidiaries of H&R Block Group, Inc. operate income tax return preparation and related services businesses in Canada, Australia, the United Kingdom and Guam, and offer H&R Block franchises in other parts of the world as a part of the operations of H&R Block International. Block's principal executive office is located at 4400 Main Street, Kansas City, Missouri 64111 and its telephone number is (816) 753-6900. Block's common stock is listed on the New York Stock Exchange and Pacific Stock Exchange and is quoted under the symbol 'HRB.'

Tax Services. The income tax return preparation and related services business is the original core business of Block. These services are provided to the public through a system of offices operated by Block or by others to whom Block has granted franchises. Block and its franchisees provide income tax return preparation services, electronic filing services and other services

relating to income tax return preparation in many parts of the world. For U.S. returns, Block offers RALs through Beneficial and BFC in conjunction with Block's electronic filing service. Block also markets its income tax preparation knowledge through its income tax training schools.

Block's tax operations are divided structurally into three areas, each targeting specific markets and focusing on new products and services and areas for expansion. Tax Services focuses on tax business operations in the United States. H&R Block Premium, a division of Tax Services, competes for those clients who typically have more complex income tax returns and features meetings by appointment any time of the year, private offices and more experienced tax return preparers. H&R Block International focuses on strengthening operations in current foreign markets, such as Canada and Australia, and identifying and developing new markets.

CompuServe. CompuServe was incorporated in Delaware on February 16, 1996. CompuServe is the parent corporation in a holding company structure, and holds all of the outstanding stock of CompuServe Incorporated. CompuServe Incorporated was founded in 1969 as a computer timesharing service and introduced its first online service in 1979. Until April 1996, CompuServe was an indirect wholly-owned subsidiary of Block. In April 1996, CompuServe completed an initial public offering of 18,400,000 shares of its common stock. CompuServe's common stock is quoted on the Nasdaq quotation system under the symbol 'CSRV.'

CompuServe is a worldwide leader in the market for computer-based interactive services and data communications and a pioneer in the development of consumer online and Internet access services. CompuServe was the first online service provider to establish a major international presence, and continues to be one of the largest global online and Internet service providers. CompuServe operates what its management believes is the most extensive network in the world dedicated solely to data transmission.

CompuServe Interactive Service(Service Mark) ('CSi'), CompuServe's flagship product, offers traditional online services and integrated Internet access. Through SPRYNET(Service Mark), CompuServe also offers a stand-alone Internet-access-only service. Management believes consumer online services are a preferred access vehicle to the Internet for the average user due to the ability of online services to focus and aggregate content and provide centralized billing and support. Management also believes CompuServe's business networking experience and infrastructure position it to be a leader in the commercialization of the Internet.

On September 7, 1997, the Guarantor entered into an Agreement and Plan of Merger (the 'Merger Agreement') with H&R Block Group, Inc., CompuServe, WorldCom, Inc., a Georgia corporation ('WorldCom'), and Walnut Acquisition Company, L.L.C., a Delaware limited liability company which is wholly-owned by WorldCom ('WAC'), pursuant to which WorldCom would acquire CompuServe through a merger of WAC with and into CompuServe (the 'Merger'). At the Effective Time (as defined in the Merger Agreement) each of the CompuServe Common Shares (as defined in the Merger Agreement) outstanding as of the Effective Time will be converted into the right to receive, and there will be paid and issued as

provided in the Merger Agreement in exchange for each of the CompuServe Common Shares, 0.40625 of a share of WorldCom Common Stock (as defined in the Merger Agreement), subject to adjustment as provided in the Merger Agreement. Based on the closing price of WorldCom Common Stock on September 5, 1997, the aggregate purchase price for CompuServe is approximately $1.2 billion. Consummation of the Merger is subject to the satisfaction of certain conditions, including, among others, the expiration or termination of any applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and any foreign competition law or similar law, the receipt of other required regulatory approvals, and the absence of certain material adverse changes. Consummation of the Merger is also subject to the approval and adoption of the Merger Agreement by the holders of the requisite number of CompuServe Common Shares. The Guarantor has agreed to vote all of the shares directly or indirectly owned by it in favor of the Merger Agreement and the Merger, which number of shares is sufficient to approve the Merger Agreement and the Merger. The closing of the Merger is expected to occur as soon as practicable after the satisfaction of all the conditions set forth in the Merger Agreement.

In fiscal 1997, CompuServe's revenues and assets represented approximately 45% and 39%, respectively, of Block's consolidated revenues and assets. In fiscal 1997, the net loss of CompuServe was $96 million and the net earnings of Block excluding CompuServe were $143.8 million.

The Guarantor believes it is likely that the conditions to the consummation of the Merger will be satisfied and that the Merger will be consummated. However, there can be no assurance that all conditions will be satisfied. If the Merger is not consummated for any reason, the Guarantor will continue to pursue alternatives to complete the separation of CompuServe.

USE OF PROCEEDS

The Company intends to use the net proceeds from the sale of the Debt Securities for general corporate purposes which may include acquisitions, capital expenditures, working capital requirements, repayment of certain indebtedness or for other business purposes. The specific use of proceeds of each sale of Debt Securities will be set forth in each Prospectus Supplement.

RATIO OF EARNINGS TO FIXED CHARGES

THE COMPANY

The following table sets forth the ratio of earnings to fixed charges for the Company for each of the five years ended April 30.

	1997	1996	1995	1994	1993
Ratio of Earnings to Fixed Charges.....	1.6:1	2.5:1	(a) (c)	(b)	6.9:1

NOTES TO COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges is calculated by dividing (1) pretax earnings from continuing operations plus fixed charges by (2) fixed charges. Fixed charges consist of interest expense and the interest component of rent expense.

(a) Earnings were insufficient to cover fixed charges for the year ended April 30, 1995 by $5,788.

(b) Earnings were insufficient to cover fixed charges for the year ended April 30, 1994 by $15,644.

(c) Earnings for the year ended April 30, 1994 included a nonrecurring charge of $25,072 for purchased research and development related to the acquisition of MECA Software, Inc. as disclosed in the Acquisitions note to the Guarantor's consolidated financial statements for the year ended April 30, 1996. If such charges had not occurred, the ratio of earnings to fixed charges would have been 4.2:1.

THE GUARANTOR

The following table sets forth the ratio of earnings to fixed charges for the Guarantor on a consolidated basis for each of the five years ended April 30, which ratios are based on the historical consolidated financial statements of the Guarantor.

	1997	1996	1995	1994	1993
Ratio of Earnings to Fixed Charges.....	4.8:1	5.9:1	5.0:1	5.5:1(a)	6.2:1

NOTES TO COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges is calculated by dividing (1) pretax earnings from continuing operations plus fixed charges by (2) fixed charges. Fixed charges consist of interest expense and the interest component of rent expense.

(a) Earnings for the year ended April 30, 1994 included a nonrecurring charge of $25,072 for purchased research and development related to the acquisition of MECA Software, Inc. as disclosed in the Acquisitions note to the Guarantor's consolidated financial statements for the year ended April 30, 1996. If such charges had not occurred, the ratio of earnings to fixed charges would have been 6.6:1.

DESCRIPTION OF DEBT SECURITIES

The following description of the terms of the Debt Securities and Guarantees sets forth certain general terms and provisions of the Debt Securities to which any Prospectus Supplement may relate. The particular terms of the Debt Securities offered by any Prospectus Supplement and the extent, if any, to which such general provisions may apply to the Debt Securities so offered will be described in the Prospectus Supplement relating to such Debt

Securities. Accordingly, for a description of the terms of a particular issue of Debt Securities and Guarantees, reference must be made to both the Prospectus Supplement relating thereto and to the following description.

The Debt Securities will be general obligations of the Company and may be Senior Debt Securities or Subordinated Debt Securities. Senior Debt Securities will rank equally with all other unsubordinated and unsecured indebtedness of the Company. The Subordinated Debt Securities will be subordinate in right of payment to 'Senior Indebtedness' (as defined below) of the Company to the extent set forth in the Prospectus Supplement relating thereto. See 'Description of Debt Securities--Subordination' below. The Guarantor will irrevocably and unconditionally guarantee payments of principal, interest and premium, if any, on the Debt Securities. Debt Securities and Guarantees will be issued under an indenture (the 'Indenture') to be entered into between the Company, the Guarantor and Bankers Trust Company (the 'Trustee'). A copy of the form of Indenture has been filed as an exhibit to the Registration Statement filed with the Commission. The following discussion of certain provisions of the Indenture is a summary only and does not purport to be a complete description of the terms and provisions of the Indenture. Accordingly, the following discussion is qualified in its entirety by reference to the provisions of the Indenture, including the definition therein of terms used below with their initial letters capitalized.

GENERAL

The Indenture does not limit the aggregate principal amount of Debt Securities that can be issued thereunder. The Debt Securities may be issued in one or more series as may be authorized from time to time by the Company. Reference is made to the applicable Prospectus Supplement for the following terms of the Debt Securities of the series with respect to which such Prospectus Supplement is being delivered:

(a) The title of Debt Securities of the series;

(b) Any limit on the aggregate principal amount of the Debt Securities of the series that may be authenticated and delivered under the Indenture;

(c) The date or dates on which the principal and premium, if any, with respect to the Debt Securities of the series are payable;

(d) The rate or rates (which may be fixed or variable) at which the Debt Securities of the series shall bear interest (if any) or the method of determining such rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such date will be determined, the record dates for the determination of Holders thereof to whom such interest is payable (in the case of Registered Securities), and the basis upon which interest will be calculated if other than that of a 360-day year of twelve 30-day months;

(e) The Place or Places of Payment, if any, in addition to or instead of the corporate trust office of the Trustee where the principal, premium, if any, and interest with respect to Debt Securities of the series shall be payable;

(f) The price or prices at which, the period or periods within which, and the terms and conditions upon which Debt Securities of the series may be redeemed, in whole or in part, at the option of the Company or otherwise;

(g) The obligation, if any, of the Company to redeem, purchase, or repay Debt Securities of the series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof and the price or prices at which, the period or periods within which, and the terms and conditions upon which Debt Securities of the series shall be redeemed, purchased, or repaid, in whole or in part, pursuant to such obligations;

(h) The terms, if any, upon which the Debt Securities of the series may be convertible into or exchanged for other Debt Securities of the

Company and the terms and conditions upon which such conversion or exchange shall be effected, including the initial conversion or exchange price or rate, the conversion or exchange period and any other provision in addition to or in lieu of those described herein;

(i) If other than denominations of $1,000 or any integral multiple thereof, the denominations in which Debt Securities of the series shall be issuable;

(j) If the amount of principal, premium, if any, or interest with respect to the Debt Securities of the series may be determined with reference to an index or pursuant to a formula, the manner in which such amounts will be determined;

(k) If the principal amount payable at the stated maturity of Debt Securities of the series will not be determinable as of any one or more dates prior to such stated maturity, the amount that will be deemed to be such principal amount as of any such date for any purpose, including the principal amount thereof that will be due and payable upon any maturity other than the stated maturity or that will be deemed to be outstanding as of any such date (or, in such case, the manner in which such deemed principal amount is to be determined), and if necessary, the manner of determining the equivalent thereof in United States currency;

(l) Any changes or additions to the provisions of the Indenture dealing with defeasance, including the addition of additional covenants that may be subject to the Company's covenant defeasance option;

(m) The coin or currency or currencies or units of two or more currencies in which payment of the principal and premium, if any, and interest with respect to Debt Securities of the series shall be payable;

(n) If other than the principal amount thereof, the portion of the principal amount of Debt Securities of the series which shall be payable upon declaration of acceleration or provable in bankruptcy;

(o) The terms, if any, of the transfer, mortgage, pledge or assignment as security for the Debt Securities of the series of any properties, assets, moneys, proceeds, securities or other collateral, including whether certain provisions of the Trust Indenture Act are applicable and any corresponding changes to provisions of the Indenture as currently in effect;

(p) Any addition to or change in the Events of Default with respect to the Debt Securities of the series and any change in the right of the Trustee or the holders to declare the principal of and interest on, such Debt Securities due and payable;

(q) If the Debt Securities of the series shall be issued in whole or in part in the form of a Global Security, the terms and conditions, if any, upon which such Global Security may be exchanged in whole or in part for other individual Debt Securities in definitive registered form and the Depositary for such Global Security;

(r) Any trustees, authenticating or paying agents, transfer agents or registrars;

(s) The applicability of, and any addition to or change in the covenants and definitions currently set forth in the Indenture or in the terms relating to permitted consolidations, mergers, or sales of assets, including conditioning any merger, conveyance, transfer or lease permitted by the

Indenture upon the satisfaction of an Indebtedness coverage standard by the Company and Successor Company;

(t) The terms, if any, of any Guarantee (other than the Guarantee of the Guarantor) of the payment of principal of, and premium, if any, and interest on, Debt Securities of the series and any corresponding changes to the provisions of the Indenture as currently in effect;

(u) The subordination, if any, of the Debt Securities of the series pursuant to the Indenture and any changes or additions to the provisions of the Indenture relating to subordination;

(v) With regard to Debt Securities of the series that do not bear interest, the dates for certain required reports to the Trustee; and

(w) Any other terms of the Debt Securities of the series (which terms shall not be prohibited by the Indenture).

The Prospectus Supplement will also describe any material United States federal income tax consequences or other special considerations applicable to the series of Debt Securities to which such Prospectus Supplement relates, including those applicable to (a) Debt Securities with respect to which payments of principal, premium, or interest are determined with reference to an index or formula (including changes in prices of particular securities, currencies, or commodities), (b) Debt Securities with respect to which principal, premium, or interest is payable in a foreign or composite currency, (c) Debt Securities that are issued at a discount below their stated principal amount, bearing no interest or interest at a rate that at the time of issuance is below market rates ('Original Issue Discount Debt Securities'), and (d) variable rate Debt Securities that are exchangeable for fixed rate Debt Securities.

Payments of interest on Debt Securities shall be made at the corporate trust office of the Trustee or at the option of the Company by check mailed to the registered holders thereof or, if so provided in the applicable Prospectus Supplement, at the option of a Holder by wire transfer to an account designated by such Holder.

Unless otherwise provided in the applicable Prospectus Supplement, Debt Securities may be transferred or exchanged at the office of the Trustee at which its corporate trust business is principally administered in the United States or at the office of the Trustee or the Trustee's agent in the Borough of Manhattan, the City and State of New York, at which its corporate agency business is conducted, subject to the limitations provided in the Indenture, without the payment of any service charge, other than any tax or governmental charge payable in connection therewith.

GUARANTEES

The Guarantor will irrevocably and unconditionally guarantee to each holder of a Debt Security the due and punctual payment of the principal of, and any premium and interest on, such Debt Security, when and as the same shall become due and payable, whether at maturity, upon acceleration, by call for redemption or otherwise. The Guarantor has (a) agreed that its obligations under the Guarantees in the event of an Event of Default will be as if it were principal obligor and not merely surety, and will be enforceable irrespective of any invalidity, irregularity or unenforceability of any series of the Debt Securities or the Indenture or any supplement thereto and (b) waived its right

to require the Trustee or the Holders to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Guarantees.

GLOBAL SECURITIES

The Debt Securities of a series may be issued in whole or in part in the form of one or more fully registered global securities (a 'Global Security') that will be deposited with a depositary (the 'Depositary'), or with a nominee for a Depositary identified in the Prospectus Supplement relating to such series. In such case, one or more Global Securities will be issued in a denomination or aggregate

denomination equal to the portion of the aggregate principal amount of outstanding registered Debt Securities of the series to be represented by such Global Security or Securities. Unless and until it is exchanged in whole or in part for Debt Securities in definitive registered form, a Global Security may not be transferred except as a whole by the Depositary for such Global Security to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor of such Depositary or a nominee of such successor.

The specific terms of the depositary arrangement with respect to any portion of a series of Debt Securities to be represented by a Global Security will be described in the Prospectus Supplement relating to such series. The Company anticipates that the following provisions will apply to all depositary arrangements.

Upon the issuance of a Global Security, the Depositary for such Global Security will credit, on its book-entry registration and transfer system, the respective principal amounts of the Debt Securities represented by such Global Security to the accounts of persons that have accounts with such Depositary ('participants'). The amounts to be credited shall be designated by any underwriters or agents participating in the distribution of such Debt Securities. Ownership of beneficial interests in a Global Security will be limited to participants or persons that may hold interest through participants. Ownership of beneficial interests in such Global Security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the Depositary for such Global Security (with respect to interests of participants) or by participants or persons that hold through participants (with respect to interests of persons other than participants). So long as the Depositary for a Global Security, or its nominee, is the registered owner of such Global Security, such Depositary or such nominee, as the case may be, will be considered the sole owner or Holder of the Debt Securities represented by such Global Security for all purposes under the Indenture. Except as set forth below, owners of beneficial interests in a Global Security will not be entitled to have the Debt Securities represented by such Global Security registered in their names, will not receive or be entitled to receive physical delivery of such Debt Securities in definitive form and will not be considered the owners or Holders thereof under the Indenture.

Principal, premium, if any, and interest payments on Debt Securities

represented by a Global Security registered in the name of a Depositary or its nominee will be made to such Depositary or its nominee, as the case may be, as the registered owner of such Global Security. None of the Company, the Trustee or any paying agent for such Debt Securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in such Global Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that the Depositary for any Debt Securities represented by a Global Security, upon receipt of any payment of principal, premium, or interest, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Security as shown on the records of the Depositary. The Company also expects that payments by participants to owners of beneficial interests in such Global Security held through such participants will be governed by standing instructions and customary practices, as is now the case with the securities held for the accounts of customers registered in 'street name', and will be the responsibility of such participants.

If the Depositary for any Debt Securities represented by a Global Security is at any time unwilling or unable to continue as Depositary and a successor Depositary is not appointed by the Company within ninety days, the Company will issue such Debt Securities in definitive form in exchange for such Global Security. In addition, the Company may at any time and in its sole discretion determine not to have any of the Debt Securities of a series represented by one or more Global Securities and, in such event, will

issue Debt Securities of such series in definitive form in exchange for the Global Security or Securities representing such Debt Securities.

SUBORDINATION

Debt Securities may be subordinated ('Subordinated Debt Securities') to senior debt to the extent set forth in the Prospectus Supplement relating thereto.

Subordinated Debt Securities will be subordinate in right of payment, to the extent and in the manner set forth in the Indenture and the Prospectus Supplement relating to such Subordinated Debt Securities, to the prior payment of all Indebtedness of the Company that is designated as 'Senior Indebtedness' (as defined in the Indenture) with respect to such Subordinated Debt Securities.

Senior Indebtedness, with respect to any series of Subordinated Debt Securities, will consist of (a) any and all amounts payable under or with respect to the Company's Indebtedness to banks and (b) any other Indebtedness of the Company that is designated in a resolution of the Company's Board of Directors or the supplemental Indenture establishing such series as Senior Indebtedness with respect to such series.

Upon any payment or distribution of assets of the Company to creditors or upon a total or partial liquidation or dissolution of the Company or in a bankruptcy, receivership, or similar proceeding relating to the Company or its

property, holders of Senior Indebtedness shall be entitled to receive payment in full in cash of the Senior Indebtedness before holders of Subordinated Debt Securities shall be entitled to receive any payment of principal, premium, or interest with respect to the Subordinated Debt Securities, and until the Senior Indebtedness is paid in full, any distribution to which holders of Subordinated Debt Securities would otherwise be entitled shall be made to the Holders of Senior Indebtedness (except that such Holders may receive shares of stock and any debt securities that are subordinated to Senior Indebtedness to at least the same extent as the Subordinated Debt Securities).

The Company may not make any payments or principal, premium, or interest with respect to Subordinated Debt Securities, make any deposit for the purpose of defeasance of such Subordinated Debt Securities, or repurchase, redeem, or otherwise retire (except, in the case of Subordinated Debt Securities that provide for a mandatory sinking fund, by the delivery of Subordinated Debt Securities by the Company to the Trustee in satisfaction of the Company's sinking fund obligation) any Subordinated Debt Securities if (a) any principal, premium, if any, or interest with respect to Senior Indebtedness is not paid within any applicable grace period (including at maturity) or (b) any other default on Senior Indebtedness occurs and the maturity of such Senior Indebtedness is accelerated in accordance with its terms, unless, in either case, the default has been cured or waived and such acceleration has been rescinded, such Senior Indebtedness has been paid in full in cash, or the Company and the Trustee receive written notice approving such payment from the representatives of each issue of 'Designated Senior Indebtedness' (which will include the Bank Indebtedness and any other specified issue of Senior Indebtedness. During the continuance of any default (other than a default described in clause (a) or (b) above) with respect to any Senior Indebtedness pursuant to which the maturity thereof may be accelerated immediately without further notice (except such notice as may be required to effect such acceleration) or the expiration of any applicable grace periods, the Company may not pay the Subordinated Debt Securities for a period (the 'Payment Blockage Period') commencing on the receipt by the Company and the Trustee of written notice of such default from the representative of any Designated Senior Indebtedness specifying an election to effect a Payment Blockage Period (a 'Blockage Notice'). The Payment Blockage Period may be terminated before its expiration by written notice to the Trustee and the Company from the person who gave the Blockage Notice, by repayment in full in cash of the Senior Indebtedness with respect to which the Blockage Notice was given, or because the default giving rise to the Payment Blockage Period is no longer continuing. Unless the holders of such Senior Indebtedness shall have accelerated the maturity thereof, the Company may resume payments on the Subordinated Debt Securities after the expiration of the Payment Blockage Period. Not more than one Blockage Notice may be given in any period of 360 consecutive days unless the first

Blockage Notice within such 360-day period is given by or on behalf of holders of Designated Senior Indebtedness other than the Bank Indebtedness, in which case the representative of the Bank Indebtedness may give another Blockage Notice within such period. In no event, however, may the total number of days during which any Payment Blockage Period or Periods is in effect exceed 179 days in the aggregate during any period of 360 consecutive days. After all Senior

Indebtedness is paid in full and until the Subordinated Debt Securities are paid in full, Holders of the Subordinated Debt Securities shall be subrogated to the rights of Holders of Senior Indebtedness to receive distributions applicable to Senior Indebtedness.

All payments by the Guarantor pursuant to any Guarantees of Subordinated Debt Securities will be subordinated in right of payment to the prior payment in full of all Senior Indebtedness of the Guarantor.

By reason of such subordination, in the event of insolvency, creditors of the Company or the Guarantor who are Holders of Senior Indebtedness, as well as certain general creditors of the Company or the Guarantor, may recover more, ratably, than the Holders of the Subordinated Debt Securities.

EVENTS OF DEFAULT AND REMEDIES

The following events are defined in the Indenture as 'Events of Default' with respect to a series of Debt Securities:

(a) Default in the payment of any installment of interest on any Debt Securities of that series as and when the same shall become due and payable (whether or not, in the case of Subordinated Debt Securities, such payment shall be prohibited by reason of the subordination provision described above) and continuance of such default for a period of 30 days;

(b) Default in the payment of principal or premium with respect to any Debt Securities of that series as and when the same become due and payable, whether at maturity, upon redemption, by declaration, upon required repurchase, or otherwise (whether or not, in the case of Subordinated Debt Securities, such payment shall be prohibited by reason of the subordination provision described above);

(c) Default in the payment of any sinking fund payment with respect to any Debt Securities of that series as and when the same shall become due and payable;

(d) Failure on the part of the Company or the Guarantor to comply with the provisions of the Indenture relating to consolidations, mergers and sales of assets;

(e) Failure on the part of the Company or the Guarantor duly to observe or perform any other of the covenants or agreements on the part of the Company or the Guarantor in the Debt Securities of that series, in any resolution of the Board of Directors of the Company authorizing the issuance of that series of Debt Securities, in the Indenture with respect to such series, or in any supplemental Indenture with respect to such series (other than a covenant or agreement a default in the performance of which is otherwise specifically dealt with) continuing for a period of 60 days after the date on which written notice specifying such failure and requiring the Company or the Guarantor to remedy the same shall have been given to the Company or the Guarantor by the Trustee or to the Company or the Guarantor and the Trustee by the holders of at least 25% in aggregate principal amount of the Debt Securities of that series at the time outstanding;

(f) Indebtedness of the Guarantor or any Subsidiary of the Guarantor is not paid within any applicable grace period after final maturity or is accelerated by the Holders thereof because of a default, the total amount of such indebtedness unpaid or accelerated exceeds $100 million or the United States dollar equivalent thereof at the time, and such default remains uncured or such acceleration is not rescinded for 10 days after the date on which written notice specifying such failure and requiring the Guarantor to remedy the same shall have been given to the Guarantor by

the Trustee or to the Guarantor and the Trustee by the Holders of at least 25% in aggregate principal amount of the Debt Securities of that series at the time outstanding;

(g) The Company or the Guarantor or any of its Restricted Subsidiaries shall (1) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or other federal or state bankruptcy, insolvency, or similar law, (2) consent to the institution of, or fail to controvert within the time and in the manner prescribed by law, any such proceeding or the filing of any such petition, (3) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, or similar official for the Company or the Guarantor or any such Restricted Subsidiary or for a substantial part of its property, (4) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (5) make a general assignment for the benefit of creditors, (6) admit in writing its inability or fail generally to pay its debts as they become due, (7) take corporate action for the purpose of

effecting any of the foregoing, or (8) take any comparable action under any foreign laws relating to insolvency;

(h) The entry of an order or decree by a court having competent jurisdiction for (1) relief with respect to the Company or the Guarantor or any of its Restricted Subsidiaries or a substantial part of any of their property under the United States Bankruptcy Code or any other federal or state bankruptcy, insolvency, or similar law, (2) the appointment of a receiver, trustee, custodian, sequestrator, or similar official for the Company or the Guarantor or any such Restricted Subsidiary or for a substantial part of any of their property (except any decree or order appointing such official of any Restricted Subsidiary pursuant to a plan under which the assets and operations of such Restricted Subsidiary are transferred to or combined with another Restricted Subsidiary of the Guarantor or to the Guarantor), or (3) the winding-up or liquidation of the Company or the Guarantor or any such Restricted Subsidiary (except any decree or order approving or ordering the winding-up or liquidation of the affairs of a Restricted Subsidiary pursuant to a plan under which the assets and operations of such Restricted Subsidiary are transferred to or combined with another Restricted Subsidiary or Subsidiaries of the Guarantor or to the Guarantor), and such order or decree shall continue unstayed and in effect for 60 consecutive days, or any similar relief is granted under any foreign laws and the order or decree stays in effect for 60 consecutive days; or

(i) Any other Event of Default provided under the terms of the Debt Securities of that series.

An Event of Default with respect to one series of Debt Securities is not necessarily an Event of Default for another series.

If an Event of Default occurs and is continuing with respect to any series of Debt Securities, unless the principal and interest with respect to all the Debt Securities of such series shall have already become due and payable, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Debt Securities of such series then outstanding may declare the principal of (or, if Original Issue Discount Debt Securities, such portion of the principal amount as may be specified in such series) and interest on all the Debt Securities of such series due and payable immediately.

If an Event of Default occurs and is continuing, the Trustee shall be entitled and empowered to institute any action or proceeding for the collection of the sums so due and unpaid or to enforce the performance of any provision of the Debt Securities of the affected series or the Indenture, to prosecute any such action or proceeding to judgment or final decree, and to enforce any such judgment or final decree against the Company or any other obligor on the Debt Securities of such series. In addition, if there shall be pending proceedings for the bankruptcy or reorganization of the Company or any other obligor on the Debt Securities, or if a receiver, trustee, or similar official shall have been appointed for its property, the Trustee shall be entitled and empowered to file and prove a claim for the whole amount of principal, premium and interest (or, in the case of Original Issue Discount Debt Securities, such portion of the principal amount as may be specified in the terms of such series) owing and unpaid with respect to the Debt Securities. No Holder of any Debt Securities of any series shall have any right to institute any action or proceeding upon or under or with respect to the Indenture, for the appointment of a

receiver or trustee, or for any other remedy, unless (a) such Holder previously shall have given to the Trustee written notice of an Event of Default with respect to Debt Securities of that series and of the continuance thereof, (b) the Holders of not less than 25% in aggregate principal amount of the outstanding Debt Securities of that series shall have made written request to the Trustee to institute such action or proceeding with respect to such Event of Default and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses, and liabilities to be incurred therein or thereby, and (c) the Trustee, for 60 days after its receipt of such notice, request, and offer of indemnity shall have failed to institute such action or proceeding and no direction inconsistent with such written request shall have been given to the Trustee pursuant to the provisions of the Indenture.

Prior to the acceleration of the maturity of the Debt Securities of any series, the Holders of a majority in aggregate principal amount of the Debt

Securities of that series at the time outstanding may, on behalf of the Holders of all Debt Securities of that series, waive any past default or Event of Default and its consequences for that series, except (a) a default in the payment of the principal, premium, or interest with respect to such Debt Securities or (b) a default with respect to a provision of the Indenture that

cannot be amended without the consent of each Holder affected thereby. In case of any such waiver, such default shall cease to exist, any Event of Default arising therefrom shall be deemed to have been cured for all purposes, and the Company, the Trustee and the Holders of the Debt Securities of that series shall be restored to their former positions and rights under the Indenture.

The Trustee shall, within 90 days after the occurrence of a default known to it with respect to a series of Debt Securities, give to the Holders of the Debt Securities of such series notice of all uncured defaults with respect to such series known to it, unless such defaults shall have been cured or waived before the giving of such notice; provided, however, that except in the case of default in the payment of principal, premium, or interest with respect to the Debt Securities of such series or in the making of any sinking fund payment with respect to the Debt Securities of such series, the Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of the Holders of such Debt Securities.

MODIFICATION OF THE INDENTURE

The Company, the Guarantor and the Trustee may enter into supplemental indentures without the consent of the Holders of Debt Securities issued under the Indenture for one or more of the following purposes:

(a) To evidence the succession of another person to the Company or the Guarantor pursuant to the provisions of the Indenture relating to consolidations, mergers, and sales of assets and the assumption by such successor of the covenants, agreements, and obligations of the Company or the Guarantor in the Indenture and in the Debt Securities;

(b) To surrender any right or power conferred upon the Company or the Guarantor by the Indenture, to add to the covenants of the Company or the Guarantor such further covenants, restrictions, conditions, or provisions for the protection of the Holders of all or any series of Debt Securities as the Board of Directors of the Company or the Guarantor shall consider to be for the protection of the Holders of such Debt Securities, and to make the occurrence, or the occurrence and continuance of a default in any of such additional covenants, restrictions, conditions, or provisions, a default or an Event of Default under the Indenture (provided, however, that with respect to any such additional covenant, restriction, condition, or provision, such supplemental indenture may provide for a period of grace after default, which may be shorter or longer than that allowed in the case of other defaults, may provide for an immediate enforcement upon such default, may limit the remedies available to the Trustee upon such default, or may limit the right of Holders of a majority in aggregate principal amount of any or all series of Debt Securities to waive such default);

(c) To cure any ambiguity or to correct or supplement any provision contained in the Indenture, in any supplemental indenture, or in any Debt Securities that may be defective or inconsistent with any other provision contained therein, to convey, transfer, assign, mortgage, or pledge any property to or with the Trustee, or to make such other provisions in regard to matters or questions arising under the Indenture as shall not adversely

affect the interests of any Holders of Debt Securities of any series;

(d) To modify or amend the Indenture in such a manner as to permit the qualification of the Indenture or any supplemental Indenture under the Trust Indenture Act as then in effect;

(e) To add or change any of the provisions of the Indenture to change or eliminate any restriction on the payment of principal or premium with respect to Debt Securities so long as any such action does not adversely affect the interest of the Holders of Debt Securities in any material respect or permit or facilitate the issuance of Debt Securities of any series in uncertificated form;

(f) To comply with the provisions of the Indenture relating to

consolidations, mergers, and sales of assets;

(g) In the case of Subordinated Debt Securities, to make any change in the provisions of the Indenture relating to subordination that would limit or terminate the benefits available to any Holder of Senior Indebtedness under such provisions (but only if such Holder of Senior Indebtedness consents to such change);

(h) To add additional Guarantees with respect to the Debt Securities or to secure the Debt Securities;

(i) To make any change that does not adversely affect the rights of any Holder;

(j) To add to, change, or eliminate any of the provisions of the Indenture with respect to one or more series of Debt Securities, so long as any such addition, change, or elimination not otherwise permitted under the Indenture shall (1) neither apply to any Debt Securities of any series created prior to the execution of such supplemental Indenture and entitled to the benefit of such provision nor modify the rights of the Holders of any such Debt Security with respect to such provision or (2) become effective only when there is no such Debt Security outstanding;

(k) To evidence and provide for the acceptance of appointment by a successor or separate Trustee with respect to the Debt Securities of one or more series and add to or change any of the provisions of the Indenture as shall be necessary to provide for or facilitate the administration of the Indenture by more than one Trustee; and

(l) To establish the form or terms of Debt Securities of any series, as described under 'Description of Debt Securities--General' above.

With the consent of the Holders of a majority in aggregate principal amount of the outstanding Debt Securities of each series affected thereby, the Company, the Guarantor and the Trustee may from time to time and at any time enter into a supplemental Indenture for the purpose of adding any provisions to, changing in any manner, or eliminating any of the provisions of the Indenture or of any supplemental Indenture or modifying in any manner the rights of the Holder of the Debt Securities of such series; provided, however, that without the consent of the Holders of each Debt Security so affected, no such supplemental Indenture

shall (a) reduce the percentage in principal amount of Debt Securities of any series whose Holders must consent to an amendment, (b) reduce the rate of or extend the time for payment of interest on any Debt Security, (c) reduce the principal of or extend the stated maturity of any Debt Security, (d) reduce the premium payable upon the redemption of any Debt Security or change the time at which any Debt Security may or shall be redeemed, (e) make any Debt Security payable in a currency other than that stated in the Debt Security, (f) in the case of any Subordinated Debt Security, make any change in the provisions of the Indenture relating to subordination that adversely affects the rights of any Holder under such provisions, (g) release any security that may have been granted with

respect to the Debt Securities, or (h) make any change in the provisions of the Indenture relating to waivers of defaults or amendments that require unanimous consent.

CERTAIN COVENANTS

Limitation on Liens. The Guarantor may not, and may not permit any of its Subsidiaries to, directly or indirectly, create or permit to exist any Lien on any Principal Property, whether owned on the date of issuance of the Debt Securities or thereafter acquired, securing any obligation unless the Guarantor contemporaneously secures the Debt Securities equally and ratably with (or prior to) such obligation. The preceding sentence will not require the Guarantor to secure the Debt Securities if the Lien consists of the following: (i) Permitted Liens; or (ii) Liens securing Indebtedness if, after giving pro forma effect to the Incurrence of such Indebtedness (and the receipt and application of the proceeds thereof) or the securing of outstanding Indebtedness, all Indebtedness of the Guarantor and its Subsidiaries secured by Liens on Principal Property (other than Permitted Liens), at the time of determination does not exceed 10% of the total consolidated stockholders' equity of the Guarantor as shown on the audited consolidated balance sheet contained in the latest annual report to

stockholders of the Guarantor.

Ownership of the Company. The Indenture contains a covenant that, so long as any of the Debt Securities are outstanding and subject to certain rights described below under 'Consolidation or Merger,' the Guarantor will continue to own, directly or indirectly, all of the outstanding voting shares of the Company.

Certain Definitions. The following definitions, among others, are used in the Indenture. Many of the definitions of terms used in the Indenture have been negotiated specifically for the purposes of inclusion in the Indenture and may not be consistent with the manner in which such terms are defined in other contexts. Prospective purchasers of Debt Securities are encouraged to read each of the following definitions carefully and to consider such definitions in the context in which they are used in the Indenture. Capitalized terms used herein but not defined have the meanings assigned thereto in the Indenture.

'Capitalized Lease Obligation' means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with GAAP; and the amount of Indebtedness represented by

such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

'Currency Exchange Protection Agreement' means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates.

'Disqualified Stock' of a Person means Redeemable Stock of such Person as to which the maturity, mandatory redemption, conversion or exchange or redemption at the option of the holder thereof occurs, or may occur, on or prior to the first anniversary of the Stated Maturity of the Debt Securities.

'GAAP' means generally accepted accounting principles in the United States as in effect as of the date on which the Debt Securities of the applicable series are issued, including those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession. All ratios and computations based on GAAP contained in this Indenture shall be computed in conformity with GAAP consistently applied.

'Government Contract Lien' means any Lien required by any contract, statute, regulation or order in order to permit the Company or any of its Subsidiaries to perform any contract or subcontract made

by it with or at the request of the United States or any State thereof or any department, agency or instrumentality of either or to secure partial, progress, advance or other payments by the Company or any of its Subsidiaries to the United States or any State thereof or any department agency or instrumentality of either pursuant to the provisions of any contract, statute, regulation or order.

'Hedging Obligations' of any Person means the obligations of such Person pursuant to any Interest Rate Protection Agreement, Currency Exchange Protection Agreement or Commodity Price Protection Agreement or other similar agreement.

'Indebtedness' means, with respect to any Person on any date of determination (without duplication),

(i) the principal of Indebtedness of such Person for borrowed money;

(ii) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(iii) all Capitalized Lease Obligations of such Person;

(iv) all obligations of such Person to pay the deferred and unpaid

purchase price of property or services (except Trade Payables);

(v) all obligations of such Person in respect of letters of credit, banker's acceptances or other similar instruments or credit transactions (including reimbursement obligations with respect thereto), other than obligations with respect to letters of credit securing obligations (other than obligations described in (i) through (iv) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third business day following receipt by such Person of a demand for reimbursement following payment on the letter of credit;

(vi) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock (but excluding, in each case, any accrued dividends);

(vii) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, however, that the amount of such Indebtedness shall be the lesser of (A) the fair market value of such asset at such date of determination and (B) the amount of such Indebtedness of such other Persons; and

(viii) all Indebtedness of other Persons to the extent Guaranteed by such Person.

For purposes of this definition, the maximum fixed redemption, repayment or repurchase price of any Disqualified Stock or Preferred Stock that does not have a fixed redemption, repayment or repurchase price shall be calculated in accordance with the terms of such Stock as if such Stock were redeemed, repaid or repurchased on any date on which Indebtedness shall be required to be determined pursuant to this Indenture; provided, however, that if such Stock is not then permitted to be redeemed, repaid or repurchased, the redemption, repayment or repurchase price shall be the book value of such Stock as reflected in the most recent financial statements of such Person. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

'Interest Rate Protection Agreement' means, in respect of any Person, any interest rate swap agreement, interest rate option agreement, interest rate cap agreement, interest rate collar agreement, interest rate floor agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in interest rates.

'Lien' means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

'Net Amount of Rent' as to any lease for any period means the aggregate amount of rent payable by the lessee with respect to such period after excluding

amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges. In the case of any lease that is terminable by the lessee upon the payment of a penalty, such net amount shall also include the amount of such penalty, but no rent shall be considered as payable under such lease subsequent to the first date upon which it may be so terminated.

'Permitted Liens' means, with respect to any Person, (a) pledges or deposits by such Person under worker's compensation laws, unemployment insurance laws, social security laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or bonds to secure performance, surety or appeal bonds to which such Person is a party or which are otherwise required of such Person, or deposits as security for contested taxes or import duties or for the payment of rent or other obligations of like nature, in each case incurred in the ordinary course of business; (b) Liens imposed by law, such as carriers', warehousemen's, laborers', materialmen's, landlords', vendors', workmen's, operators', factors and

mechanics liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings; (c) Liens for taxes, assessments and other governmental charges or levies not yet delinquent or which are being contested in good faith by appropriate proceedings; (d) survey exceptions, encumbrances, easements or reservations of or with respect to, or rights of others for or with respect to, licenses, rights-of-way, sewers, electric and other utility lines and usages, telegraph and telephone lines, pipelines, surface use, operation of equipment, permits, servitudes and other similar matters, or zoning or other restrictions as to the use of real property or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not incurred in connection with Indebtedness and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person; (e) Liens existing on or provided for under the terms of agreements existing on the Issue Date (including, without limitation, under the Credit Agreement); (f) Liens on property at the time the Company or any of its Subsidiaries acquired the property or the entity owning such property, including any acquisition by means of a merger or consolidation with or into the Guarantor; provided, however, that any such Lien may not extend to any other property owned by the Guarantor or any of its Subsidiaries; (g) Liens on any Principal Property, or any shares of stock or Indebtedness of any Subsidiary, acquired (including by way of merger or consolidation) after the date of the Indenture by the Company or any Subsidiary which are created contemporaneously with such acquisition, or within 24 months thereafter, to secure or provide for the payment or financing of any part of the purchase price thereof; (h) Liens on any property of CompuServe Corporation or any of its Subsidiaries, including any shares of stock or Indebtedness of any such Subsidiaries; (i) Liens arising in connection with the securitization of any mortgage loans owned by the Company or any of its Subsidiaries; (j) Liens arising in connection with the sale of any credit card receivables owned by the Company or any of its Subsidiaries; (k) Liens securing a Hedging Obligation so long as such Hedging Obligation is of the type customarily entered into for the purpose of limiting risk; (l) Purchase Money Liens; (m) Liens securing only Indebtedness of a Subsidiary of the Guarantor to the Guarantor or one or more wholly owned Subsidiaries of the Guarantor; (n) Liens on any property to secure Indebtedness Incurred in connection with the construction, installation or

financing of pollution control or abatement facilities or other forms of industrial revenue bond financing or Indebtedness issued or Guaranteed by the United States, any state or any department, agency or instrumentality thereof; (o) Government Contract Liens; (p) Liens securing Indebtedness of joint ventures in which the Guarantor or a Subsidiary has an interest to the extent such Liens are on property or assets of, such joint ventures; (q) Liens resulting from the deposit of funds or evidences of Indebtedness in trust for the purpose of defeasing Indebtedness of the Guarantor or any of its Subsidiaries; (r) legal or equitable encumbrances deemed to exist by reason of negative pledges or the existence of any litigation or other legal proceeding and any related lis pendens filing (excluding any attachment prior to judgment lien or attachment lien in aid of execution on a judgment); (s) any

attachment Lien being contested in good faith and by proceedings promptly initiated and diligently conducted, unless the attachment giving rise thereto will not, within 60 days after the entry thereof, have been discharged or fully bonded or will not have been discharged within 60 days after the termination of any such bond; (t) any judgment Lien, unless the judgment it secures will not, within 60 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or will not have been discharged within 60 days after the expiration of any such stay; (u) Liens to banks arising from the issuance of letters of credit issued by such banks ('issuing banks') on the following: (i) any and all shipping documents, warehouse receipts, policies or certificates of insurance and other document accompanying or relative to drafts drawn under any credit, and any draft drawn thereunder (whether or not such documents, goods or other property be released to or upon the order of the Guarantor or any Subsidiary under a security agreement or trust or bailee receipt or otherwise), and the proceeds of each and all of the foregoing; (ii) the balance of every deposit account, now or at the time hereafter existing, of the Guarantor or any Subsidiary with the issuing banks, and any other claims of the Guarantor or any Subsidiary against the issuing banks; and all property claims and demands and all rights and interests therein of the Guarantor or any Subsidiary and all evidences thereof and all proceeds thereof which have been or at any time will be delivered to or otherwise come into any issuing bank's possession, custody or control, or into the possession, custody or control of any bailee for the issuing bank or of any of its agents or correspondents for the account of the issuing bank, for any purpose, whether or not the express

purpose of being used by the issuing bank as collateral security or for the safekeeping or for any other of different purpose, the issuing bank being deemed to have possession or control of all of such property actually in transit to or from or set apart for the issuing bank, any bailee for the issuing bank or any of its correspondents acting in its behalf, it being understood that the receipt at any time by the issuing bank, or any of its bailees, agents or correspondents, of other security, of whatever nature, including cash, will not be deemed a waiver of any of the issuing bank's rights or power hereunder; (iii) all property shipped under or pursuant to or in connection with any credit or drafts drawn thereunder or in any way related thereto, and all proceeds thereof; (iv) all additions to and substitutions for any of the property enumerated above in this subsection; (v) rights of a common owner of any interest in property held by such Person; (w) any defects, irregularities or deficiencies in title to easements, rights-of-way or other properties which do not in the aggregate materially adversely affect the value of such properties or materially impair

their use in the operation of the business of such Person; and (x) Liens to secure any refinancing, refunding, extension, renewal or replacement (or successive refinancings, refundings, extensions, renewals or replacements), as a whole, or in part, of any Indebtedness secured by any Lien referred to in the foregoing clauses (e) through (p); provided, however, that (i) such new Lien shall be limited to all or part of the same property that secured the original Lien (plus improvements on such property) and (ii) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (A) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under clauses (e) through (l) at the time the original Lien became a Permitted Lien under this Indenture and (B) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement.

'Person' means any individual, corporation, partnership, joint venture, association, limited liability company, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

'Principal Property' means, as of any date of determination, any property or assets owned by the Company or any Subsidiary other than any property which, in the good faith opinion of the Board of Directors of the Company, is not of material importance to the business conducted by the Company and its Subsidiaries taken as a whole.

'Purchase Money Lien' means a Lien on property securing Indebtedness Incurred by the Guarantor or any of its Subsidiaries to provide funds for all or any portion of the cost of acquiring, constructing, altering, expanding, improving or repairing such property or assets used in connection with such property.

'Redeemable Stock' means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible of for which it is exchangeable) or upon the happening of any event (i) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise, (ii) is convertible or exchangeable for Indebtedness (other than Preferred Stock) or Disqualified Stock or (iii) is redeemable at the option of the holder thereof, in whole or in part.

'Subsidiary' of any Person means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person, (ii) such Person and one or more Subsidiaries of such Person or (iii) one or more Subsidiaries of such Person.

CONSOLIDATION, MERGER, AND SALE OF ASSETS

Neither the Guarantor nor the Company may consolidate with or merge with or into any person, or convey, transfer, or lease all or substantially all of its assets, unless the following conditions have been satisfied:

(a) Either (1) the Guarantor shall be the continuing person in the case of a merger or (2) the resulting, surviving, or transferee person, if other than the Guarantor (the 'Successor Company'), shall be a corporation

organized and existing under the laws of the United States, any State, or the District of Columbia and shall expressly assume all of the obligations of the Company and the Guarantor under the Debt Securities and the Indenture;

(b) Immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any subsidiary of the Guarantor as a result of such transaction as having been incurred by the Successor Company or such subsidiary at the time of such transaction), no Default or Event of Default would occur or be continuing; and

(c) The Guarantor shall have delivered to the Trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, or transfer complies with the Indenture.

A disposition by the Guarantor of its ownership interest in CompuServe Corporation shall not be deemed a transfer or conveyance of substantially all of the Company's assets.

SATISFACTION AND DISCHARGE OF THE INDENTURE; DEFEASANCE

The Indenture shall generally cease to be of any further effect with respect to a series of Debt Securities if (a) the Company has delivered to the Trustee for cancellation all Debt Securities of such series (with certain limited exceptions) or (b) all Debt Securities of such series not theretofore delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year, and the Company shall have deposited with the Trustee as trust funds the entire amount in the currency in which the Debt Securities are denominated sufficient to pay at maturity or upon redemption all such Debt Securities (and if, in either case, the Company shall also pay or cause to be paid all other sums payable under the Indenture by the Company).

In addition, the Company shall have a 'legal defeasance option' (pursuant to which it may terminate, with respect to the Debt Securities of the particular series, all of its obligations under such Debt Securities and the Indenture with respect to such Debt Securities) and 'covenant defeasance option' (pursuant to which it may terminate, with respect to the Debt Securities of a particular series, its obligations with respect to such Debt Securities under certain specified covenants contained in the Indenture). If the Company exercises its legal defeasance option with respect to a series of Debt Securities, payment of such Debt Securities may not be accelerated because of an Event of Default If the Company exercises its covenant defeasance option with respect to a series of Debt Securities,

payment of such Debt Securities may not be accelerated because of an Event of Default related to the specified covenants.

The Company may exercise its legal defeasance option or its covenant defeasance option with respect to the Debt Securities of a series only if (a) the Company irrevocably deposits in trust with the Trustee cash or U.S. Government Obligations (as defined in the Indenture) for the payment of principal, premium, and interest with respect to such Debt Securities to maturity or redemption, as the case may be, (b) the Company delivers to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the payment of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited money without investment will provide cash at such times and in such amounts as will be sufficient to pay the principal, premium, and interest when due with respect to all the Debt Securities of such series to maturity or redemption, as the case may be, (c) 91 days after the deposit is made and during the 91-day period no default described in clause (g) or (h) under 'Description of Debt Securities Events of Default and Remedies' above with respect to the Company or the Guarantor occurs that is continuing at the end of such period, (d) no Default has occurred and is continuing on the date of such deposit and after giving effect thereto, (e) the deposit does not constitute a default under any other agreement binding on the Company or the Guarantor, and, in the case of Subordinated Debt Securities, is not prohibited by the provisions of the Indenture relating to subordination, (f) the Company delivers to the Trustee an opinion of counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company

under the Investment Company Act of 1940, (g) the Company shall have delivered to the Trustee an opinion of counsel addressing certain federal income tax matters relating to the defeasance, and (h) the Company delivers to the Trustee an officer's certificate and an opinion of counsel, each stating that all conditions precedent to the defeasance and discharge of the Debt Securities of such series as contemplated by the Indenture have been complied with.

The Trustee shall hold in trust cash or U.S. Government Obligations deposited with it as described above and shall apply the deposited cash and the proceeds from deposited U.S. Government Obligations to the payment of principal, premium, and interest with respect to the Debt Securities of the defeased series. In the case of Subordinated Debt Securities, the money and U.S. Government Obligations so held in trust will not be subject to the subordination provisions of the Indenture.

THE TRUSTEE

The Company may maintain banking and other commercial relationships with the Trustee and its affiliates in the ordinary course of business and the Trustee may own Debt Securities.

PLAN OF DISTRIBUTION

The Company may sell the Debt Securities in or outside the United States through underwriters, through or to dealers, directly to one or more purchasers, or through agents. Each Prospectus Supplement with respect to the Debt Securities offered hereby will set forth the terms of the offering of applicable Debt Securities, including the name or names of any underwriters, dealers or

agents, the purchase price of the Debt Securities and the proceeds to the Company from such sale, any delayed delivery arrangements, any underwriting discounts and other items constituting underwriters' compensation, the initial public offering price, any discounts or concessions allowed or re-allowed or paid to dealers and any securities exchanges on which the Debt Securities may be listed.

If underwriters are used in the sale, the Debt Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The Debt Securities may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. The underwriter or underwriters with respect to a particular underwritten offering of Debt Securities will be named in the Prospectus Supplement relating to such offering, and if an underwriting syndicate is used, the managing underwriter or underwriters will be set forth on the cover of such Prospectus Supplement. Unless otherwise set forth in the Prospectus Supplement relating thereto, the obligations of the underwriters or agents to purchase the Debt Securities will be subject to conditions precedent and the underwriters will be obligated to purchase all the Debt Securities if any are purchased. The initial public offering price and any discounts or concessions allowed or re-allowed or paid to dealers may be changed from time to time.

If dealers are used in the sale of Debt Securities with respect to which this Prospectus is delivered, the Company will sell such Debt Securities to the dealers as principals. The dealers may then resell such Debt Securities to the public at varying prices to be determined by such dealers at the time of resale. The names of the dealers and the terms of the transaction will be set forth in the Prospectus Supplement relating thereto.

Debt Securities may be sold directly by the Company or through agents designated by the Company from time to time at fixed prices, which may be changed, or at varying prices determined at the time of sale. Any agent involved in the offer or sale of the Debt Securities with respect to which this Prospectus is delivered will be named, and any commissions payable by the Company to such agent will be set forth in the Prospectus Supplement relating thereto. Unless otherwise indicated in the Prospectus Supplement, any such agent will be acting on a best efforts basis for the period of its appointment.

In connection with the sale of the Debt Securities, underwriters or agents may receive compensation from the Company or from purchasers of Debt Securities for whom they may act as agents in the form of discounts, concessions, or

commissions. Underwriters, agents and dealers participating in the distribution of the Debt Securities may be deemed to be underwriters, and any discounts or commissions received by them from the Company and any profit on the resale of the Debt Securities by them may be deemed to be underwriting discounts or commissions under the Securities Act.

If so indicated in the Prospectus Supplement, the Company will authorize agents, underwriters, or dealers to solicit offers from certain types of institutions to purchase Debt Securities from the Company at the public offering price set forth in such Prospectus Supplement pursuant to delayed delivery

contracts providing for payment and delivery on a specified date in the future. Such contracts will be subject only to those conditions set forth in such Prospectus Supplement, and the Prospectus Supplement will set forth the commission payable for solicitation of such contracts.

Agents, dealers, and underwriters may be entitled under agreements entered into with the Company and Block to indemnification by the Company and Block against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments that such agents, dealers, or underwriters may be required to make with respect thereto. Agents, dealers, and underwriters may be customers of, engage in transactions with, or perform services for the Company and Block in the ordinary course of business.

The Debt Securities may or may not be listed on a national securities exchange. No assurances can be given that there will be a market for the Debt Securities.

GLOBAL CLEARANCE, SETTLEMENT AND TAX DOCUMENTATION PROCEDURE

When so provided in the Prospectus Supplement, investors in the Global Securities representing any of the Securities issued hereunder may hold a beneficial interest in such Global Securities through DTC, CEDEL or Euroclear (as defined below) or through participants. The Global Securities may be traded as home market instruments in both the European and U.S. domestic markets. Initial settlement and all secondary trades will settle as set forth in the applicable Prospectus Supplement.

Cedel S.A. ('CEDEL') is incorporated under the laws of Luxembourg as a professional depository. CEDEL holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between CEDEL participants through electronic book-entry changes in accounts of CEDEL participants, thereby eliminating the need for physical movement of certificates. Transactions may be settled in CEDEL in any of 28 currencies, including United States dollars. CEDEL provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. CEDEL interfaces with domestic markets in several countries. As a professional depository, CEDEL is subject to regulation by the Luxembourg Monetary Institute. CEDEL participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Indirect access to CEDEL is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a CEDEL participant, either directly or indirectly.

The Euroclear System was created in 1968 to hold securities for participants of the Euroclear System and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and

cash. Transactions may now be settled in any of 32 currencies, including United States dollars. The Euroclear System includes various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC. The Euroclear System is operated by Morgan Guaranty Trust Company of New York, Brussels, Belgium office (the 'Euroclear Operator' or 'Euroclear'), under contract with Euroclear Clearance System S.C., a Belgian cooperative corporation (the 'Cooperative'). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and

Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for the Euroclear System on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear Operator is the Belgian branch of Morgan Guaranty Trust Company of New York ('Morgan') which is a member bank of the Federal Reserve System. As such, it is regulated and examined by the Federal Reserve Board and the New York State Banking Department, as well as the Belgian Banking Commission.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the 'Terms and Conditions'). The Terms and Conditions govern transfers of securities and cash within the Euroclear System, withdrawals of securities and cash from the Euroclear System, and receipts of payments with respect to securities in the Euroclear System. All securities in the Euroclear System are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

Principal, premium, if any, and interest payments with respect to Securities held through CEDEL or Euroclear will be credited to the cash accounts of CEDEL participants or Euroclear participants in accordance with the relevant system's rules and procedures, to the extent received by its depositary. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations as described below. The CEDEL or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a holder under the relevant Indenture on behalf of a CEDEL participant or Euroclear participant only in accordance with its relevant rules and procedures and subject to its depositary's ability to effect such actions on its behalf through the depositary.

INITIAL SETTLEMENT

All Global Securities will be registered in the name of Cede & Co. as nominee of DTC. Investors' interests in the Global Securities will be represented through financial institutions acting on their behalf as direct and indirect participants in the depository. As a result, CEDEL and Euroclear will hold positions on behalf of their participants through their respective depositories, Citibank and Morgan, which in turn will hold such positions in accounts as participants of DTC.

Global Securities held through DTC will follow the settlement practices described above. Investor securities custody accounts will be credited with their holdings against payment on the settlement date. Global Securities held through CEDEL or Euroclear accounts will follow the settlement procedures applicable to conventional eurobonds, except that there will be no temporary global security and no 'lock-up' or restricted period. Global Securities will be credited to the securities custody accounts on the settlement date against payment.

SECONDARY MARKET TRADING

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between DTC Participants. Secondary market trading between DTC participants will be settled using the procedures described above. See 'Description of Debt Securities--Book-Entry Debt Securities.'

Trading between CEDEL and/or Euroclear Participants. Secondary market trading between CEDEL participants and/or Euroclear participants will be settled using the procedures applicable to conventional eurobonds.

Trading between DTC Seller and CEDEL or Euroclear Purchaser. When beneficial interests in the Global Securities are to be transferred from the account of a DTC participant to the account of a CEDEL participant or a Euroclear participant, the purchaser will send instructions to CEDEL or Euroclear through a participant at least one business day prior to settlement. CEDEL or Euroclear will instruct Citibank or Morgan, respectively, as the case may be, to receive a beneficial interest in the Global Securities against payment. Unless otherwise set forth in the Prospectus Supplement, payment will include interest accrued on the beneficial interest in the Global Securities so transferred from and

including the last coupon payment date to and excluding the settlement date, on the basis on which interest is calculated on the Debt Securities. For transactions settling on the 31st of the month, payment will include interest accrued to and excluding the first day of the following month. Payment will then be made by Citibank or Morgan to the DTC participant's account against delivery of the beneficial interest in the Global Securities. After settlement has been completed, the beneficial interest in the Global Securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the CEDEL or Euroclear participant's account. The securities credit will appear the next day (European time) and the cash debit will be back-valued to, and the interest on the beneficial interest in Global

Securities will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (that is, the trade fails), the CEDEL or Euroclear cash debit will be valued instead as of the actual settlement date.

CEDEL participants and Euroclear participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to preposition funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within CEDEL or Euroclear. Under this approach, they may take on credit exposure to CEDEL, or Euroclear until the Global Securities are credited to their accounts one day later.

As an alternative, if CEDEL or Euroclear has extended a line of credit to them, participants can elect not to preposition funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, CEDEL participants or Euroclear participants purchasing beneficial interest in Global Securities would incur overdraft charges for one day, assuming they cleared the overdraft when the beneficial interests in the Global Securities were credited to their accounts. However, interest on the beneficial interests in the Global Securities would accrue from the value date. Therefore, in many cases the investment income on the Global Securities earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's particular cost of funds.

Since the settlement is taking place during New York business hours, DTC participants can employ their usual procedures for sending a beneficial interest in Global Securities to Citibank or Morgan for the benefit of CEDEL participants or Euroclear participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participant a cross-market transaction will settle no differently than a trade between two DTC participants.

Trading between CEDEL or Euroclear Seller and DTC Purchaser. Due to time zone differences in their favor, CEDEL and Euroclear participants may employ their customary procedures to transactions in which the beneficial interest in the Global Securities is to be transferred by the respective clearing system, through Citibank or Morgan, to a DTC participant. The seller will send instructions to CEDEL or Euroclear through a participant at least one business day prior to settlement. In these cases, CEDEL or Euroclear will instruct Citibank or Morgan, as appropriate, to deliver the beneficial interest in the Global Securities to the DTC participant's account against payment. Payment will include interest accrued on the beneficial interests in the Global Securities from and including the last coupon payment date to and excluding the settlement date on the basis on which interest is calculated on the Global Securities. For transactions settling on the 31st of the month, payment will include interest accrued to and excluding the first day of the following month. The payment will then be reflected in the account of the CEDEL or Euroclear participant the following day, and receipt of the cash proceeds in the CEDEL or Euroclear participant's account would be back-valued to the value date (which would be the

preceding day, when settlement occurred in New York). Should the CEDEL or Euroclear participant have a line of credit with its respective clearing system and elect to be in debit in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date

(that is, the trade fails), receipt of the cash

proceeds in the CEDEL or Euroclear participant's account would instead be valued as of the actual settlement date.

Finally, day traders that use CEDEL or Euroclear and that purchase beneficial interests in Global Securities from DTC participants for credit to CEDEL participants or Euroclear participants should note that these trades would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:

(1) borrowing through CEDEL or Euroclear for one day (until the purchase side of the day trade is reflected in their CEDEL or Euroclear accounts) in accordance with the clearing system's customary procedures;

(2) borrowing beneficial interests in the Global Securities in the U.S. from a DTC participant no later than one day prior to settlement, which would give beneficial interests in the Global Securities sufficient time to be reflected in the appropriate CEDEL or Euroclear account in order to settle the sale side of the trade; or

(3) staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC participant is at least one day prior to the value date for the sale to the CEDEL participant or Euroclear participant.

Although the DTC, CEDEL and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in Global Securities among participants of the DTC, CEDEL and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

CERTAIN U.S. FEDERAL INCOME TAX DOCUMENTATION REQUIREMENTS

A beneficial owner of Global Securities holding securities, directly or indirectly, through CEDEL or Euroclear (or through DTC if the holder has an address outside the U.S.) will be subject to the 30% U.S. withholding tax that generally applies to payments of interest (including original issue discount) on registered debt issued by U.S. persons, unless (i) each clearing system, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business in the chain of intermediaries between such beneficial owner and the U.S. entity required to withhold tax complies with applicable certification requirements, and (ii) such beneficial owner takes one of the following steps to obtain an exemption or reduced tax rate:

Exemption for non-U.S. persons (Form W-8). Non-U.S. persons that are beneficial owners (other than a beneficial owner that owns actually or constructively 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote or a controlled foreign corporation that is related to the Company through stock ownership) can obtain a complete exemption from the withholding tax by filing a properly

completed Form W-8 (Certificate of Foreign Status).

Exemption for non-U.S. persons with effectively connected income (Form 4224). A non-U.S. person, including a non-U.S. corporation or bank with a U.S. branch, that is a beneficial owner and for which the interest income is effectively connected with its conduct of a trade or business in the United States, can obtain an exemption from the withholding tax by filing a properly completed Form 4224 (Exemption from Withholding of Tax on Income Effectively Connected with the Conduct of a Trade or Business in the United States).

Exemption or reduced rate for non-U.S. persons resident in treaty countries (Form 1001). Non-U.S. persons that are beneficial owners that are entitled to the benefits of an income tax treaty with the United States can

obtain an exemption or reduced tax rate (depending on the treaty terms) by filing a properly completed Form 1001 (Ownership, Exemption or Reduced Rate Certificate). If the treaty provides only for a reduced rate, withholding tax will be imposed at that rate unless the filer alternatively files Form W-8. Form 1001 may be filed by the beneficial owner or the beneficial owner's agent.

Exemption for U.S. Persons (Form W-9). U.S. persons can obtain a complete exemption from the withholding tax by filing a properly completed Form W-9 (Request for Taxpayer Identification Number and Certification).

U.S. FEDERAL INCOME TAX REPORTING, PROCEDURE

The beneficial owner of the Global Security or, in the case of a Form 1001 or a Form 4224 filer, his agent, files by submitting the appropriate form to the entity through whom it directly holds the Global Security. For example, if the beneficial owner is listed directly on the books of Euroclear or CEDEL as the holder of the Debt Security, the IRS Form must be provided to Euroclear or CEDEL, as the case may be. Each person through which a Debt Security is held must submit, on behalf of the beneficial owner, the IRS Form (or in certain cases a copy thereof) under applicable procedures to the person through which it holds the Debt Security, until the IRS Form is received by the U.S. person who would otherwise be required to withhold U.S. federal income tax from interest on the Debt Security. For example, in the case of Debt Securities held through Euroclear or CEDEL, the IRS Form (or a copy thereof) must be received by the U.S. depositary of such clearing agency. Applicable procedures include, if a beneficial owner of the Debt Security provides an IRS Form W-8 to a securities clearing organization, bank or other financial institution (a 'financial institution') that holds the Debt Security in the ordinary course of its trade or business on the owner's behalf, that such financial institution certify to the person otherwise required to withhold U.S. federal income tax from such interest, under penalties of perjury, that such statement has been received from the beneficial owner by it or by a financial institution between it and the beneficial owner and that it furnish the payor with a copy thereof.

As used in this section on tax documentation requirements, the term 'U.S. person' means (i) a citizen or resident of the United States, (ii) a corporation or partnership organized in or under the laws of the United States or any State

thereof or (iii) an estate or trust the income of which is includable in gross income for U.S. tax purposes, regardless of its source.

This summary does not deal with all aspects of U.S. income tax and withholding that may be relevant to foreign beneficial owners of the Global Securities, including special categories of foreign investors who may not be eligible for exemptions from U.S. withholding tax. Investors are advised to consult their own tax advisors for specific tax advice concerning their holding and disposing of beneficial interests in the Global Securities. Any additional requirements, if applicable, will be set forth in the Prospectus Supplement.

LEGAL MATTERS

Certain legal matters in connection with the Debt Securities and the Guarantee will be passed upon for the Company and for the Guarantor by Bryan Cave LLP, Kansas City, Missouri. Certain matters will be passed upon for any underwriters or agents by a firm named in the Prospectus Supplement relating to a particular issue of Debt Securities.

EXPERTS

The consolidated financial statements and financial statement schedule incorporated in this Prospectus by reference from the Guarantor's Annual Report on Form 10-K/A for the year ended April 30, 1997, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports, which are incorporated by reference, and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The financial statements of Option One Mortgage Corporation as of December 31, 1996 and 1995 and for the year ended December 31, 1996 and for the period March 3, 1995 to December 31, 1995 (Successor period) and from January 1, 1995 to March 2, 1995 (Predecessor period) have been incorporated by reference herein from the Guarantor's Current Report on Form 8-K/A dated July 2, 1997 (filed on

August 14, 1997) in reliance upon the report of KPMG Peat Marwick LLP, independent certified

public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The report of KPMG Peat Marwick LLP covering the financial statements of Option Mortgage Corporation as of December 31, 1996 and 1995 and for the year ended December 31, 1996 and for the period March 3, 1995 to December 31, 1995 (Successor period) and from January 1, 1995 to March 2, 1995 (Predecessor period) contains an explanatory paragraph that states that effective March 3, 1995, Fleet National Bank, Rhode Island acquired all of the outstanding stock of Option One Mortgage Corporation in a business combination accounted for as a purchase. As a result of the acquisition, the financial information for the periods after the acquisition is presented on a different cost basis than that for the periods before the acquisition and, therefore, is not comparable. Effective September 27, 1995, Fleet National Bank, Rhode Island transferred its investment in the Company to one of its wholly owned subsidiaries, Fleet Holding

Corporation.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the estimated expenses to be incurred by the Company in connection with the issuance and distribution of the Debt Securities.

SEC Filing Fee for Registration Statement	$303,030
Accounting Fees and Expenses	25,000
Legal Fees and Expenses	100,000
Printing and Engraving Expenses	20,000
Blue Sky Fees and Expenses	10,000
Rating Agency Fees	150,000
Trustee and Registrar Fees and Expenses	10,000
Miscellaneous	5,000
Total	$623,030

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

1. THE COMPANY

(a) Section 145 of the General Corporation Law of the State of Delaware ('Section 145') permits a Delaware corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened , pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit, or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful.

In the case of an action by or in the right of the corporation, Section 145 permits the corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor by

reason of the fact that such person is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation. No indemnification may be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

To the extent that a director, officer, employee, or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in the preceding two

paragraphs, Section 145 requires that such person be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 145 provides that expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative, or investigative action, suit, or proceeding may be paid by the corporation in advance of the final disposition of such action, suit, or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation as authorized in Section 145.

(b) The Company's Certificate of Incorporation eliminates the personal liability of the directors of the Company to the Company or its stockholders for monetary damages for breach of fiduciary duty as directors, except for liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. In addition, the Company's Certificate of Incorporation provides that the Company shall indemnify its directors and officers to the fullest extent permitted by Section 145.

(c) The Guarantor maintains insurance on behalf of the Company's directors, officers, employees and other agents against any liability which may be asserted against or expense which may be incurred by such person in connection with the activities of the Company.

2. THE GUARANTOR

(a) Section 351.355 of The General and Business Corporation Law of Missouri ('Section 351.355') provides that a Missouri corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had

reasonable cause to believe that his conduct was unlawful.

A Missouri corporation may also indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, and amounts paid in settlement actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court in which the action or suit was brought determines upon application that, despite the adjudication of liability and in view of all the circumstances

of the case, the person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

To the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to above or in defense of any claim, issue or matter therein, he shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the action, suit, or proceeding. Any indemnification, unless ordered by a court, shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth herein. The determination shall be made by the board of directors by a majority vote of a quorum consisting of directors who were not parties to the action, suit, or proceeding, or if such a quorum is not obtainable, or even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or by the shareholders. Expenses incurred in

defending a civil or criminal action, suit or proceeding may be paid by the corporation in advance of the final disposition of the action, suit, or proceeding as authorized by the board of directors in the specific case upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the corporation as authorized in Section 351.355.

The indemnification provided by Section 351.355 is not exclusive of any other rights to which those seeking indemnification may be entitled under the articles of incorporation or Bylaws or any agreement, vote of shareholders or disinterested directors or otherwise, both as to action of a person in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

A Missouri corporation has the power to give any further indemnity to any person who is or was a director, officer, employee or agent, or to any person who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, provided such further indemnity is either (i) authorized, directed, or provided for in the articles of incorporation of the corporation or any duly adopted amendment thereof or (ii) is authorized, directed, or provided for in any Bylaw or agreement of the corporation which has been adopted by a vote of the shareholders of the corporation, and provided further that no such indemnity shall indemnify any person from or on account of such person's conduct which was finally adjudged to have been knowingly fraudulent, deliberately dishonest or willful misconduct.

A Missouri corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him any such capacity, or arising out of his status as such, whether or not the

corporation would have the power to indemnify him against such liability under the provisions of Section 351.355.

(b) The Guarantor's Bylaws provide the Guarantor with the powers set forth in Section 351.355 to indemnify its directors and officers. In addition, the Guarantor's Bylaws further provide that the Guarantor may enter into certain indemnification agreements with each director and officer (or authorize indemnification of officers to the extent provided in such indemnification agreements) by vote of or resolution adopted by a majority of a quorum of disinterested directors. Such indemnification agreements generally provide for indemnification of the Guarantor's officers and directors to the fullest extent permitted by law.

(c) The Guarantor maintains insurance on behalf of its directors, officers, employees and other agents against any liability which may be asserted against or expense which may be incurred by such person in connection with the activities of the Guarantor.

ITEM 16. EXHIBITS

(a) Exhibits

EXHIBIT NUMBER		DESCRIPTION
3(a) *	--	Certificate of Incorporation of the Company
3(b) *	--	Bylaws of the Company
4(a) *	--	Form of Indenture between the Company and Bankers Trust Company, as trustee (the 'Indenture').
4(b) *	--	Conformed copy of Rights Agreement dated as of July 14, 1988 between the Guarantor and Centerre Trust Company of St. Louis, filed on August 9, 1993 as Exhibit 4(c) to the Guarantor's Registration Statement on Form S-8 (File No. 33-67170), is incorporated herein by reference.
4(c) *	--	Copy of Amendment to Rights Agreement dated as of May 9, 1990 between the Guarantor and Boatmen's Trust Company, filed as Exhibit 4(b) to the Guarantor's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated by reference.
4(d) *	--	Copy of Second Amendment to Rights Agreement dated September 11, 1991 between the Guarantor and Boatmen's Trust Company, filed as Exhibit 4(c) to the Guarantor's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated by reference.
4(e) *	--	Copy of Third Amendment to Rights Agreement dated May 10, 1995 between the Guarantor and Boatmen's Trust Company, filed as Exhibit 4(d) to the Guarantor's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated by reference.
4(f) *	--	Form of Certificate of Designation, Preferences and Rights of Participating Preferred Stock of H & R Block, Inc., filed as Exhibit 4(e) to the Guarantor's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated by reference.
4(g) *	--	Form of Certificate of Designation, Preferences and Rights of Delayed Convertible Preferred Stock of H & R Block, Inc., filed as Exhibit 4(f) to the Guarantor's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated by reference.
5(a)	--	Opinion of Bryan Cave LLP.
10(a) *	--	Credit Agreement dated as of December 10, 1996 among the Company, the lenders party thereto from time to time, and Mellon Bank, N.A., as agent (the 'Credit Agreement').
10(b) *	--	First Amendment to Credit Agreement dated as of April 10, 1997 among the Company, the lenders party to the Credit Agreement, and Mellon Bank, N.A., as agent.
10(c) *	--	Second Amendment to Credit Agreement dated as of June 6, 1997 among the Company, the lenders party to the Credit Agreement, and Mellon Bank, N.A., as agent.
10(d) *	--	Amended and Restated Loan Purchase Agreement dated as of December 19, 1995 among Companion Mortgage Corporation, National Consumer Services Corp., L.L.C. and National Consumer Services Corp. II, L.L.C.
10(e) *	--	Credit Agreement dated as of December 19, 1995 between the Company and National Consumer Services Corp., L.L.C.
10(f) *	--	First Amendment to Credit Agreement dated as of January 1, 1996 among the Company, National Consumer Services Corp., L.L.C. and National Consumer Services Corp. II, L.L.C.

EXHIBIT NUMBER		DESCRIPTION
10(g) *	--	Second Amendment to Credit Agreement dated as of November 30, 1996 among the Company, National Consumer Services Corp., L.L.C. and National Consumer Services Corp. II, L.L.C.
10(h) *	--	Third Amendment to Credit Agreement dated as of March 30, 1997 by and among the Company, National Consumer Services Corp., L.L.C. and National Consumer Services Corp. II, L.L.C.
10(i)	--	Refund Anticipation Loan Participation Agreement dated as of July 19, 1996 among the Company, Beneficial National Bank and Beneficial Tax Masters, Inc.
10(j)	--	Affinity Card Agreement dated as of March 1, 1993 between the Company and Columbus Bank and Trust Company.
10(k)	--	Amendment No. 1 to Affinity Card Agreement dated as of December 29, 1995 between the Company and

		Columbus Bank and Trust Company.
10(l) *	--	Stock Purchase Agreement dated April 14, 1997 among Fleet Financial Group, Inc., Fleet Holding Corp., the Guarantor and the Company, filed as Exhibit 2.1 to the Guarantor's Current Report on Form 8-K dated July 2, 1997, is incorporated by reference.
10(m)	--	Third Amendment to Credit Agreement dated as of September 12, 1997 among the Company, the lenders party to the Credit Agreement, and Mellon Bank, N.A., as agent.
10(n)	--	Amended and Restated Option and Warrant Agreement dated December 19, 1995 by and among W.D. Everitt, Jr., National Consumer Services Corp., L.L.C., National Consumer Services Corp. II, L.L.C. and the Company.
12(a) *	--	Computation of ratio of earnings to fixed charges of the Company.
12(b)	--	Computation of ratio of earnings to fixed charges of the Guarantor.
23(a)	--	Consent of Deloitte & Touche LLP.
23(b)	--	Consent of KPMG Peat Marwick LLP.
23(c)	--	The consent of Bryan Cave LLP is included in Exhibit 5(a).
24(a) *	--	Power of Attorney for the Company.
24(b) *	--	Power of Attorney for the Guarantor.
25(a) *	--	Statement of Eligibility of Trustee on Form T-1 of Bankers Trust Company, as trustee with respect to the Indenture.

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* Previously filed.

The form or forms of Debt Securities with respect to each particular offering of securities registered hereunder will be filed as an exhibit to a Report on Form 8-K and incorporated herein by reference.

ITEM 17. UNDERTAKINGS

(a) The undersigned Registrants hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a) (3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the

form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the 'Calculation of Registration Fee' table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (a) (1) (i) and (a) (1) (ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrants pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrants hereby undertake that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrants' annual report pursuant to Section 13 (a) or Section 15 (d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrants pursuant to the foregoing provisions, or otherwise, the Registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act

and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrants of expenses incurred or paid by a director, officer or controlling person of the Registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrants will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(d) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(e) The undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Act.

BLOCK FINANCIAL CORPORATION SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, BLOCK FINANCIAL CORPORATION CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING A FORM S-3 AND HAS DULY CAUSED THIS AMENDMENT NO. 1 TO THE REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED IN THE CITY OF KANSAS CITY, MISSOURI ON THE 25TH DAY OF SEPTEMBER, 1997.

BLOCK FINANCIAL CORPORATION

By: /s/ FRANK L. SALIZZONI

Frank L. Salizzoni
President

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
/s/ FRANK L. SALIZZONI Frank L. Salizzoni	President and sole director (principal executive officer and sole director)	September 25, 1997
* Ozzie Wenich	Senior Vice President and Chief Financial Officer (principal financial officer)	September 25, 1997
* Patrick D. Petrie	Treasurer (principal accounting officer)	September 25, 1997

*By: /s/ FRANK L. SALIZZONI
Frank L. Salizzoni,
Attorney-in-Fact

H & R BLOCK, INC. SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, H&R BLOCK, INC. CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-3 AND HAS DULY CAUSED THIS AMENDMENT NO. 1 TO THE REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF KANSAS CITY, STATE OF MISSOURI, ON THE 25TH DAY OF SEPTEMBER, 1997.

H & R BLOCK, INC.

By: /s/ FRANK L. SALIZZONI
Frank L. Salizzoni
President and Chief Executive Officer

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
/s/ FRANK L. SALIZZONI Frank L. Salizzoni	President, Chief Executive Officer and Director (principal executive officer)	September 25, 1997
* Ozzie Wenich	Senior Vice President, Chief Financial Officer and Treasurer (principal financial officer)	September 25, 1997
* Patrick D. Petrie	Vice President and Corporate Controller (principal accounting officer)	September 25, 1997
* G. Kenneth Baum	Director	September 25, 1997

*	Director	September 25, 1997
Henry W. Bloch		

SIGNATURE	TITLE	DATE
*	Director	September 25, 1997
Robert E. Davis		
*	Director	September 25, 1997
Donna R. Ecton		
*	Director	September 25, 1997
Henry F. Frigon		
*	Director	September 25, 1997
Roger W. Hale		
*	Director	September 25, 1997
Marvin L. Rich		
	Director	September 1997
Morton I. Sosland		

*By: /s/ FRANK L. SALIZZONI
Frank L. Salizzoni,
Attorney-in-Fact

EXHIBIT INDEX

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4(g) *	-- Form of Certificate of Designation, Preferences and Rights of Delayed Convertible Preferred Stock of H & R Block, Inc., filed as Exhibit 4(f) to the Guarantor's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated by reference.	
5(a)	-- Opinion of Bryan Cave LLP.	
10(a) *	-- Credit Agreement dated as of December 10, 1996 among the Company, the lenders party thereto from time to time, and Mellon Bank, N.A., as agent (the 'Credit Agreement').	

10(b) *	--	First Amendment to Credit Agreement dated as of April 10, 1997 among the Company, the lenders party to the Credit Agreement, and Mellon Bank, N.A., as agent.
10(c) *	--	Second Amendment to Credit Agreement dated as of June 6, 1997 among the Company, the lenders party to the Credit Agreement, and Mellon Bank, N.A., as agent.
10(d) *	--	Amended and Restated Loan Purchase Agreement dated as of December 19, 1995 among Companion Mortgage Corporation, National Consumer Services Corp., L.L.C. and National Consumer Services Corp. II, L.L.C.
10(e) *	--	Credit Agreement dated as of December 19, 1995 between the Company and National Consumer Services Corp., L.L.C.
10(f) *	--	First Amendment to Credit Agreement dated as of January 1, 1996 among the Company, National Consumer Services Corp., L.L.C. and National Consumer Services Corp. II, L.L.C.
10(g) *	--	Second Amendment to Credit Agreement dated as of November 30, 1996 among the Company, National Consumer Services Corp., L.L.C. and National Consumer Services Corp. II, L.L.C.

EXHIBIT NUMBER		DESCRIPTION	PAGE
10(h) *	--	Third Amendment to Credit Agreement dated as of March 30, 1997 by and among the Company, National Consumer Services Corp., L.L.C. and National Consumer Services Corp. II, L.L.C.	
10(i)	--	Refund Anticipation Loan Participation Agreement dated as of July 19, 1996 among the Company, Beneficial National Bank and Beneficial Tax Masters, Inc.	
10(j)	--	Affinity Card Agreement dated as of March 1, 1993 between the Company and Columbus Bank and Trust Company.	
10(k)	--	Amendment No. 1 to Affinity Card Agreement dated as of December 29, 1995 between the Company and Columbus Bank and Trust Company.	
10(l) *	--	Stock Purchase Agreement dated April 14, 1997 among Fleet Financial Group, Inc., Fleet Holding Corp., the Guarantor and the Company, filed as Exhibit 2.1 to the Guarantor's Current Report on Form 8-K dated July 2, 1997, is incorporated by reference.	
10(m)	--	Third Amendment to Credit Agreement dated as of September 12, 1997 among the Company, the lenders party to the Credit Agreement, and Mellon Bank, N.A., as agent.	
10(n)	--	Amended and Restated Option and Warrant Agreement dated December 19, 1995 by and among W.D. Everitt, Jr., National Consumer Services Corp., L.L.C., National Consumer Services Corp. II, L.L.C. and the Company.	
12(a) *	--	Computation of ratio of earnings to fixed charges of the Company.	
12(b)	--	Computation of ratio of earnings to fixed charges of the Guarantor.	
23(a)	--	Consent of Deloitte & Touche LLP.	
23(b)	--	Consent of KPMG Peat Marwick LLP.	
23(c)	--	The consent of Bryan Cave LLP is included in Exhibit 5(a).	
24(a) *	--	Power of Attorney for the Company.	
24(b) *	--	Power of Attorney for the Guarantor.	
25(a) *	--	Statement of Eligibility of Trustee on Form T-1 of Bankers Trust Company, as trustee with respect to the Indenture.	

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* Previously filed.

The form or forms of Debt Securities with respect to each particular offering of securities registered hereunder will be filed as an exhibit to a Report on Form 8-K and incorporated herein by reference.

[BRYAN CAVE LLP LETTERHEAD]

September 25, 1997

Block Financial Corporation
4435 Main Street, Suite 500
Kansas City, Missouri 64111
--and--
H&R Block, Inc.
4400 Main Street
Kansas City, Missouri 64111

Re: Shelf Registration of $1,000,000,000
Principal Amount of Debt Securities

Gentlemen:

We have acted as special counsel for Block Financial Corporation, a Delaware corporation ("BFC") and H & R Block, Inc., a Missouri corporation ("HRB"), in connection with the registration under the Securities Act of 1933, as amended (the "Act") (i) by BFC of $1,000,000,000 aggregate original principal amount of Debt Securities (the "Securities") to be issuable in one or more series and (ii) by HRB of its guarantee of payment of principal, premium and interest on the Securities (the "Guarantee"). The Securities and the Guarantee are being registered under a registration statement on Form S-3 filed with the Securities and Exchange Commission (the "Commission") on August 14, 1997 (as it may be amended from time to time prior to the effectiveness thereof, the "Registration Statement"). With respect to the offering of such Securities from time to time, as set forth in the prospectus contained in the Registration Statement (the "Prospectus") and as to be set forth in one or more supplements to the Prospectus (each a "Prospectus Supplement"), you have requested our opinion with respect to the matters set forth below. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Registration Statement.

In such capacity, we are familiar with the actions and proceedings taken and proposed to be taken by BFC and HRB in connection with the authorization and issuance of the Securities and the Guarantee, respectively, and for the purposes of this opinion, have assumed such actions and proceedings will be timely completed in the manner presently proposed. In connection herewith, we have examined and relied without independent investigation as to matters of fact upon such certificates of public officials, such statements and certificates of officers of the Company and such other corporate records, documents, certificates and instruments as we have deemed necessary in order to enable us to render the opinions expressed herein. In our examination of the foregoing, we have assumed the genuineness of all signatures, the legal competence and capacity of each person executing documents, the authenticity of all documents submitted to us as originals, and the conformity to original documents of all documents submitted to us as copies or drafts of documents to be executed and

the due authorization, execution and delivery of all agreements where due authorization, execution and delivery are a prerequisite to the effectiveness thereof.

To the extent that it may be relevant to the opinions expressed herein, we have assumed that the Trustee is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization; that the Trustee is duly qualified to engage in the activities contemplated by the Indenture; that the Indenture has been duly authorized, executed and delivered by the Trustee and constitutes the legal, valid and binding obligation of the Trustee, enforceable against the Trustee in accordance with its terms; that the Trustee is in compliance, generally and with respect to

acting as a trustee under the Indenture, with all applicable laws and regulations; and that the Trustee has the requisite organizational and legal power and authority to perform its obligations under the Indenture.

Subject to the foregoing and the other matters set forth herein, it is our opinion that as of the date hereof:

1. The execution and delivery of the Indenture has been duly authorized by all requisite action on part of BFC. Upon execution and delivery of the Indenture by BFC and HRB, and compliance with the procedures and provisions specified in the Indenture relating thereto, the issuance of the Securities of the several series will be duly authorized by BFC. When the Securities of the several series have been so authorized and executed by BFC, authenticated by the Trustee and delivered against payment therefor in accordance with the terms of the Indenture (and any supplemental indentures thereto) and as contemplated by the Registration Statement and applicable Prospectus Supplement, the Securities of such series will constitute legally valid and binding obligations of BFC, enforceable against BFC in accordance with their terms.

2. The execution and delivery of the Indenture has been duly authorized by all requisite action on part of HRB. Upon execution and delivery of the Indenture by HRB and BFC, and compliance with the procedures and provisions specified in the Indenture relating thereto, the Guarantee relating to issuance of the Securities of the several series will be duly authorized by HRB. When the Securities of the several series have been so authorized and executed by BFC, authenticated by the Trustee and delivered against payment therefor in accordance with the terms of the Indenture (and any supplemental indentures thereto) and as contemplated by the Registration Statement and applicable Prospectus Supplement, the Guarantee relating to the Securities of such series will constitute the legally valid and binding obligation of HRB, enforceable against HRB in accordance with its terms.

These opinions are subject to (i) applicable bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance or other laws now or hereafter in effect relating to or affecting creditors rights generally; (ii) general principles of equity (including without limitation, standards of materiality, good faith, fair dealing and reasonableness), and the possible unavailability of specific performance, injunctive relief and other equitable remedies, whether such principles or remedies are considered in a proceeding in equity or at law; and (iii) public policy limitations of enforceability of provisions relating to indemnification, contribution and/or waiver of rights and defenses.

This opinion is not rendered with respect to any laws other than the law of the States of Missouri and New York and the General Corporation Law of the State of Delaware as set forth in the latest codification of such laws available to us on the date hereof. We assume no responsibility as to the applicability or the effect of the laws, rules, or regulations of any other domestic or foreign jurisdiction on the subject transactions.

We consent to your filing this opinion as an exhibit to the Registration Statement and to the reference to our firm contained under the heading "Legal Matters" in the Prospectus constituting a part of the Registration Statement.

Very truly yours,

BRYAN CAVE LLP

REFUND ANTICIPATION LOAN PARTICIPATION AGREEMENT

THIS REFUND ANTICIPATION LOAN PARTICIPATION AGREEMENT (this "Agreement"), dated as of July 19, 1996, is made by and among BLOCK FINANCIAL CORPORATION, a Delaware corporation ("BFC"), BENEFICIAL NATIONAL BANK, a national banking association ("BNB"), and Beneficial Tax Masters, Inc., a Delaware corporation ("Tax Masters").

Recitals:

A. BNB and Tax Masters are parties to that certain Refund Anticipation Loan Operations Agreement with Beneficial Franchise Company, Inc., H&R Block Tax Services, Inc. ("Tax Services") and HRB Royalty, Inc. ("Royalty") of even date herewith (the "RAL Operations Agreement"), pursuant to which BNB is to make refund anticipation loans to customers of both Tax Services and its affiliates and certain franchisees of Royalty and its affiliates.

B. The parties hereto desire to enter into certain agreements relating to the purchase by BFC (or an affiliate banking institution) of a participation in refund anticipation loans made by BNB, and refund anticipation checks issued by BNB, to customers of both Tax Services and its affiliates and certain franchisees of Royalty and its affiliates.

The parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. As used in this Agreement, the following terms shall have the meaning set forth below:

"Accrual Period" shall have the meaning set forth in Section 2.4(b) of this Agreement.

"Adjustment Date" shall have the meaning set forth in Section 2.4(c).

"Affiliate" of any Person shall mean any other Person controlling, controlled by or under common control with such Person.

"Applicable Percentage" shall mean percentage set forth in for a particular Tax Period in Section 2.5.

"Applicable Tax Period" shall mean any of the ten consecutive Tax Periods commencing with and including the Tax Period beginning January 1, 1997 and ending with and including the Tax Period beginning January 1, 2006.

"Average Refund Balance" shall have the meaning set forth in Section 2.4(b) of this Agreement.

"BFC" shall mean Block Financial Corporation, a Delaware corporation.

"BNB" shall mean Beneficial National Bank, a national banking association.

"Base Purchase Price" shall have the meaning set forth in Section 2.3(a).

"Block Office" shall mean an office that operates under the "H&R Block" name and is open to the public for the preparation of tax returns.

"Budget Period" shall mean, with respect to any Tax Period, the period from January 1 before the commencement of such Tax Period to and including the following December 31.

"Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in Wilmington, Delaware are authorized or obligated by law or executive order to be closed.

"CPI" shall mean the index known as United States Department of Labor, U.S. Bureau of Labor Statistics, Consumer Price Index, United States City Average, All Items (1982-84=100), or if discontinued, the successor index that most closely approximates the foregoing index.

"Claim" shall have the meaning set forth in Section 6.2.

"Closing Date" shall mean with respect to a Participation Interest, the date on which such Participation Interest is sold to BFC pursuant to this Agreement.

"Collections" shall mean (i) all finally collected funds received by BNB or Tax Masters and applied to the Participated Pool RALs, whether such finally collected funds arise from receipt of cash, checks, wire transfers, ATM transfers, exercise of rights of offset or other form of payment, (ii) promissory notes and/or other evidence of indebtedness accepted by BNB or Tax Masters from or on behalf of Obligors in payment of Participated Pool RALs (in which case such Collection shall be deemed to be received by BNB or Tax Masters for purposes of this Agreement on the Business Day on which such promissory note or evidence of indebtedness was received by BNB or Tax Masters) and (iii) all fees charged by BNB to customers of Block Offices for issuing Pool RACs (in which case such Collection shall be deemed to be received by BNB for purposes of this Agreement on the Business Day on which such RAC is delivered to the customer).

"Corporate Pool RAL" shall have the meaning given such term in the definition of "Pool RAL."

= "Corporate Satellite" shall mean a Person authorized directly by Tax Services (or an Affiliate of Tax Services) pursuant to a satellite franchise agreement to operate a Block Office. "Corporate Satellite" does not

include a Person authorized by a

Major Franchise Agreement with Block (or an Affiliate of Block) to operate a Block Office and subfranchise others to operate a Block Office within a specified territory.

"Defaulted Pool RAL" shall mean each Participated Pool RAL with respect to which, in accordance with the RAL Guidelines and BNB's and Tax Masters' customary and usual servicing procedures for refund anticipation loans, BNB or Tax Masters has charged off as uncollectible.

"Eligible RAL" shall mean each Pool RAL:

(a) that was created in compliance on the part of BNB, in all material respects, with the RAL Operations Agreement (or a Major Franchisee RAL Agreement, as the case may be) and the federal Equal Credit Opportunity Act, 15 U.S.C. ss.ss. 1691 et. seq.;

(b) (i) as to which any blank preprinted form of disclosure statement supplied by BNB to the tax preparation office at which such Pool RAL was originated for use in connection with the origination of such Pool RAL complied, as to form (subject to proper completion), with the requirements of the federal Truth-in-Lending Act, 15 U.S.C. ss.ss. 1601 et seq. ("TILA") (it being understood that the foregoing shall not be deemed a warranty by BNB that such form has been properly completed) and (i) that was created in compliance with the other requirements of TILA; and

(c) as to which, at the time of the sale of the Participation Interest in such Pool RAL to BFC, BNB or Tax Masters had good and marketable title thereto free and clear of all Liens arising under or through BNB or any of its Affiliates.

"Excluded RAL" shall have the meaning set forth in Section

5.2.

"Governmental Authority" shall mean the United States of America, any state or other political subdivision thereof and any entity exercising executive, legislative judicial, regulatory or administrative functions pertaining to government.

"Ineligible RAL" shall have the meaning set forth in Section 4.4(c).

"Initial Periodic Servicing Fee Percentage" shall mean the Periodic Servicing Fee Percentage initially determined for a particular Budget Period pursuant to Section 2.4(a)(iii).

"Initial Purchase Price" shall mean the initial purchase price for a Participation Interest to be paid by BFC to BNB as calculated pursuant to

Section 2.3 of this Agreement.

"Lien" shall mean any pledge, hypothecation, assignment, encumbrance, security interest, lien (statutory or other) or other security agreement of any kind or nature whatsoever, including (without limitation) any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing.

"Major Franchisee" shall mean the Person authorized by a major franchise agreement with Tax Services (or an Affiliate of Tax Services) to operate a Block Office and to subfranchise others to operate a Block Office within a specified territory.

"Major Franchisee Pool RAL" shall have the meaning given such term in the definition of "Pool RAL."

"Major Franchisee RAL Agreement" shall mean an agreement from time to time between BNB (and/or any one or more Affiliates of BNB) and a Major Franchisee pursuant to which BNB may make refund anticipation loans to customers of Block Offices of such Major Franchisee or its subfranchisees, as the same may be amended, modified or supplemented from time to time.

"Notifying Party" shall have the meaning set forth in Section 5.2.

"Obligor" shall mean, with respect to any RAL, the Person or Persons obligated to make payments to BNB (or an Affiliate of BNB) with respect to such RAL.

"Origination Fee Adjustment" shall have the meaning set forth in Section 2.3(b) of this Agreement.

"Origination Fees" shall mean the license fees paid or payable to Tax Services, a Corporate Satellite, a Major Franchisee or a subfranchisee of a Major Franchisee as a result of the making of a Pool RAL or a Pool RAC, which are paid or payable contemporaneously with or shortly after the making of such RAL or Pool RAC.

"Originator Party" shall mean any Person or entity through whom Pool RALs or Pool RACs are made or serviced, and any other Person or entity that prepares or arranges for the preparation of a tax return for a Pool RAL or Pool RAC customer, or that files, makes or transmits or assists or arranges for the filing, making or transmission of any such tax return, refund request or Pool RAL or Pool RAC or request, or that acts as a network or service bureau in connection with any of the foregoing, or that owns, distributes, licenses or otherwise has an interest in any software or other intellectual property used in connection with any of the foregoing or in any trademark, service mark or brand name under which Pool RALs or Pool RACs are promoted.

"Participated Pool RAL" shall mean any Pool RAL in which a

Participation Interest has been sold to BFC pursuant to Section 2.1 and has not been reassigned to BNB or Tax Masters or repurchased by BNB or Tax Masters pursuant to this Agreement.

"Participation Interest" shall have the meaning set forth in Section 2.1 of this Agreement.

"Periodic Servicing Compensation" for a Budget Period shall be equal to (i) the sum, for all Participated Pool RALs made during the corresponding Tax Period, of the Servicing Adjustments paid by BFC for the Participation Interests corresponding to

such Participated Pool RALs, plus (ii) any amount paid by BFC to BNB during such Budget Period pursuant to Section 2.4(c)(i), minus (iii) any amount paid by BNB to BFC during such Budget Period pursuant to Section 2.4(c)(i).

"Periodic Servicing Fee Percentage" shall mean the Required Servicing Compensation for a Tax Period, divided by the aggregate Principal Amount of Participated Pool RALs made in such Tax Period, as determined initially pursuant to Section 2.4(a) and adjusted from time to time pursuant to Section 2.4(b).

"Person" shall mean any legal person, including any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, governmental entity or other entity of similar nature.

"Pool RAC" shall mean any RAC issued by BNB through a Block Office owned by Tax Services, a Corporate Satellite, a Major Franchisee (or a subfranchisee of a Major Franchisee) or any of their Affiliates.

"Pool RAL" shall mean (a) any RAL made by BNB through a Block Office owned by Tax Services, a Corporate Satellite or either of their Affiliates, pursuant to or under color of (i) the RAL Operations Agreement or (ii) a referral to BNB by Tax Services, such Corporate Satellite or such Affiliates of an Obligor whose federal income tax return was filed electronically by Tax Services, such Corporate Satellite or such Affiliates pursuant to a contractual electronic filing arrangement with any other Person (a RAL described in this subclause (a) may hereinafter be referred to as a "Corporate Pool RAL") and (b) any RAL made during any Tax Period that is a RAC Service Period, through a Block Office owned by a Major Franchisee or a subfranchisee of a Major Franchisee, pursuant to or under color of (i) a Major Franchisee RAL Agreement or (ii) a referral to BNB by a Major Franchisee (or a subfranchisee of such Major Franchisee) of an Obligor whose federal income tax return was filed electronically by such Major Franchisee (or subfranchisee of such Major Franchisee) pursuant to a contractual electronic filing arrangement between such Major Franchisee (or subfranchisee) and any other Person (a RAL described in this subclause (b) may hereinafter be referred to as a "Major Franchisee Pool RAL").

"Principal Amount" of a RAL shall have the meaning given that term in the definition of "RAL."

"Qualified Expenses" shall mean all direct expenditures incurred in good faith by BNB or any of its Affiliates in connection with ordinary and routine origination and servicing of Participated Pool RALs and Pool RACs or the performance of BNB's and Tax Masters' obligations hereunder (other than the cost of repurchasing Participation Interests as required by Sections 4.3 or 4.4) or the RAL Operations Agreement (or a Major Franchisee RAL Agreement, as the case may be), including (without limitation) fees and amounts paid or payable to Originator Parties, salaries, employee benefits, data processing costs, depreciation, equipment rent, equipment maintenance, space rent, maintenance, credit reports, legal forms and supplies, non-litigation legal expenses, telephone and telegraph, postage, delivery charges, travel, purchased services and systems, professional and consulting, external staff training and other personnel-related expenses, advertising, sales promotion, collection, systems,

systems development, check clearing, cash management, software purchase,

licensing or development, fees of licensing service marks, trademarks or other intellectual property, the costs of obtaining the accountant's report obtained pursuant to Section 2.4(f) and data processing expenses; provided, however, that Qualified Expenses shall not include (i) any bad debt expense pertaining to any Participated Pool RAL, (ii) Origination Fees, to the extent duplicative of amounts as to which BFC has paid its proportionate share pursuant to the Origination Fee Adjustment, (iii) any allocated expenses not related directly to the origination of Participated Pool RALs or the making of Pool RACs, the ordinary and routine servicing of Participated Pool RALs or the performance by BNB or any of its Affiliates of BNB's and Tax Masters' obligations under this Agreement or the RAL Operations Agreement (or a Major Franchisee RAL Agreement, as the case may be), whether such expenses are allocated internally by BNB or allocated to BNB by any of its Affiliates, (iv) interest expense incurred by BNB or any of its Affiliates in connection with funding the portion of Participated Pool RALs that was not sold to, and purchased by BFC, (v) any expenses pertaining to BNB's fraud service bureau to the extent BNB receives reimbursement of such expenses by Persons other than BFC or its Affiliates, (vi) collection costs or expenses with respect to delinquent Participated Pool RALs with respect to which BNB (or any Affiliate of BNB) receives a collection fee pursuant to Section 3.4, (vii) allocations of corporate overhead expenses (including, without limitation, corporate management salaries and benefits and depreciation of general plant and equipment not specifically related to the origination and servicing of Participated Pool RALs), (viii) any cost or expense for which BNB or its Affiliates are reimbursed by a third party (other than an Affiliate of BNB) (including, without limitation, costs or expenses for which BNB is reimbursed by Tax Services pursuant to the indemnification provisions of the RAL Operating Agreement) or (ix) any expenditures for goods or services procured by BNB or any of its Affiliates that are not related directly to the origination of Participated Pool RALs, the making of Pool RACs or the performance by BNB or any of its Affiliates of its obligations under this Agreement or the RAL Operations Agreement (or a Major Franchisee RAL Agreement,

as the case may be).

In the event any expenditure that pertains to more than one Budget Period or should be capitalized and amortized or depreciated over more than one Budget Period in accordance with generally accepted accounting principles, such expenditure shall be capitalized and included in Qualified Expenses for a Budget Period only to the extent that such capitalized expenditure is (or should be) amortized or depreciated during such Budget Period in accordance with generally accepted accounting principles.

Qualified Expenses shall be allocated to Participated Pool RALs for a Budget Period on the following basis (it being understood that, to the extent that the operating unit of BNB or its Affiliates that originates and services RALs and makes RACs also deals with other electronic filing derivative products, BNB shall allocate as Qualified Expenses only the expenses of such unit that are otherwise Qualified Expenses) as it estimates in good faith are allocable to RALs and RACs and not to other electronic filing derivative products): (x) all permitted expenses as described above of BNB and its Affiliates for RALs and RACs of all types (whether or not Pool RALs or Pool RACs) during a Budget Period shall be aggregated, (y) the result shall be divided by the total number of RALs and RACs of all types made by BNB and its Affiliates during the

corresponding Tax Period (except that RACs shall not be part of this denominator with respect to a Tax Period that is not a RAC Service Period), and (z) the result shall be multiplied by the number of RALs and RACs made by BNB and its Affiliates during such Tax Period that are Participated Pool RALs and Pool RACs (and such result shall be deemed the Qualified Expenses allocable to Participated Pool RALs and Pool RACs for such Budget Period). An illustrative example of the allocation of Qualified Expenses to Participated Pool RALs and Participated Pool RACs is set forth in Exhibit B attached hereto.

"RAC" means a check issued by BNB and delivered to a taxpayer pursuant to the Refund Anticipation Check Service.

"RAC Service Period" shall have the meaning set forth in Section 2.5.

"RAL" shall mean any refund anticipation loan from time to

time made by BNB.

(a) The "Principal Amount" of a RAL shall mean the aggregate amount paid or payable by BNB to or for the account of an Obligor in connection with a RAL, and shall in any event include (i) the amount of any check issued or authorized to be issued by BNB to the order of any such Obligor, and (ii) any amounts paid or payable by BNB for the account of Obligor to any Originator Party, the Internal Revenue Service or any other Person (whether or not BNB has a right, contingent or otherwise, to withhold or retain any portion of such amount). The "Principal Amount" of a RAL shall not include the financing fee payable

by such Obligor to BNB for such RAL. Each of the foregoing elements of a RAL shall be deemed to be made for purposes of this Agreement on the Business Day on which BNB deposits funds into the bank account used by BNB for the disbursement of RALs for such RAL and such fact has been recorded in the computer files BNB uses for administering RALs.

(b) "RAL" and "Principal Amount" of a RAL, shall also include any payment made at any time by BNB on any lost, altered or stopped check issued by or on behalf of BNB in connection with a RAL described in paragraph (a) (the "Underlying RAL") as well as any payment by BNB on any replacement item issued in connection with any such lost or stopped check (or issued in connection with any such replacement item). Payments on any RAL described in this paragraph (b) shall be deemed to be made for purposes of this Agreement on the Business Day when payment is made by BNB on such item and such fact has been recorded in the computer files BNB uses for administering RALs.

"RAL Operations Agreement" shall have the meaning set forth in Recital A of this Agreement.

"RAL Guidelines" shall mean BNB's policies and procedures from time to time relating to the operation of its refund anticipation loan business, including (without limitation) the policies and procedures for determining the credit worthiness of refund anticipation loan customers, the extension of credit to refund anticipation loan customers and relating to the collection and charge off of refund anticipation loans.

"Reassignment Amount" shall have the meaning set forth in Section 4.3.

"Reassignment Date" shall have the meaning set forth in Section 4.3.

"Refund Anticipation Check Service" shall mean a service pursuant to which a check in the amount of a taxpayer's federal income tax refund (less the sum of (i) fees charged for the making of the check, (ii) tax preparation and electronic filing fees and (iii) other properly withheld amounts) is delivered to a taxpayer on account of a direct deposit refund (other than in connection with a RAL made in advance of receipt of the related refund). "Refund Anticipation Check Service" includes the delivery of a direct deposit refund check to a taxpayer in connection with such taxpayer's denied RAL application).

"Repurchase Value" of a Participated Pool RAL at any time shall mean the Principal Amount of such Participated Pool RAL less any Collections received with respect to such Participated Pool RAL.

"Required Servicing Compensation" means the amount of compensation BNB is entitled to receive for originating and servicing Participated Pool RALs and Pool RACs for a particular Budget Period as computed

pursuant to Section 2.4(a)(iv).

"Servicing Adjustment" shall have the meaning set forth in Section 2.3(c) of this Agreement.

"Tax Period" for any year shall mean the period from and including January 1 of such year to and including August 15 of such year.

"Tax Services" shall mean H&R Block Tax Services, Inc., a Missouri corporation.

"UCC" shall mean the Uniform Commercial Code, as amended from time to time, as in effect in any specified jurisdiction.

"Underlying RAL" shall have the meaning given that term in the definition of "RAL."

Section 1.2 Other Definitional Provisions. Unless the context of this Agreement otherwise clearly requires, references to the plural include the singular, the singular the plural and the part the plural. The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; and Section and subsection references contained in this Agreement are references to Sections and subsections in this Agreement unless otherwise specified.

ARTICLE II

PURCHASE AND SALE OF INTERESTS IN POOL RALS; PURCHASE PRICE

Section 2.1. Purchase and Sale of Participation Interests in Pool RALs.

(a) Purchase and Sale. Subject to the conditions set forth in this Agreement, BNB and Tax Masters agree to sell to BFC, and BFC agrees to purchase from BNB and Tax Masters, from time to time, an undivided ownership interest in, and in an amount equal to the Applicable Percentage of, all of BNB's and Tax Masters' right, title and interest in and to each Pool RAL hereafter created, including all monies due or to become due with respect thereto and all Collections pertaining thereto and other proceeds (as defined in the UCC as in effect in the State of Delaware) thereof (a "Participation Interest"). Subject to the conditions set forth herein BFC agrees to pay for, purchase and accept all Participation Interests from time to time as provided herein. Except for the representations and warranties expressly made by BNB in this Agreement, Participation Interests (and acquisition thereof by BFC) shall be without recourse to, or representation or warranty by, BNB and Tax Masters.

(b) The conveyance by BNB and Tax Masters to BFC of a Participation Interest in a Pool RAL shall be deemed to occur at the time when BNB receives in full payment from BFC of the Initial Purchase Price in respect

to such Participation Interest corresponding to such Participated Pool RAL and all other Participated Pool RALs of BNB arising on the same day. Upon such conveyance, BFC shall be considered to be the owner, to the extent of the Applicable Percentage, of a Participation Interest in such Pool RAL. The parties intend that if and to the extent that any conveyance of a Participation Interest in a Pool RAL is not deemed a sale of a Participation Interest, BNB and Tax Masters shall be deemed to have granted to BFC a security interest in the Participation Interest that was purportedly conveyed and that this Agreement shall constitute a security agreement under applicable law. BNB and Tax Masters agree to execute such financing and continuation statements, for filing in the State of Delaware as BFC may from time to time reasonably request with respect to Participation Interests hereafter created or arising.

Section 2.2. Procedure. Each Business Day not later than 9:00 a.m., Wilmington time, BNB shall give notice to BFC (which notice may be by telephone) of the number and Principal Amount of Pool RALs made by BNB on the preceding Business Day (it being understood that, for such purpose, a Pool RAL shall be deemed to be made at the time set forth in the definition of "RAL" in this Agreement), together with the Initial Purchase Price for the Participation Interest corresponding to such Pool RALs. Not later than 4:00 p.m., Wilmington time, on such Business Day, BFC shall pay to BNB the full amount of such Initial Purchase Price. Such payment shall be made to BNB at such domestic account designated by BNB by notice to BFC from time to time, in United States dollars and in funds immediately available at such office at such time, without setoff, withholding, counterclaim or other deduction of any nature whatsoever.

Section 2.3. Initial Purchase Price. The Initial Purchase Price for a Participation Interest shall be equal to the sum of:

(a) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

(b) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

(c) {CONFIDENTIAL PORTIIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

An illustrative example of the Initial Purchase Price Formula is set forth in Exhibit A attached hereto. The purchase price for Participation Interests shall be adjusted as provided in this Agreement, including Sections 2.4(b) through (d) of this Agreement.

Section 2.4. Determination and Adjustment of Periodic Servicing Fee Percentage; Adjustment of the Purchase Price.

(a) Determination of Initial Periodic Servicing Fee Percentage. The Initial Periodic Servicing Fee Percentage shall be determined in the following manner:

(i) Preparation of Annual Budget and Initial Periodic Servicing Fee Percentage Calculation. BNB shall, after consultation with BFC, not later than September 15 before the beginning of each Tax Period, provide BFC with written notice of (A) its best preliminary estimate of the aggregate Principal Amount of Pool RALs and the number of Pool RACs to be made by BNB during such forthcoming Tax Period, (B) a budget of Qualified Expenses (which shall take into account the estimated Pool RAL volume and Pool RAC volume) and (C) a preliminary calculation of the Required Servicing Compensation and the Initial Periodic Servicing Fee Percentage (each of which shall be calculated pursuant to Sections 2.4(a) (iii) and (iv) and shall be based upon the estimate and budget referred to in this subclause (i)). The budget of Qualified Expenses shall list in reasonable detail by category Qualified Expenses it expects to incur during the Budget Period relating to such Tax Period in connection with BNB's origination, making and/or ordinary and routine servicing of the Pool RALs and Pool RACs expected by BNB to be made during such Tax Period. An illustrative example of the allocation of Qualified Expenses to Participated Pool RALs and Participated Pool RACs is set forth in Exhibit B attached hereto.

(ii) Review of Annual Budget by BFC. BFC shall have the right, for a period of 45 days from and after the date it has received from BNB the items referred to in Section 2.4(a)(i), to review such items and suggest subcontracting specified servicing functions contemplated by the budget that, in the belief of BFC, may be performed more economically that is contemplated by such budget. In such event, BFC and BNB shall solicit three bids from qualified subcontractors of nationally recognized standing selected by BNB and BFC to perform such functions. BNB shall either engage the subcontractor that submits the lowest bid or perform such function at the cost of the average of the three bids submitted by such subcontractors. BNB shall revise such budget accordingly.

(iii) Calculation of Initial Servicing Fee Percentage. The Initial Servicing Fee Percentage for a Tax Period shall be equal to (A)

{CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

An illustrative example of the Initial Servicing Fee Percentage Formula is set forth in Exhibit C attached hereto.

(iv) Calculation of Required Servicing Compensation. The Required Servicing Compensation for a Budget Period shall be equal to the sum of

(A) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

(B) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

The adjustment referred to in subclause (A) of the preceding sentence for each Tax Period beginning on or after January 1, 1998 shall be made as follows: for such Tax Period, in lieu of $2.00, the amount referred to in clause (A) of the preceding sentence shall be $2.00 times a fraction, the numerator of which shall be the average CPI for the June, July and August preceding the beginning of such Tax Period, and the denominator of which shall be the average CPI for the months of June July and August 1996.

For all purposes of calculating the Required Servicing Compensation, only RALs of the type described in paragraph (a) of the definition of RAL shall be counted as Participated Pool RALs and each Pool RAL in which a Participation Interest was purchased and sold pursuant to this Agreement during a Tax Period shall be counted as a Participated Pool RAL made during such Tax Period.

An illustrative example of the Required Servicing Compensation Formula is set forth in Exhibit D attached hereto.

(b) Periodic Adjustment of the Servicing Fee Percentage. At any time and from time to time during a Budget Period, BNB may in its discretion, and shall at the reasonable request of BFC, review its then-current estimate of its Qualified Expenses for such Budget Period and of the volume of Participated Pool RALs during the related Tax Period. Following such review, BNB shall, by notice to BFC, increase or reduce the Periodic Servicing Fee Percentage, effective two Business Days after the giving of such notice, by such amount as BNB in good faith estimates is appropriate to reduce the next forthcoming settlement referred to in Sections 2.4(c)(i) or 2.4(c)(ii), as the case may be, to as small an amount as possible. If such adjustment results in a refund payable to BFC pursuant to Sections 2.4(c)(i) or 2.4(c)(ii) in an amount in excess of $100,000, BNB shall pay BFC interest on the Average Refund Balance at a rate of interest equal to BNB's prime rate of interest, fluctuating daily, in effect during the period commencing on the later of January 15 of the related Tax Period or the date of the most recent adjustment of the Periodic Servicing Fee Percentage pursuant to this Section 2.4(b) and ending on the date such refund is paid to BFC (the "Accrual Period"). Such interest shall accrue during the term of the Accrual Period. As used herein, "Average Refund

Balance" shall mean an average weighted daily balance of the amount by which such refund exceeds $100,000, assuming such excess accrues ratably during the term of the Accrual Period. An illustrative example of the Periodic Adjustment of the Servicing Fee Percentage is set forth in Exhibit E attached hereto.

(c) Adjustment of Servicing Compensation to Required Servicing Compensation.

(i) Interim Servicing Compensation Adjustment. On a date (the "Adjustment Date") selected by BNB, such Adjustment Date being not later than 30 days after the end of each Tax Period, BNB shall calculate and provide to BFC, in reasonable detail and, to the extent

possible, in a format consistent with that used to prepare the annual budget, a calculation of BNB's Qualified Expenses accrued through the end of such Tax Period. BNB shall also calculate and provide to BFC notice of the Required Servicing Compensation accrued through the end of such Tax Period (calculated as if such Budget Period had ended on such date) and the Periodic Servicing Compensation paid through the end of such Tax Period. If such Required Servicing Compensation is greater than such Periodic Servicing Compensation, BFC shall pay the excess to BNB. If such Required Servicing Compensation is less than such Periodic Servicing Compensation, BNB shall pay the excess to BFC. An illustrative example of the foregoing adjustment is set forth in Exhibit F attached hereto.

(ii) Final Servicing Compensation Adjustment. Not later than December 15 following any Budget Period, BNB shall calculate and provide to BFC, in reasonable detail and, to the extent possible, in a format consistent with that used to prepare the annual budget, a calculation of BNB's Qualified Expenses for the preceding Budget Period. BNB shall also calculate and provide to BFC notice of the Required Servicing Compensation for such Budget Period and the Periodic Servicing Compensation for such Budget Period. If such Required Servicing Compensation is greater than such Periodic Servicing Compensation, BFC shall pay the excess to BNB. If such Required Servicing Compensation is less than such Periodic Servicing Compensation, BNB shall pay the excess to BFC. An illustrative example of the foregoing adjustment is set forth in Exhibit G attached hereto.

(d) Float Adjustment. Concurrently with the payment of the settlement referred to in Section 2.4(c)(i), BNB shall pay to BFC an amount equal to the product of $.50 times the number of Pool RACs (other than Pool RACs issued through a Block Office owned by a Major Franchisee or a subfranchisee of a Major Franchisee) issued during the Tax Period with respect to which such settlement relates. Such amount shall be offset against the amount, if any, owed by BFC to BNB under Section 2.4(c)(i) so that only a net amount shall be owed under such Section 2.4(c)(i) and this Section 2.4(d).

(e) General Adjustment Payment Provisions. Payments under Sections 2.4(c) and 2.4(d) shall be due and payable by wire transfer not later than 2:00 p.m., Wilmington time, five Business Days after notice from BNB setting forth such calculations, and such payment shall be deemed an adjustment to the purchase price of the Participation Interests relating to Pool RALs made during the foregoing Tax Period.

(f) Accountants' Report. At the request of BFC (but no more often than annually), on or before June 30 of each year, BNB shall obtain from its independent certified public accountants a special report (in such form and subject to such assumptions, limitations and qualifications as such accountants generally require for special reports of such type) that shall, in effect state that the amounts calculated for the previous Tax Period under clause (c)(ii) above are in compliance with this Agreement or stating the nature of any

variance from this Agreement.

(g) Information About Servicing Costs. BNB shall provide BFC with all information reasonably requested by BFC from time to time about BNB's cost accounting methods pertaining to the making of RACs and the servicing and collection of Pool RALs and other RALs, and about the costs and expenses incurred by BNB from time to time pertaining to the servicing and collection of Pool RALs and other RALs. BFC shall have the right from time to time, at its expense, upon reasonable advance notice, to cause a firm of nationally recognized independent accountants selected by it to examine and verify such information.

(h) Arbitration. Any dispute or controversy between BFC and BNB involving the determination and/or the calculation of the Servicing Adjustment, the Initial Periodic Servicing Fee Percentage, the Required Servicing Compensation, the Periodic Servicing Fee Percentage, Periodic Servicing Compensation and/or Qualified Expenses, or any other dispute or controversy or relating to the calculations or determinations made pursuant to this Section 2.4, shall be submitted to, and settled by, arbitration in accordance with the provisions of this paragraph (h) and the rules of the American Arbitration Association (except as herein specifically otherwise stated or amplified). The arbitrator in the arbitration provided for in this paragraph (h) shall be an independent public accounting firm of nationally recognized standing that (A) is qualified under the rules of the American Arbitration Association, (B) has not provided audit services to either BFC, BNB or any of their Affiliates during the immediately preceding two calendar years and (C) has not been engaged by either BFC or BNB to provide audit services for the current fiscal current year of either party. BFC shall select two independent public accounting firms that qualify under the preceding sentence and shall submit the name of such firms to BNB, which in turn designate one of such firms as the arbitrator. The decision of the arbitrator shall be final, binding, conclusive and nonappealable. Each party shall make such records available to the arbitrator as shall be necessary for such arbitrator to render a decision. Other

than attorneys' fees and expenses (which shall be borne by the party incurring the same), the costs of the arbitration shall be borne equally by BFC and BNB.

Section 2.5. Applicable Percentages. The Applicable Percentage for Corporate Pool RALs shall be 40%; provided, however, the Applicable Percentage for Corporate Pool RALs shall be 49.999999% for each Tax Period during which BNB (or any of its Affiliates) is the exclusive provider of a Refund Anticipation Check Service to customers of Block Offices owned by Tax Services, its Corporate Satellites and any of their respective Affiliates (a "RAC Service Period"). The Applicable Percentage for Major Franchisee Pool RALs shall be 25% or such lesser percentage amounts provided for by Section 7.2 (it being understood that the Applicable Percentage for Major Franchisee Pool RALS may vary by Major Franchisee). Notwithstanding the foregoing

provisions of this Section 2.5, any Applicable Percentage for a particular Tax Period may be such lesser percentage as specified by BFC by giving written notice to BNB on or before the September 1 immediately prior to such Tax Period

(it being understood that (i) such lesser percentage shall pertain only to the applicable Tax Period and (ii) if no such notice is given for a particular Tax Period, the Applicable Percentages shall be the percentages as set forth in this Section 2.5).

ARTICLE III

SERVICING, ADMINISTRATION AND COLLECTION OF POOL RALS

Section 3.1. Servicing and Administration of Participated Pool RALs. BNB shall underwrite, service and administer the Participated Pool RALs and shall collect payments due under the Participated Pool RALs in accordance with its customary and usual servicing procedures for servicing refund anticipation loans made by BNB through Block Offices and in accordance with the RAL Guidelines. BNB shall, subject to the terms of this Section 3.1, have full power and authority, acting alone or through any party properly designated by it hereunder, to do any and all things in connection with such servicing and administration that it may deem necessary or desirable. Without limiting the generality of the foregoing, BNB is hereby authorized and empowered to execute and deliver, on behalf of BFC, any and all instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments, with respect to the Participated Pool RALs and, after the delinquency of any Participated Pool RAL and to the extent permitted under and in compliance with applicable law and regulations, to commence enforcement proceedings with respect to such Participated Pool RALs. In addition, without limiting the generality of the foregoing, BNB is hereby authorized and empowered, in the ordinary course of collecting any Defaulted Pool RAL, to sell or transfer such Defaulted Pool RAL free and clear of any interest of BFC (proceeds of such sale or transfer being treated as Collections for purposes of Section 3.2). BFC shall furnish BNB with any documents necessary or appropriate to enable BNB to carry out its servicing and administrative duties hereunder. BNB shall not be obligated to use servicing procedures, offices, employees or accounts for servicing the Participated Pool RALs that are separate from the procedures, offices, employees and accounts used by BNB in connection with servicing other refund anticipation loans.

Section 3.2. Collections. On each Business Day not later than 4:00 p.m., Wilmington time, BNB shall distribute the Applicable Percentage in all Collections with respect to each Participated Pool RAL received by BNB (or any of its Affiliates) on the preceding Business Day (less collection fees payable by BFC to BNB or BNB's Affiliates pursuant to Section 3.4). Such distribution shall be made to BFC at such domestic account designated by BFC by notice to BNB from time to time, in United States dollars and in funds immediately available at such office at such time, without setoff, withholding, counterclaim or other deduction of any nature whatsoever and regardless of the form of Collection received by BNB (or any of its Affiliates).

Section 3.3. Reports and Records for BFC.

(a) Daily Reports. On each Business Day during an Applicable Tax Period, BNB shall prepare and forward to BFC a report setting forth (i) the aggregate

amount of Collections processed by BNB (or any of its Affiliates) with respect to Participated Pool RALs on the preceding Business Day and BFC's share thereof, (ii) the number of, and aggregate outstanding amount of, Participated Pool RALs as of the close of business on the preceding Business Day and BFC's share thereof and (iii) the number of Pool RACs made by BNB on the preceding Business Day and BFC's share of RAC fees pertaining thereto. BNB shall at all times maintain its computer files with respect to Pool RACs and Participated Pool RALs in such a manner so that Pool RACs and Participated Pool RALs may be specifically identified.

(b) Monthly Reports. On the 8th day of each calendar month, or if such day is not a Business Day, the immediately preceding Business Day, BNB shall forward to BFC a report setting forth (i) the aggregate amount of Collections processed with respect to Participated Pool RALs during the preceding calendar month and BFC's share thereof, (ii) the aggregate amount of Participated Pool RALs outstanding as of the end of the last day of the preceding calendar month and BFC's share thereof, (iii) an aging of Participated Pool RALs outstanding as of the end of the last day of the preceding calendar month, (iv) the aggregate Defaulted Pool RALs as of the end of the last day of the preceding calendar month and BFC's share thereof, (v) the number of Pool RACs made during the preceding calendar month and BFC's share of Collections pertaining thereto and (vi) the aggregate Participated Pool RALs that are not Defaulted Pool RALs but with respect to which payment has not been received within 30 days after such Participated Pool RALs were made by BNB and BFC's share thereof. Such report shall be accompanied by an Officer's Certificate, stating that to the best of such officer's knowledge such report is complete and accurate.

(c) Independent Accountants' Reports. BFC may cause a firm of nationally recognized independent accountants (who may also render services to BNB) to furnish, at the expense of BFC, a report to BFC and BNB to the effect that such firm has made a study and evaluation of BNB's internal accounting controls relative to the making of Pool RACs and servicing of Participated Pool RALs under this Agreement, and that, on the basis of such study and evaluation, such firm is of the opinion (assuming the accuracy of any reports generated by BNB's third party agents) that the system of internal accounting controls in effect on the date set forth in such report relating to servicing procedures performed by BNB pursuant to the terms of this Agreement, taken as a whole, was sufficient for the prevention and detection of errors for such exceptions, errors or irregularities as such firm shall believe to be immaterial to the financial statements of BNB and such other exceptions, errors or irregularities as shall be set forth in such report.

Section 3.4. Collection Fee for Defaulted Pool RALs. BFC shall pay to BNB a collection fee in amount equal to the Applicable Percentage with respect to a Defaulted Pool RAL, times 25% of the Principal Amount of each Defaulted Pool RAL collected by collection offices of BNB or any of its Affiliates. Such fee shall be paid in the form of a deduction from Collections remitted to BNB (or an Affiliate of BNB) pursuant to Section 3.2 pertaining to such Participated Pool RAL.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1. General Representations and Warranties of BNB and Tax Masters. BNB and Tax Masters each hereby represents and warrants to BFC as of the date hereof (which representations and warranties shall survive any purchase and sale of Participation Interests pursuant to this Agreement):

(a) Organization and Good Standing. BNB is a national banking association duly organized and validly existing under the laws of the United States with its principal banking office located in the State of Delaware and has full corporate power and authority to own its properties and conduct its business as such properties are presently

owned and such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement. Tax Masters is a corporation duly organized and validly existing under the laws of the State of Delaware and has full corporate power and authority to own its properties and conduct its business as such properties are presently owned and such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement.

(b) Due Authorization. The execution and delivery of this Agreement and the consummation of the transactions provided for in this Agreement have been duly authorized by BNB and Tax Masters by all necessary corporate action on their part and this Agreement will remain, from the time of its execution, an official record of BNB.

(c) No Conflict. The execution and delivery of this Agreement, the performance of the transactions contemplated by this Agreement and the fulfillment of the terms hereof will not conflict with, result in any breach of the material terms and provisions of, or constitute (with or without notice or lapse of time or both) a material default under, any indenture, contract, agreement mortgage, deed of trust, or other instrument to which BNB or Tax Masters is a party or by which either of them or any of their properties are bound.

(d) BNB's Deposit Accounts. Deposits in BNB's deposit accounts are insured to the limits provided by law by the Bank Insurance Fund administered by the Federal Deposit Insurance Corporation.

Section 4.2. Representations and Warranties of BNB and Tax Masters Relating to the Participated Pool RALs. BNB and Tax Masters each hereby represents and warrants to BFC as of each Closing Date (which representations and warranties shall survive any purchase and sale of Participation Interests pursuant to this Agreement):

(a) Eligible RAL. Each Participated Pool RAL is an Eligible RAL as of the Closing Date relating to the Participation Interest sold to BFC with respect to such Participated Pool RAL.

(b) Title. Each sale of a Participation Interest by BNB and Tax Masters to BFC on such Closing Date constitutes either (i) a valid transfer, assignment, set over and conveyance to BFC of all right, title and interest of BNB and/or Tax Masters in and to such Participation Interest (and the Applicable Percentage in the underlying Pool RAL), free and clear of any Lien of any Person claiming through or under BNB, Tax Masters or any of their Affiliates or (ii) a grant of a security interest (as defined in the UCC as in effect in the State of Delaware) in each Participation Interest purportedly conveyed pursuant to such sale. Neither BNB or Tax Masters nor any Person claiming through or under BNB or Tax Masters shall have any claim to or interest in such Participation Interest, except for the interest of BNB and/or Tax Masters therein as a debtor for purposes of the UCC as in effect in the State of Delaware.

(c) Principal Office. BNB is a national banking association duly organized and validly existing under the laws of the United States with its principal banking office located in the State of Delaware.

Section 4.3. Reassignment of Trust Portfolio. In the event of a breach of any of the representations and warranties set forth in Section 4.1, BFC may by notice then given in writing to BNB direct BNB and/or Tax Masters to accept reassignment of the Participation Interests within 30 days of such notice (or within such longer period as may be specified in such notice but in no event later than 120 days), and BNB and/or Tax Masters shall be obligated to accept reassignment of the Participation Interests on a date specified by BNB (the "Reassignment Date") occurring within such applicable period on the terms and conditions set forth below; provided, however, that no such reassignment shall be required to be made if, at any time during such applicable period, the representations and warranties contained in Section 4.1 shall then be true and correct in all material respects. In connection with such reassignment, BNB and/or Tax Masters shall remit to BFC on the Reassignment Date an amount equal to the aggregate of the respective Applicable Percentages of the Repurchase

Values of each Participated Pool RAL (the "Reassignment Amount"). Such remittance shall be made to BFC at such domestic account designated by BFC by notice to BNB, in United States dollars and in funds immediately available at such office at such time, without setoff, withholding, counterclaim or other deduction of any nature whatsoever. Except as provided in Section 5.1, the obligation of BNB and/or Tax Masters to purchase the Participation Interests in accordance with this Section 4.3 shall constitute the sole remedy respecting any breach of the representations and warranties set forth in Section 4.1 available to BFC.

On the date on which the Reassignment Amount has been paid to BFC, the Participation Interests in the uncollected Participated Pool RALs, all monies due or to become due with respect thereto and all proceeds thereof shall be released to BNB and/or Tax Masters, or their designee or assignee, and BFC shall execute and deliver such instruments of transfer or assignment, in each case without recourse, representation or warranty (except only for the warranty

that since the date of sale by BNB to BFC, BFC has not sold, transferred or encumbered any such Participated Pool RALs or interest therein), as shall be reasonably be requested by BNB or Tax Masters to vest in BNB or Tax Masters, or their designee or assignee, all right, title and interest

of BFC in and to the Participation Interests in the uncollected Participated Pool RALs, all monies due or to become due with respect thereto and all proceeds thereof.

Section 4.4. Transfer of Ineligible RALs.

(a) Repurchase. In the event of a breach with respect to a Participated Pool RAL of any representations and warranties set forth in Section 4.2(b)(i), or in the event that a Participated Pool RAL is not an Eligible RAL as a result of the failure to satisfy the conditions set forth in clause (c) of the definition of Eligible RAL, and as a result of such breach of event such Participated Pool RAL is charged off as uncollectible or BFC's rights in, to or under the Participation Interest therein are materially impaired, then, upon the earlier to occur of the discovery by BFC of such breach or event by BNB or receipt by BNB of written notice from BFC of such breach or event given by BFC, BFC may by notice then given in writing to BNB direct BNB and/or Tax Masters to repurchase the Participation Interest in each such Participated Pool RAL within 30 days of such notice (or within such longer period as may be specified in such notice but in no event later than 120 days) on a date specified by BNB occurring within such applicable period on the terms and conditions set forth in Section 4.4(c).

(b) Repurchase After Cure Period. In the event of a breach of any of the representations and warranties set forth in Section 4.2, other than a breach or event as set forth in Section 4.4(a), and as a result of such breach any Participated Pool RAL becomes a Defaulted Participated Pool RAL or BFC's rights in, to or under the Participated Pool RAL or its proceeds are materially impaired, then, upon the expiration of 60 days (or such longer period as may be agreed to by BFC, but in not event later than 120 days) from the earlier to occur of the discovery of any such event by BNB or receipt by BNB of written notice of any such event given by BFC, BFC may by notice then given in writing to BNB direct BNB and/or Tax Masters to repurchase the Participation Interest in each such Participated Pool RAL within 30 days of such notice (or within such longer period as may be specified in such notice but in no event later than 120 days) on the terms and conditions set forth in Section 4.4(c); provided, however, that no such repurchase shall be required to be made if, on any day prior to such repurchase, such representations and warranties (other than those contained in Section 4.2(c)) with respect to such Participated Pool RAL shall then be true and correct in all material respects as if such Participated Pool RAL had been created on such day.

(c) Procedures for Repurchase. When the provisions of Sections 4.4(a) or 4.4(b) require repurchase of a Participation Interest in a Participated Pool RAL (such Participated Pool RAL being hereinafter referred to as an "Ineligible RAL"), BNB and/or Tax Masters shall accept reassignment of

such Participation by remitting to BFC an amount equal to the Applicable Percentage of the Repurchase Value of the Ineligible RAL as of the date of such repurchase. Such remittance shall be made to BFC at such domestic account

designated by BFC by notice to BNB, in United States dollars and in funds immediately available at such office at such time, without setoff, withholding, counterclaim or other deduction of any nature whatsoever. Upon such remittance, BFC shall automatically and without further action be deemed to transfer, assign, set over and otherwise convey to BNB and/or Tax Masters, without recourse, representation or warranty (except for the warranty that since the date of conveyance by BNB and/or Tax Masters to BFC, BFC has not sold, transferred or encumbered any such Participation

Interest) all right, title and interest of BFC in and to such Participation Interest. BFC shall execute such documents and instruments of transfer or assignment and take other actions as shall reasonably be requested by BNB to evidence the conveyance of such Participation Interest in the Ineligible RALs, all monies due or to become due with respect thereto and all proceeds thereof pursuant to this Section 4.4(c). The obligation of BNB and/or Tax Masters to repurchase Participation Interests in Ineligible RALs in accordance with this Section 4.4(c) shall constitute the sole remedy respecting any breach of the representations and warranties set forth in Section 4.1 available to BFC.

(d) Impairment. For the purposes of Sections 4.4(a) and (b) above, proceeds of a Participated Pool RAL shall not be deemed to be impaired hereunder solely because such proceeds are held by BNB and/or Tax Masters for more than the applicable period under Section 9-306(3) of the UCC as in effect in the State of Delaware.

ARTICLE V
TERM

Section 5.1. Termination of Purchase and Sale Obligations. The obligations of BNB and Tax Masters to sell Participation Interests in Pool RALs that are RALs described in paragraph (a) of the definition of "RAL" in this Agreement pursuant to Section 2.1, and the obligations of BFC to purchase Participation Interests in such Pool RALs pursuant to Section 2.1, may be terminated:

(a) by the mutual written agreement of BFC and BNB and Tax Masters;

(b) by either party, if the RAL Operations Agreement has been terminated;

(c) by BNB and Tax Masters, if (i) there is a failure by BFC to perform or observe any material term, covenant or agreement contained in this Agreement, and any such failure shall remain unremedied for 10 days after written notice of such failure shall have been given to BFC by BNB, (ii) there is an order or decree restraining, enjoining, prohibiting, invalidating or otherwise preventing the

transactions contemplated by this Agreement or BNB's and Tax Masters' performance of any of their material obligations under this Agreement, (iii) there shall be pending, or any Governmental Authority shall have notified BNB or Tax Masters of its intention to institute, any action, suit or proceeding against BNB and/or Tax Masters to restrain, enjoin, prohibit, invalidate or otherwise prevent the transactions contemplated by this Agreement or BNB's and/or Tax Masters' performance of any of their material obligations under this Agreement, (iv) any Participated Pool RAL, or any purchase or sale of a Participation Interest in a Participated Pool RAL, or BNB's or Tax Masters' performance of any of their material obligations under this Agreement would be illegal (in the opinion of counsel for BNB), and there are no reasonable steps that BNB and/or Tax Masters could take to prevent such illegality; or (v) there is a dissolution, termination of existence, insolvency, appointment of a receiver of any part of the property of, or assignment for the benefit of creditors by, or the commencement

of any proceeding by or against BFC or Tax Services under any bankruptcy or insolvency law; and

(d) by BFC, if (i) there is a failure by BNB and/or Tax Masters to perform or observe any material term, covenant or agreement contained in this Agreement and any such failure shall remain unremedied for 10 days after written notice of such failure shall have been given to BNB by BFC, (ii) there is an order or decree restraining, enjoining, prohibiting, invalidating or otherwise preventing BFC's performance of any of its material obligations hereunder, (iii) there shall be pending, or any Governmental Authority shall have notified BFC of its intention to institute, any action, suit or proceeding against BFC to restrain, enjoin, prohibit, invalidate or otherwise prevent BFC's performance of any of its material obligations hereunder, (iv) BFC's performance of any of its material obligations hereunder would be illegal (in the opinion of counsel for BFC), and there are no reasonable steps that BFC could take to prevent such illegality; or (v) there is a dissolution, termination of existence, insolvency, appointment of a receiver of any part of the property of, or assignment for the benefit of creditors by, or the commencement of any proceeding by or against BNB and/or Tax Masters under any bankruptcy or insolvency law.

(e) by BFC, if as of any September 15, any representation or warranty of BNB and/or Tax Masters set forth in Section 4.1 would not be true, if repeated as of such date; provided that BFC gives notice of such termination not later than the September 30 next following such September 15.

BNB and Tax Masters or BFC shall exercise a right of termination provided above by written notice to the other party. Upon such termination, all obligations of BNB and Tax Masters to sell Participation Interests pursuant to Section 2.1 with respect to Participation Pool RALs that are RALs described in paragraph (a) of

the definition of "RAL" in this Agreement, and the obligations of BFC to purchase Participation Interests pursuant to Section 2.1 with respect to such Participated Pool RALs shall automatically cease and BFC shall have no further obligation to purchase additional Participation Interests corresponding to such Participated Pool RALs. Termination pursuant to this Section shall not otherwise affect the rights or obligations of the parties hereto under this Agreement. Without limitation, such termination shall not affect the obligation of BNB to sell Participation Interests pursuant to Section 2.1 with respect to Pool RALs that are RALs described in paragraph (b) of the definition of "RAL" in this Agreement to the extent that the Underlying RAL is itself a Participated Pool RAL with respect to which a Participation Interest was sold to BFC prior to such termination, and shall not affect the obligation of BFC to purchase a Participation Interest with respect to such Pool RAL.

Section 5.2. Right to Exclude Certain RALs. If, from time to time, BFC or BNB believes in good faith that any specified RALs (of the type described in paragraph (a) of the definition of "RAL" in this Agreement) that otherwise would constitute Pool RALs may violate or conflict with any requirement of law in any jurisdiction, such party (the "Notifying Party") may give notice to the other party of such fact, specifying the applicable jurisdictions, and specifying such further actions on the part of BFC, Tax Services, BNB, Originator Parties or other Persons, if any, as would in the opinion of the Notifying Party prevent such violation or conflict. Unless such steps have been taken

within seven days after receipt of such notice, then, effective from and after such seventh day such RALs made after such day in such specified jurisdiction shall not constitute Pool RALs. (such RALs being hereinafter referred to as "Excluded RALs"). If such steps subsequently are taken, and the other party gives notice to the Notifying Party of such fact, then the Notifying Party shall, as promptly as practicable after such notice, by further notice to such other party, revoke its earlier designation of such RALs as Excluded RALs, and RALs of the specified type made after the date of such revocation shall not constitute Excluded RALs (and hence shall constitute Pool RALs).

ARTICLE VI
CERTAIN RIGHTS OF BNB

Section 6.1. Certain Rights of BNB.

(a) Rescission. If any payment received or application of funds made by BNB on account of any Participated Pool RAL shall be rescinded or otherwise shall be required (or if BNB believes in good faith that is or may be required) to be returned or paid over by BNB at any time, BFC, promptly upon notice from BNB, shall pay to BNB an amount equal to the Applicable Percentage of the amount so rescinded or returned or paid over, together with the Applicable Percentage of any interest or penalties payable with respect thereto.

(b) Payover. If BFC receives any payment or makes any application on account of its Participation Interest in any Participated Pool

RAL, BFC shall promptly pay over to BNB the amount in excess of the Applicable Percentage of the amount so received or applied, and until so paid over, the same shall be held by BFC in trust for BNB.

Section 6.2. Indemnification. Immediately upon BNB's demand therefor, BFC shall reimburse and indemnify BNB for and against the Applicable Percentage of share of any and all liabilities, obligations, losses, damages, penalties, action, judgments, suits, costs, expenses and disbursements of every kind and nature whatsoever that may be imposed upon, incurred by or asserted against BNB, acting pursuant hereto, or in any way relating to or arising out of this Agreement or any Participated Pool RAL or origination or servicing thereof, or any action taken or omitted by BNB under this Agreement or any Participated Pool RAL, including, without limitation, any amounts payable by BNB pursuant to the RAL Operations Agreement (pursuant to indemnification provisions thereof or otherwise), and any amounts that BNB shall be required to pay or repay to any statutory representative of any Obligor or Originator Party or to creditors of any such Obligor or Originator Party acting as such statutory representative (all of the foregoing being referred to collectively as "Claims"); provided, however, that BFC shall not be liable under this Section 6.2 for its Applicable Percentage of (i) any obligation of BNB to repurchase Participation Interests in accordance with Sections 4.3 and 4.4, (ii) any out-of-pocket expenses of BNB on account of origination of ordinary and routine servicing of Participated Pool RALs, to the extent duplicative of amounts as to which BFC has paid its Applicable Percentage share pursuant to Article II, (iii) attorneys' fees and related litigation expenses incurred by BNB with respect to Claims (it being understood that each party shall be responsible for its own attorneys fees and related litigation expenses with respect to Claims) (iv) any Claim

attributable to a Participated Pool RAL failing to be an Eligible RAL, (v) any Claim attributable to a breach by BNB and/or or Tax Masters of an express obligation of BNB and/or Tax Masters under this Agreement, or (vi) any Claim attributable to the gross negligence or willful misconduct of BNB or Tax Masters.

Nothing in this Section 6.2 shall be construed to make BFC liable for (i) any portion of any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements imposed upon, incurred by or asserted against BNB or any of its Affiliates relating solely to or arising solely from any RAL other than a Participated Pool RAL or a RAC other than a Pool RAC or (ii) any Claim with respect to which BNB is indemnified by any third party (including, without limitation, Tax Services, any Major Franchisee or any other Originator Party). BNB shall remit to BFC the Applicable Percentage of any amount received by BNB as indemnification from a third party to the extent such indemnification pertains to (i) a Claim for which BFC previously indemnified BNB pursuant to this Section 6.2 or (ii) an amount that was included as a Qualified Expense pursuant to this Agreement.

If different Applicable Percentages apply to Pool RALs with respect to which a Claim arises, then (i) to the extent the Claim is identifiable to a particular Pool RAL or to Pool RALs made in a particular Tax

Period, the Applicable Percentage applicable to BFC's indemnification obligation with respect to such Claim shall be equal to the Applicable Percentage applicable to such particular Pool RAL or to such Tax Period, as the case may be and (B) otherwise, the Applicable Percentage applicable to BFC's indemnification obligation with respect to such Claim shall be a weighted average of the Applicable Percentages applicable to the Pool RALs or the Tax Period with respect to which such Claim arose.

Section 6.3 Survival. The obligations of BFC under this Article VI shall survive any termination under Section 5.1 and all other events and conditions whatever. If and to the extent that any obligation of BFC under this Article VI is unenforceable for any reason, BFC agrees to make the maximum contribution to the payment and satisfaction of such obligation which is permitted under applicable law.

ARTICLE VII
MISCELLANEOUS

Section 7.1. Customer Lists. BNB agrees to provide to BFC (or any Affiliate of BFC during the term of this Agreement, within a reasonable time after BFC's (or such Affiliate's) request but not more than twice during any calendar year, a list of all persons (and their full mailing addresses) to whom BNB made Pool RALs or Pool RACs during the most recently ended Tax Period. Such list shall be provided in electronic form and, to the extent reasonably practicable, in a form typical of mailing lists purchased in the open market. Neither BFC nor its Affiliates shall use, or permit the use of, such list for purposes of soliciting customers for credit related products. BFC and such Affiliates shall take appropriate action by agreement with third parties having access to such list to prohibit such third parties from using such list for purposes of soliciting customers for credit related products. BNB shall be designated a third-party beneficiary in any such agreement for purposes of enforcing such restricted use of such list.

Section 7.2. Major Franchisees. BFC and BNB agree to negotiate in good faith with each other and with Major Franchisees to enter into an arrangement with such Major Franchisees whereby (i) such Major Franchisees and BFC purchase Participation Interests in Major Franchisee Pool RALs made by BNB through Block Offices owned by such Major Franchisees or their subfranchisees and (ii) BFC provides financing to such Major Franchisees to enable such Major Franchisees to purchase such Participation Interests. In connection with such arrangement, (i) such Major Franchisees may purchase from BNB and/or Tax Masters up to a 49.999999% undivided ownership interest in the applicable Major Franchisee Pool RALs and (ii) BFC may purchase from BNB and/or Tax Masters percentage ownership interests in such Major Franchisee Pool RALs in a percentage amount equal to 49.999999% minus the percentage ownership interest purchased by such Major Franchisee in such Major Franchisee Pool RALs; provided, however, that the percentage ownership interest purchased by BFC in such Major Franchisee Pool RALs shall not exceed 25% and the combined percentage ownership interests purchased by such Major Franchisee and BFC in such Major Franchisee Pool RALs shall not exceed 49.999999%.

Section 7.3. Independent Evaluation. BFC expressly acknowledges (i) that, except as provided in Sections 4.1 and 4.2, neither BNB or Tax Masters has made any representation or warranty, express or implied, to BFC and no act by BNB or Tax Masters heretofore or hereafter taken shall be deemed to constitute any representation or warranty by BNB or Tax Masters to BFC; and (ii) that, in connection with its entry into and its performance of its obligations under this Agreement, BFC has made and shall continue to make its own independent investigation of the economic and legal risks associated with the making of RALs and purchase of Participation Interests.

Section 7.4. Notices. All notices required or permitted to be given under this Agreement shall be in writing and shall be given by registered or certified mail, return receipt requested, or by nationally recognized overnight courier, addressed as follows:

If to BFC, to:

Block Financial Corporation
4435 Main Street, Suite 500
Kansas City, Missouri 64111
Attention: William P. Anderson

If to BNB or Tax Masters, to:

Beneficial National Bank
One Christina Centre
301 North Walnut Street

Wilmington, Delaware 19801
Attention: President

Any party may change the address to which it desires notices to be sent by giving the other parties ten (10) days prior notice of any such change. Any notices shall be deemed given upon its receipt by the party to whom the notice is addressed.

Section 7.5. Modification; No Waiver. This Agreement shall not be modified or amended except by an instrument in writing signed by or on behalf of the parties hereto. No waiver of any breach of, or failure to perform or observe, any material term, covenant or agreement contained in this Agreement shall constitute or be construed as a waiver by BFC or BNB or Tax Masters of any subsequent breach or failure or of any breach of or failure with respect to any other provisions of this Agreement.

Section 7.6. Prior Understandings. This Agreement supersedes all prior understandings whether written or oral, between the parties hereto relating to the transactions provided herein.

Section 7.7. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of Delaware, without

regard to choice of law rules thereof.

Section 7.8. Counterparts. This Agreement may be executed in as many counterparts as may be deemed necessary and convenient, and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed to be an original, but all such counterparts together shall constitute by one and the same instrument.

Section 7.9. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of BNB and BFC and Tax Masters and their representative successors and assigns and shall not be assigned by either party hereto without the prior written consent of the other party hereto, and any purported assignment without such consent shall be void; provided, however, that nothing herein shall prohibit the transfer by BFC of BFC's rights hereunder to an Affiliate of BFC.

Section 7.10. Headings. The Article, Section and any other headings in this Agreement are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any of the provisions hereof.

Section 7.11. Confidentiality. Without limitation of any other obligations of confidentiality contained in this Agreement, the RAL Operations Agreement or otherwise arising (but subject to the provisions of Section 7.1), all information, materials and documents heretofore or hereafter furnished to BFC (or to its officers, directors, agents, representatives or advisors) by BFC, by Persons acting on behalf of BNB and/or Tax Masters or at BNB's or Tax Masters' direction, or otherwise in connection with this Agreement, either orally, in writing or by inspection, regarding the Obligors, any RAL, any RAC, this Agreement or the RAL Operations Agreement shall be deemed confidential and, except to the extent required by law, shall be kept in strict confidence under appropriate safeguards by BFC and its officers, directors, agents, representatives and advisors.

Section 7.12. Not a Joint Venture. Neither this Agreement nor the transactions contemplated by this Agreement shall be deemed to give rise to a partnership or joint venture between BNB and Tax Masters and BFC.

Section 7.13. BNB and Tax Masters Not a Tax Preparer. Nothing in this Agreement or the RAL Operations Agreement shall be construed to imply that BNB or Tax Masters at any time is in any way responsible for the preparation, filing or contents of any tax return of any Obligor under a Pool RAL, and BFC shall indemnify BNB and/or Tax Masters from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits,

costs, expenses and disbursements of every kind and nature whatsoever which may be imposed upon, incurred by or asserted against BNB and/or Tax Masters arising from any claim, allegation or assertion that BNB and/or Tax Masters are or may be in any way responsible for the preparation, filing or contents of any such tax return, or that BNB and/or Tax Masters, by virtue of their participation in the transactions contemplated by this Agreement, are engaged in an activity that

subjects BNB and/or Tax Masters to any penalty on account of the negotiation of any tax refund check in violation of the Internal Revenue Code of 1986, as amended.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date set forth above.

BLOCK FINANCIAL CORPORATION

By: /s/ William P. Anderson
William P. Anderson, President

BENEFICIAL NATIONAL BANK

By: /s/ Wheeler K. Neff
Wheeler K. Neff, Senior Vice President

BENEFICIAL TAX MASTERS, INC.

By: /s/ Ross N. Longfield, President

Exhibit A

CALCULATION OF INITIAL PURCHASE PRICE

(Section 2.3)

Formula

(A) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

(B) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

(C) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

Example

Assumptions:

{CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

Calculation:

(A) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

(B) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

(C) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

Exhibit B

ALLOCATION OF QUALIFIED EXPENSES

(Definition of Qualified Expenses; Section 2.4(a)(i))

Formula

(x) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

(y) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

(z) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

Example

Assumptions:

{CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

Calculation:

	Pre-1999	Post-1998
(x)	{CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC	
(y)	{CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}	
(z)	{CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}	

Exhibit C

CALCULATION OF INITIAL SERVICING FEE PERCENTAGE

(Section 2.4(a)(iii))

Formula

(A) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

(B) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

Example

Assumptions:

{CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

Calculation:

(A) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

(B) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

Exhibit D

CALCULATION OF REQUIRED SERVICING FEE COMPENSATION

(Section 2.4(a)(iv))

Formula

(A) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

(B) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

Example for Pre-RAC Service Period

Assumptions:

{CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

* (CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

Calculation:

(A) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

(B) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

Example for Post-RAC Service Period

Assumptions:

{CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

Calculation:

(A) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC)

(B) {CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE SEC}

Exhibit E

PERIODIC ADJUSTMENT OF SERVICING FEE PERCENTAGE

(Section 2.4(b))

Assumptions:

Qualified Expenses Allocable to Participated Pool RALs and Pool RACs for pre-1999 Tax Period remained the same at $19,812,925, but the number of Estimated Pool RALs increased to 2,150,000 from 2,097,000 Pool RALs and the aggregate principal amount of Pool RALs increased to $1,850,000,000 from $1,800,000,000.

Calculation:

((40% Applicable Percentage x $2.00 x 2,150,000 revised number of Pool RALs) plus (40% Applicable Percentage x $19,812,925 Qualified Expenses allocable to Participated Pool RALs)) divided by $1,850,000,000 = .521% Adjusted Servicing Fee Percentage

Exhibit F

INTERIM SERVICING COMPENSATION ADJUSTMENT

(Section 2.4(c)(i))

Assumptions:

Qualified Expenses Allocable to Participated Pool RALs and Pool RACs for pre-1999 Tax Period remained the same at $19,812,925, but the number of Estimated Pool RALs increased to 2,150,000 from 2,097,000 Pool RALs and the aggregate principal amount of Pool RALs increased to $1,850,000,000 from $1,800,000,000.

Calculation:

Required Servicing Compensation ((40% Applicable Percentage x $2.00 x 2,150,000 revised number of Pool RALs) + (40% Applicable Percentage x $19,812,925 Qualified Expenses allocable to Participated Pool RALs))	$9,645,170	
Periodic Servicing Compensation (.533% Periodic Servicing Fee Percentage x $1,850,000,000 aggregate Principal Amount of Participated Pool RALs)		9,860,500
Adjustment (payable to BFC)		$ (215,330)

Exhibit G

FINAL SERVICING COMPENSATION ADJUSTMENT

(Section 2.4(c)(ii))

Assumptions:

Qualified Expenses Allocable to Participated Pool RALs and Pool RACs for pre-1999 Tax Period increased from $19,812,925 to $20,000,000, but the number of Estimated Pool RALs remained unchanged from interim adjustment at 2,150,000 Pool RALs.

Calculation:

Required Servicing Compensation ((40% Applicable Percentage x $2.00 x 2,150,000 number of Pool RALs) + (40% Applicable Percentage x $20,000,000 Qualified Expenses allocable to Participated Pool RALs))	$ 9,720,000	
Periodic Servicing Compensation ((.533% Periodic Servicing Fee Percentage x $1,850,000,000 aggregate Principal Amount of Participated Pool RALs) + $(215,330) Interim Adjustment)		9,645,170
Adjustment (payable to BNB)		$ 74,830

AFFINITY CARD AGREEMENT

THIS AFFINITY CARD AGREEMENT ("Agreement"), made as of the first day of March, 1993, between COLUMBUS BANK AND TRUST COMPANY, a bank organized under the laws of the State of Georgia and a wholly owned subsidiary of Synovus Financial Corp. ("Synovus"), a Georgia corporation with offices at 1148 Broadway, Columbus, Georgia 31901 (hereinafter referred to as "CB&T"), and BLOCK FINANCIAL CORPORATION, a corporation organized under the laws of the State of Delaware and a wholly owned subsidiary of H&R Block, Inc. ("Block"), a Missouri corporation with offices at 4410 Main Street, Kansas City, Missouri 64111 (hereinafter referred to as "BFC").

W I T N E S S E T H :

WHEREAS, CB&T is a bank authorized to engage in the business of issuing to consumers lines of credit, both secured and unsecured, that are accessible by credit cards;

WHEREAS, CB&T is a licensed principal member of Visa, U.S.A., Inc. ("Visa") and MasterCard International, Inc. ("MasterCard"); and

WHEREAS, BFC has relationships with consumers and is desirous of having CB&T issue MasterCard and Visa credit cards, both secured and unsecured, to consumers who are creditworthy under the standards contemplated hereby, and

WHEREAS, on the terms and conditions described herein, CB&T and BFC desire to enter into a relationship under which, among other things, CB&T will issue such credit cards and BFC will perform certain services;

WHEREAS, under certain circumstances, in order to assist CB&T in connection with the funding of receivables, BFC shall purchase certain of the accounts receivable generated by the use of Credit Cards; and

NOW, THEREFORE, in consideration of the premises and mutual covenants hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, CB&T and BFC agree as follows:

ARTICLE 1.
DEFINITIONS

1.1 Definitions. Except as otherwise specifically indicated, the following terms shall have the indicated meanings:

"Cardholder" shall mean an individual in whose name a Credit Card Account is established.

"Cardholder" shall mean an agreement between CB&T and a Cardholder for the extension of credit in connection with a Credit Card Account.

"CompuServe Card" shall mean a MasterCard and/or Visa Card issued hereunder by CB&T and bearing the name or logo "CompuServe" on the front thereof.

"Credit Card Account" or "Account" shall mean an account, either secured or unsecured, that is opened by CB&T pursuant to which one or more Credit Cards are issued to a Cardholder.

"Credit Card Receivables" shall mean all amounts owing to CB&T on the Accounts including principal balances from outstanding purchases and cash advances, accrued finance charges, late charges, returned check charges and any other charges and fees, as of the close of business on a given day, less any payments and credits received in respect of the Accounts prior to the close of business on such day.

"H&R Block Value Card" or "Value Card" shall mean a MasterCard and/or Visa Card issued hereinunder by CB&T bearing the name and/or a logo "H&R Block Value Card".

"Interim Card" shall mean a MasterCard and/or Visa Card issued hereunder by CB&T and bearing the name or logo of "Interim" on the front thereof.

"Program" shall mean the affinity credit card program conducted pursuant to the terms hereof.

"Program Receivables" shall mean purchases and cash advances made on the Accounts.

"Solicitation Materials" means any applications, marketing materials, advertising pieces, sales literature, telemarketing scripts and any other materials used to induce persons to apply for Credit Cards.

1.2 Construction. Unless the context otherwise clearly indicates, words used in the singular include the plural and words used in the plural include the singular.

ARTICLE 2.
ESTABLISHMENT OF CREDIT CARD ACCOUNTS

2.1 Issuance of Credit Cards. CB&T shall issue Credit Cards (either secured or unsecured) to each applicant for a Card who qualifies for such type of Card under the Credit Criteria (as defined in Section 2.3 hereof). CB&T shall extend credit with respect to said Credit Cards, and BFC shall not be considered a creditor on any Credit Card Account for any purpose whatsoever. Subject to the Operating Regulations (as defined in Section 2.12 hereof) and the terms of Section 2.10 herein, each Credit Card shall have the name, logo and/or trademark of H&R Block Value Card, CompuServe Card or Interim Card on the front thereof and shall be of a design approved by CB&T, BFC and MasterCard or Visa, as applicable.

2.2 Solicitation of New Accounts. BFC shall, at its own expense, have

the exclusive right to solicit individuals, corporations, partnerships and other entities to offer them the opportunity to apply for Credit Cards. BFC shall bear all marketing expenses incurred in connection with the Program. BFC shall, at its own expense, create, produce and mail Solicitation Materials to promote the Program and solicit new Credit Card Accounts. BFC shall provide copies of all Solicitation Materials to CB&T for its review

and approval as soon as practicable, but no less than ten business days prior to their first intended use. CB&T shall not unreasonably withhold or delay its approval of such materials. The frequency and timing of such solicitations shall be determined by BFC. In BFC's discretion, solicitations may be conducted by direct mail, telephone, or other means. BFC shall prepare and include on or with each solicitation any notices and disclosures required under applicable laws and regulations, provide such notices and disclosures to CB&T for its review and shall otherwise conduct all such solicitations in compliance with all applicable laws and regulations. CB&T shall be identified to Cardholders as the Card issuer and the lender for loans made on the Credit Card Accounts.

2.3 Applications.

(a) CB&T will require that each person who desires to become a Cardholder complete a written application or apply for a Credit Card in response to a telemarketing solicitation. BFC shall ensure that the form of the written application, the telemarketing script and all Solicitation Materials are in compliance with all applicable laws and regulations. The credit criteria for issuing secured and unsecured Credit Cards established by CB&T are attached hereto and incorporated herein as Exhibit A (the "Credit Criteria"). CB&T will notify BFC of any changes to the Credit Criteria.

(b) CB&T shall approve an applicant for a Credit Card only if the applicant meets the applicable Credit Criteria, unless otherwise specifically approved by CB&T in writing. In the event an applicant for a Card does not meet the Credit Criteria, BFC shall notify the applicant, in accordance with applicable laws and regulations. Applicants who do not meet the Credit Criteria for an unsecured card may be offered an opportunity to apply, or accept a reapproved offer, for a Credit Card which is secured by funds of the consumer which are deposited with CB&T.

2.4 Establishment of Credit Card Accounts. upon approval of an

application, CB&T shall establish a Credit Card Account for the applicant. CB&T shall provide one or more Credit Cards to each approved applicant and shall automatically issue a renewal card to each Cardholder at each scheduled Credit Card renewal date, if such Cardholder continues to meet the Credit Criteria. On CB&T's behalf, BFC will prepare and provide to each Cardholder a Cardholder Agreement and disclosure statement and such other notices or documents related to such Cardholder's Credit Card Account as are required from time to time under applicable laws and regulations. The Cardholder Agreement and disclosure statement and other documents shall provide, as appropriate, that they are governed by Georgia law and federal law. BFC shall be responsible for preparing and providing said documents and shall ensure that they comply with all applicable laws and regulations. In connection with secured Credit Card Accounts, the Cardholder Agreements provided by BFC shall include appropriate

language that is designed to grant CB&T a valid and enforceable security interest in the Deposit Accounts.

2.5 Account Terms. CB&T shall determine the financial terms of the Credit Card Accounts, including by not limited to, the periodic rate, the annual percentage rate, other account fees, and the credit limits to be made available to Cardholders. The terms

and conditions for the Credit Cards applicable to the Credit Card Accounts are set out in the forms of Cardholder Agreements (both secured and unsecured) attached hereto as Exhibit B and incorporated herein. BFC shall ensure that the terms and conditions for the Credit Cards (including, without limitation, the interest rates, fees and charges) are in compliance with all applicable laws and regulations. Changes in the Account terms and conditions shall require the mutual agreement of CB&T and BFC.

2.6 Secured Card Accounts. For each secured Card Account, CB&T shall hold and maintain the Cardholder's security deposit in a Deposit Account (a "Deposit Account"). The establishment of a Deposit Account shall be a condition precedent to issuance of a secured Credit Card by CB&T to each such Cardholder. CB&T shall be responsible for creating and maintaining the Deposit Accounts and shall take such steps as BFC shall direct that may be necessary under the laws of Georgia to perfect a security interest in the Deposit Accounts. CB&T shall enforce the terms of the security agreement. BFC shall prepare and CB&T shall deliver any notices and disclosures regarding the Deposit Accounts which may be required by law. During the term of this Agreement, CB&T will not modify any provisions of or waive any of its rights under, or terminate, any such security agreements, except to exercise its rights upon the Cardholder's default in accordance with the security agreement or as may be required by applicable law.

2.7 Account Administration. Except as otherwise provided herein, or in the agreements referred to in Section 2.9 hereof, CB&T will perform or provide for the performance of all services that may be required in order to establish and maintain the Credit Card Accounts, including, but not limited to: credit approval, issuance of Credit Cards, making of credit card loans, receipt of payments from Cardholders, and establishing and maintaining the Deposit Accounts for Carholders who have secured Credit Card Accounts. All such services shall be provided by CB&T in accordance with the terms of the Solicitation Materials and Cardholder Agreements, the Operating Regulations and this Agreement. CB&T may subcontract with a third party to provide any service required to be provided by CB&T hereunder, provided that BFC shall approve such third party and the terms of any agreement with said party.

2.8 Credit Card Enhancements and Solicitations.

(a) BFC shall, at its own expense and at no cost to CB&T, arrange for third parties to provide enhancements to Cardholders in connection with the Program.

(b) BFC shall be entitled, at its own expense, to solicit Cardholders for goods and services, including, without limitation, insurance products, and to place solicitation or promotional materials in communications by CB&T to

Cardholders. BFC shall provide copies of all such solicitation and promotional materials to CB&T for its review and approval as soon as practicable, but no less than ten business days prior to their first intended use. CB&T shall not unreasonably withhold or delay its approval of such documents. BFC shall meet all applicable standards and requirements of "TSYS" (as defined in Section 2.9(i) hereof) in connection with inserts in periodic statements and shall

comply with applicable laws and regulations in connection therewith. BFC shall be

entitled to retain all income and fees, if any, resulting from such solicitations and promotions.

2.9 Ancillary Agreements.

(a) The following additional agreements shall be or shall have been entered into in connection with the Program:

(i) a processing agreement by and among CB&T, Total System Services, Inc. ("TSYS") and BFC (the "Processing Agreement"), under which TSYS will provide certain data processing, authorization, settlement and related services with respect to the Accounts; and

(ii) a data processing agreement between CB&T and Synovus Data Corp. ("SDC") (the "SDC Agreement"), under which SDC will provide certain data processing services with respect to the Accounts.

(b) In connection with the Program, the following additional agreements shall be or shall have been entered into by the parties:

(i) a servicing agreement ("Servicing Agreement") by and among CB&T, BFC and a servicing company that will provide application processing, collections, customer service, security and the other services specified the respect to the Accounts;

(ii) a remittance processing agreement ("Remittance Agreement") by and among CB&T, BFC and a processing company that will provide remittance processing services with respect to payments received on the Accounts.

(c) The parties will use all reasonable efforts to have the agreements referred to in (b) above entered into on or before February 15, 1994.

Neither CB&T nor BFC shall modify any provisions of or waive any of its rights under, or terminate, any such agreement without the written consent of the other party.

2.10 Use of Names and Trademarks

(a) BFC hereby authorizes CB&T, during the term of this Agreement, on a non-exclusive, nonassignable basis, to use Block's name and such trademarks of Block as may be used in connection with the Credit Card Accounts (the "Block

Credit Card Marks") in the form and formats approved by BFC: (i) on Credit Cards, and (ii) on periodic statements, Cardholder Agreements and other communications to Cardholders with respect to the Credit Card Accounts. BFC represents and warrants to CB&T that BFC has the power and authority to provide the authorization herein granted. It is expressly agreed that CB&T is not acquiring any right, title or interest in the name "H&R Block" or any trade names, trademarks, logos or service marks of Block or the Credit Card design, all of which shall be the property of Block. CB&T shall make no use of any tradenames, trademarks, logos or service marks of Block, or of the Credit Card design without BFC's prior written consent, except as specifically authorized in this Section 2.10.

(b) CB&T hereby authorizes BFC, during the term of this Agreement, on a non-exclusive, nonassignable basis, to use CB&T's name and such trademarks of CB&T as may be used in connection with the Credit Card Accounts (the "CB&T Credit Card Marks"), in the forms and formats approved by CB&T, in communications to

Cardholder's with respect to the Credit Card Accounts made by BFC pursuant to its obligations under this Agreement. It is expressly agreed that BFC is not acquiring any right, title or interest in the names "Columbus Bank and Trust Company" or "CB&T" or any trade names, trademarks, logos or service marks of CB&T, all of which shall be the property of CB&T. BFC shall make no use of the names "Columbus Bank and Trust Company" or "CB&T", or of any tradenames,

trademarks, logos or service marks of CB&T, without CB&T's prior written consent, except as specifically authorized in this Section 2.10.

(c) Use of Name and Trademarks. Except as otherwise provided herein, neither party shall use the registered trademarks, service marks, logo, name or any other proprietary designations of the other party without that party's prior written consent. Each party shall submit to the other party for prior approval any advertising or promotional materials referring to or describing the Credit Card Program in which such trademarks are to be used, which approval shall not unreasonably be withheld or delayed.

2.11 Cooperation. Each party hereto agrees to cooperate fully with the other party hereto in furnishing any information or performing any action reasonably requested by such party that is needed by the requesting party to perform its obligations under this Agreement or to comply with applicable laws and regulations. Each party agrees that it shall furnish the other party with true, accurate and complete copies of such records and all other information with respect to the Credit Card Accounts and the Program as such party or its authorized representatives may reasonably request, provided however that neither party shall be required to divulge any records to the extent prohibited by applicable law.

2.12 Visa and MasterCard Membership. At all times during the term of this Agreement, CB&T shall use its best efforts to maintain its membership in Visa and MasterCard. CB&T shall be responsible for making all reports to Visa and MasterCard which may be required by its membership therein. CB&T will comply with the operating rules and regulations of Visa and MasterCard ("Operating Regulations") in connection with the Program.

2.13 Other Activities.

(a) Non-exclusive Arrangement. There shall be no restriction on CB&T's right to issue credit cards independent of the Program and to perform credit card services on its own behalf or for other parties or affinity groups.

(b) Ownership of Account Relationships. During the term hereof, CB&T shall not, directly or indirectly, transfer, sell or disclose to any other person or entity any list (whether in written or other form) containing the names, addresses and/or telephone numbers of Cardholders that exists by reason of those persons being Cardholders (a "Cardholder List"). CB&T shall not, directly or indirectly, solicit Cardholders by using a Cardholder List, in whole or in part, for any other credit card, or for any other purpose, without the prior written consent of BFC, This Section 2.13(b) shall not prohibit any transfer, sale or disclosure of the name, address or telephone number of, or any

solicitation of, any person of whose existence CB&T has or obtains knowledge otherwise than by reason of CB&T's participation in this Agreement.

ARTICLE 3.

FINANCIAL TERMS

3.1 Co-Branding Fee. CB&T shall pay to BFC a co-branding fee calculated as provided in this Section 3.1.

(a) Definitions. For purposes of this Section 3.1, the following terms shall have the following meanings:

(i) "Program Revenues" shall mean the sum of : net interchange fees received by CB&T in respect of Accounts, finance charges, annual fee, cash advances fees, return check fees, over-limit fees, past due fees, and all other income received in respect of the Credit Card Accounts during the applicable month of the term hereof, reduced by all charge-offs and other credit losses (including, without limitation, fraud losses and other losses related to fraudulent use of credit cards) in respect of the Accounts in the applicable month.

(ii) "Servicing Costs" shall mean all amounts (including, without limitation, termination fees and other penalties)paid by CB&T during the applicable month of the term hereof under the Servicing Agreement.

(iii) "Processing Costs" shall mean all amounts paid by CB&T

during the applicable month of the term hereof to TSYS under the Processing Agreement, to a remittance processor under the Remittance Agreement, and to SDC under the SDC Agreement.

(iv) "CB&T Cost" shall mean, with respect to each month during the term hereof, the sum of (a) $3,000 for the H&R Block Value Card program and such other amount as maybe mutually agreed upon by the parties with respect to the Interim Card and CompuServe Card programs, (b) the "Out-of-Pocket Expenses"

(as defined below) incurred by CB&T during such month, (c) CB&T's cost of funding the average daily Credit Card Receivables on its balance sheet during such month (it being understood that CB&T's cost of funds shall include a pro rata share of the costs of deposit insurance and reserves on the Deposit Accounts and the "Deposit" (as defined in Section 3.2 herein) (after Credit Card receivables exceed $4,000,000)), and (d) interest expense incurred by CB&T payable on the Deposit Accounts. For purposes of the calculation of the foregoing clause (c), the average daily Credit Card Receivables on CB&T's balance sheet shall be reduced by the average daily balance of the Deposit and the aggregate average daily balance of the deposits in the Deposit Accounts for the secured Credit Cards. CB&T's cost of funding shall be its average rate on interest bearing funds as reported in its monthly Spread Analysis report, which will be provided to BFC by CB&T, each month for such month when applied to the average daily Credit Card Receivables as determined pursuant to this Section.

(v) "Out-of-Pocket Expenses" shall mean all necessary and reasonable amounts paid by CB&T to third parties during the applicable month of the term hereof (and not otherwise included in Servicing Costs or the Processing Costs for such month) that are directly related to the Program, including but not limited to (i) all fees and

assessments paid to MasterCard and Visa; provided, however, that amounts paid in excess of $500 (other than MasterCard and Visa fees and assessments) shall not be Out-of-Pocket Expenses unless approved in advance by BFC; and (ii) outside legal fees and expenses incurred in connection with reviewing Credit Card marketing materials and Cardholder documentation and the like, to the extent such review is conducted in the normal course of CB&T's business by its outside counsel.

(vi) "CB&T Value Card Return" shall mean with respect to a particular month such dollar amount which, when divided by the daily average of : (x) Credit Card Receivables owned by CB&T on Value Card Accounts during such month, and (y) 10% of the Credit Card Receivables owned by BFC during such month, will produce a quotient of the decimal equivalent (when carried two places to the right of the decimal point) of ht percentage that, when reduced by the tax rate to which Synovus is subject, which tax rate shall be fixed for each monthly period, will produce an annual return of 1.5%, provide, however, that if the CB&T Value Card Return for each six-month period ending on August 31 or February 28 is less than $50,000, the CB&T Value Card Return shall be increased to $50,000 for such period. As of December 31, 1993, such amount is $10,458.59 and was calculated as indicated on Exhibit C to this Agreement.

(vii) "CB&T CompuServe Card and Interim Card Return" shall mean with respect to a particular month such dollar amount which, when divided by the daily average of: (x) Credit Card Receivables owned by CB&T on Interim Card and CompuServe Card Accounts during such month, and (y) 10% of the Credit Card Receivables owned by BFC during such month, will produce a quotient of the decimal equivalent (when carried two places to the right of the decimal point) of the percentage that, when reduced by the tax rate to which Synovus is subject, which tax rate shall be fixed or each monthly period, will produce an annual return of 1.5%. Commencing two years from the issuance of the first CompuServe Card or Interim Card or such date on which BFC notifies CB&T to cease

issuing CompuServe or Interim Cards, in the event the CB&T CompuServe and Interim Return on the Credit Card Receivables arising from CompuServe and Interim Cards has not resulted in a CB&T Return of at least $100,000 on an annualized basis, BFC shall pay to CB&T the difference between $8,333 times the number of months since the first full month in which CompuServe and/or Interim Cards were issued hereunder and the actual CB&T CompuServe and Interim Return on the Credit Card Receivables arising from the CompuServe and Interim Cards in that period.

(viii) "Program Costs" for the applicable month during the term hereof means the sum of the Servicing Costs, the Processing Costs, the CB&T

Cost, the CB&T Value Card Return and the CB&T CompuServe and Interim Card Return.

(ix) "Co-Branding Fee" for the applicable month during the term hereof shall mean the Program Revenues for such month less the Program Costs for such month, but not less the zero.

(b) Payment of Fee. On or before the 10th business day of each month during the term hereof, CB&T shall pay BFC, by deposit to a designated account of BFC at CB&T, the Co-Branding Fee calculated according to this section. If the Program Costs for any month would exceed Program Revenues for such month, CB&T shall so notify BFC and (i) no Co-Branding Fee shall be payable to BFC for such month, and (ii) BFC shall pay any Program Costs that exceed Program Revenues directly to the persons to

which such costs are due or shall, promptly upon demand, reimburse CB&T for any such costs paid by CB&T.

3.2 Deposit. Throughout the term of this Agreement, BFC shall maintain at CB&T a non-interest
bearing deposit of $5,000,000 (the "Deposit").

ARTICLE 4.

PURCHASE AND SALE OF RECEIVABLES AND ACCOUNTS

4.1 Purchase and Sale of Receivables.

(a) At any time when outstanding Program Receivables exceed $5,000,000, CB&T shall thereafter sell to BFC and BFC shall thereafter purchase from CB&T, on a daily basis, 100% of the Program Receivables in excess of $5,000,000. For purposes hereof, the purchase price for the Program Receivables shall be the actual amount (net of Account credits) which TSYS is obligated to pay on any day to Visa and MasterCard in settlement of cash advances and purchases on the Accounts, without taking into account the credit given by Visa and MasterCard for interchange fees. Payments from Cardholders on Credit Card Receivables allocated to BFC shall be the property of BFC and shall be held in trust by CB&T until such time as said funds are applied to settle amounts owed to Visa and MasterCard for interchange fees. Payments from Cardholders on Credit Card Receivables allocated to BFC shall be the property of BFC and shall be held in trust by CB&T until such time as said funds are applied to settle amounts owed

to Visa and MasterCard or otherwise transferred to BFC. Payments received from Cardholders shall be applied first to Credit Card Receivables owned by Block and, to the extent such payments exceed the amount o Credit Card Receivables owned by Block, such excess shall be allocated to CB&T. No later than : p.m. (central time) on each business day, CB&T shall notify the Assistant Vice President, Finance, at BFC of the amount of Program Receivables to be purchased by BFC that day. Payment by BFC of the Program Receivable amount due that day shall be made by wire transfer no later than 2:00 p.m. (central time), unless CB&T us late in notifying BFC of the amount due that day, in which case, BFC shall use all reasonable efforts to send the wire transfer within the time period set forth above or as soon thereafter as possible. In the event BFC has reason to dispute the accuracy of the amount requested by CB&T for Program Receivables being purchased on any day, BFC shall promptly so notify CB&T. CB&T shall promptly notify the Assistant Vice President, Finance, at BFC if any such required payment is not made when due. If BFC fails on any day to pay the amount CB&T indicates is the amount required to purchase the Program Receivables, as provided hereunder, even in the event BFC disputes such amount, and such failure is not cured within five (5) business days, CB&T may (but need not), upon notice to BFC, sell to any third party any interest in the Program Receivables that BFC failed to purchase. In the event it is determined that BFC was correct in disputing the accuracy of the amount due for the purchase of Program Receivables, CB&T shall promptly refund to BFC the amount of any such overpayment, with interest thereon computed on a daily basis at CB&T's cost of funding.

(b) CB&T shall remain the owner of all Credit card Accounts, notwithstanding any sale of any Program Receivables to BFC, or a third party, under this

Section 4.1. BFC shall no be deemed to have assumed any obligations of CB&T with respect to the Credit Card Accounts by virtue of any purchase of an interest in Program Receivables hereunder. Except as otherwise provided herein, CB&T shall not sell any Credit Card Receivables or any interests therein to any third party (other than a wholly-owned subsidiary of Synovus) without the prior written consent of BFC.

(c) The sale of receivables contemplated in (a) hereof shall occur upon payment therefor by BFC and no additional documents shall be required by the parties to effect any such sale. Notwithstanding the foregoing, if, in the reasonable judgment of either party, in connection with any such purchase and sale, any additional instrument, document, or certificate is required to further evidence such purchase and sale, the other party shall execute and deliver any such document.

4.2 Sale of Accounts.

(a) Except as provided in this Agreement, CB&T shall not sell or transfer any Credit Card Account created under the Program, or any interest therein, to any unaffiliated party without the prior written consent of BFC.

(b) Upon expiration or termination of this Agreement, BFC shall have the right, exercisable by providing written notice to CB&T no later than sixty

(60) days after notice of termination is provided by a party hereunder, to purchase, at par value, the Accounts and all Credit Card Receivables then owned by CB&T or to arrange for said purchase by a financial institution designated by BFC. The terms of Section 8.1(e) hereof shall apply to any such purchase. At BFC's request, upon any transfer of the Credit Card Accounts, CB&T shall assign to BFC or its designee, as the case may be, the Processing Agreement, the Servicing Agreement, the Remittance Agreement and the SDC Agreement.

4.3 Convenant of CB&T. During the term of this Agreement, CB&T shall take no voluntary action to create any lien, pledge, security interest or other encumbrance on any of the Credit Card Receivables or Accounts.

ARTICLE 5.

ADDITIONAL PRODUCTS AND SERVICES

5.1 Returned Mail Services. CB&T shall perform certain returned mail services for BFC in connection with the Program as more specifically described, and at the prices set forth, on Exhibit D hereto.

5.2 Additional Services. In the event BFC requests CB&T to perform any additional services in connection with the Cards issued under the Program which are not already required to be performed under this Agreement by CB&T, and which would entail additional expense by CB&T, including those services to be performed by third parties under the agreements referred to in Section 2.9 of this Agreement, and CB&T agrees to provide such services in connection with Cards issued hereunder, then the details and the cost of such services shall be agreed to by BFC and CB&T in writing and shall be attached to this Agreement as an amendment or set forth in a separate document.

5.3 New Card Products. In the event BFC desires to launch a new card product (i.e., a card other than the H&R Block Value Card, Interim Card or CompuServe Card), BFC shall notify CB&T and subject to the parties reaching agreement as to the CB&T Cost for such program, cards issued under such program shall become Credit Cards for purposed of this Agreement. In the event BFC and CB&T are unable to reach an agreement as to the cost which may be assessed under 3.1 (a) (iv) (a) hereof for any card program, CB&T is not obligated to issue Credit Cards for such program.

ARTICLE 6.

REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of CB&T. CB&T hereby represents and warrants to BFC as follows:

(a) Organization. CB&T is a bank duly organized, validly existing and in good standing under the laws of the State of Georgia.

(b) Capacity; Authority; Validity. CB&T has all necessary corporate power and authority to enter into this Agreement and to perform all of the

obligations to be performed by it under this Agreement. This Agreement and the consummation by CB&T of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of CB&T, and this Agreement has been duly executed and delivered by CB&T and constitutes the valid and binding obligation of CB&T and is enforceable in accordance with its terms (except as such enforceability may be limited by equitable limitations on the availability of equitable remedies and by bankruptcy and other laws affecting the rights of creditors generally).

(c) Conflicts; Defaults. Neither the execution and delivery of this Agreement by CB&T nor the consummation of the transactions contemplated herein by CB&T will (i) conflict with, result in the breach of, constitute a default under, or accelerate the performance required by, the terms of any contract, instrument or commitment to which CB&T is a party or by which CB&T is bound, (ii) violate the articles of incorporation or bylaws, or any other equivalent organizational document, of CB&T, (iii) result in the creation of any lien, charge or encumbrance upon any of the Credit Card Receivables, (except pursuant to the terms hereof), or (iv) require the consent or approval of any other party to any contract, instrument or commitment to which CB&T is a party or by which it is bound. CB&T is not subject to any agreement with any regulatory authority which would prevent the consummation by CB&T of the transactions contemplated by this Agreement.

(d) Litigation. At the date of this Agreement, there is not pending any claim, litigation, proceeding, arbitration, investigation or material controversy before any governmental agency to which CB&T is a party, which adversely affects any of its assets or the ability of CB&T to consummate the transactions contemplated hereby, and, to the best of CB&T's knowledge, no such claim, litigation, proceeding, arbitration, investigation or controversy has been threatened or is contemplated and no facts exist which would provide a basis for any such claim, litigation, proceeding, arbitration, investigation or controversy.

(e) No Consents, Etc. At the date of this Agreement, no consent of any person (including without limitation, any stockholder or creditor of CB&T) and no consent, license, permit or approval or authorization or exemption by notice or report to, or registration, filing or declaration with, any governmental authority is required (other than those previously obtained and delivered to BFC) in connection with the execution or delivery of this Agreement by CB&T, the validity of this Agreement with CB&T, the enforceability of this Agreement against CB&T, the consummation by CB&T of the transactions contemplated hereby, or the performance by CB&T of its obligations hereunder.

(f) FDIC Insurance. CB&T is, and at all times during the term hereof will remain, a member of the Federal Deposit Insurance Corporation.

6.2 Representations and Warranties of BFC. BFC hereby represents and warrants to CB&T as follows:

(a) Organization. BFC is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) Capacity; Authority; Validity. BFC has all necessary power and

authority to enter into this Agreement and to perform all of the obligations to be performed by it under this Agreement. This Agreement and the consummation by BFC of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of BFC, and this Agreement has been duly executed and delivered by BFC and constitutes the valid and binding obligation of BFC and is enforceable in accordance with its terms (except as such enforceability may be limited by equitable limitations on the availability of equitable remedies and by bankruptcy and other laws affecting the rights of creditors generally).

(c) Compliance. All aspects of the Program, all terms of the Accounts and the Cardholder Agreements, and all Solicitation Materials and other documents, materials and agreements supplied or communicated in any form to Cardholders, prospective Cardholders or others in connection with the Program (except with respect to creating and maintaining the Deposit Accounts, as provided in Section 2.6 hereof), comply and will comply in all respects with

applicable law and regulations.

(d) Conflicts; Defaults. Neither the execution and delivery of this Agreement by BFC nor the consummation of the transactions contemplated herein by BFC will (i) conflict with, result in the breach of, constitute a default under, or accelerate the performance provided by the terms of any contract, instrument or commitment to which BFC is a party or by which it is bound, (ii) violate the certificate of incorporation or bylaws, or any other equivalent organizational document, of BFC, (iii) require any consent or approval under any judgment, order, writ, decree, permit or license, to which BFC is a party or by which it is bound, or (iv) require the consent or approval of any other party to any contract, instrument or commitment of which BFC is a party or by which it is bound. BFC is not subject to any agreement with any regulatory authority which would prevent the consummation by BFC of the transactions contemplated by this Agreement.

(e) Litigation. There is no claim, or any litigation, proceeding, arbitration, investigation or controversy pending, to which BFC is a party and by which it is bound,

which adversely affects BFC's ability to consummate the transactions contemplated hereby and, to the best of BFC's knowledge and information, no such claim, litigation, proceeding, arbitration, investigation or controversy has been threatened or is contemplated; to the best of BFC's knowledge, no facts exist which would provide a basis for any such claim, litigation, proceeding, arbitration, investigation or controversy.

(f) No Consents, Etc. No consent of any person (including without limitation, any stockholder or creditor of BFC) and no consent, license, permit or approval or authorization or exemption by notice or report to, or registration, filing or declaration with, any governmental authority is required (other than those previously obtained and delivered to CB&T) in connection with the execution or delivery of this Agreement by BFC, the validity or enforceability of this Agreement against BFC, the consummation of the transactions contemplated thereby, or the performance by BFC of its obligations

thereunder.

ARTICLE 7.

CONFIDENTIAL INFORMATION

7.1 Confidential Information. All material and information supplied by one party to the other party in the course of the negotiation of this Agreement and its performance hereunder, including, but not limited to, information concerning either party's marketing plans; technological developments, objectives and results; and financial results are confidential and proprietary to the disclosing party ("Confidential Information"). Confidential Information does not include any information that was (I) known to the receiving party at the time of disclosure or developed independently by such party without violating the terms herein; (ii) in the public domain at the time of disclosure or enters the public domain following disclosure through no fault of the receiving party; or (iii) disclosed to the receiving party by a third party that is not prohibited by law r agreement from disclosing the same. Notwithstanding the foregoing, but without limiting the effect of the last sentence of Section 2.13 (b) hereof, each Cardholder List shall be deemed Confidential Information owned by BFC.

7.2 Protection of Confidential Information. Confidential Information shall be used by each party solely in the performance of its obligations pursuant to this Agreement. Each party shall receive Confidential Information in confidence and not disclose Confidential Information to any third party, except as may be necessary to perform its obligations pursuant to this Agreement and except as may be required by law or agreed upon in writing by the other party. Each party shall take all reasonable steps to safeguard Confidential Information disclosed to it so as to ensure that no unauthorized person shall have access to any Confidential Information. Each party shall, among other safeguards which it may consider necessary, require its employees, agents, and subcontractors having access to Confidential Information to enter into appropriate confidentiality agreements containing such terms as are necessary to satisfy its obligation herein. Each party shall promptly report to the other party any unauthorized disclosure or use of any Confidential Information of that party of which it

becomes aware. Upon request or upon termination of this Agreement, each party shall return to the other party

all Confidential Information in its possession or control. No disclosure by a party hereto of Confidential Information of such party shall constitute a grant to the other party of any interest or right whatsoever in such Confidential Information, which shall remain the property solely of the disclosing party. Nothing contained herein shall limit a party's rights to use its Confidential Information in any manner whatsoever.

7.3 Survival. The terms of this Article 7 shall survive the termination of this Agreement.

ARTICLE 8.

MISCELLANEOUS

8.1 Term and Termination.

(a) Term. this Agreement shall commence on the date first above written and shall continue in full force and effect until June 30, 1995 (the "Initial Term"), unless otherwise terminated as provided in Section 8.1 (b) or (c) herein. After the Initial Term, this Agreement shall be extended for renewal terms of one (1) year each ("Renewal Term"), unless one party notifies the other party of its intent to terminate this Agreement at least 180 days prior to the end of the Initial Term or any Renewal Term. The termination of this Agreement shall not terminate, affect or impair any rights, obligations or liabilities of either party hereto that may accrue prior to such termination or that, under the terms of this Agreement, continue after the termination.

(b) Termination. Either party to this Agreement may terminate this Agreement, reserving all other remedies and rights hereunder in whole or in part, upon the following conditions:

(i) Event of Default. Subject to the terms of Section 8.1 (f) hereof, upon the occurrence of an Event of Default caused by one party, the nondefaulting party may terminate this Agreement by giving ten (10) business days' notice (five business days in the case of BFC's failure to purchase Credit Card Receivables pursuant to Section 4.1 hereof) prior written notice to the defaulting party of its intent to terminate this Agreement. For purposes of this Agreement, an "Event of Default" hereunder shall occur in the event either party defaults in the performance of any of its material duties or obligations under this Agreement and fails to correct the default, to the reasonable satisfaction of the other party, within a 30-day cure period (which cure period shall be five (5) business days for BFC's failure to purchase Credit Card Receivables pursuant to Section 4.1 hereof) commencing upon receipt of notice from the other party. Notwithstanding the foregoing, except in the case of an Event of Default consisting of a failure by BFC t purchase Credit Card Receivables pursuant to Section 4.1 hereof, notice of termination may not be sent until the party seeking to terminate has followed the provisions of Section 8.1 (f) hereof.

(ii) Bankruptcy. Either party may terminate this Agreement, at any time upon notice to the other party, after the filing by the other party of any petition in bankruptcy or for reorganization or debt consolidation under the federal bankruptcy laws or under any comparable law, or upon the other party's making of an assignment of its

assets for the benefit of creditors, or upon the application of the other party for the appointment of a receiver or trustee of its assets.

(iii) Termination for Force Majeure or Changes in Laws or Regulations. This Agreement may be terminated by either party on or after the ninetieth (90th) day following the giving of notice by the other party that such notice-giving party's performance is: (A) prevented or delayed by a force majeure event listed in Section 8.7 hereof, if the failure to perform has not been cured at the end of such ninety (90) day period, or (B) rendered (through no act or omission of such party) illegal or impermissible for that party or its ultimate parent corporation due to changes in laws or regulations applicable to

the terminating party.

(iv) Termination of Processing Agreement. This Agreement may be terminated by either party if the Processing Agreement expires and is not renewed. BFC may terminate this Agreement if the Processing Agreement is terminated as a result of a breach by TSYS of its responsibilities thereunder. CB&T may terminate this Agreement if the Processing Agreement is terminated as a result of a breach by BFC of its responsibilities thereunder.

(v) Failure to Execute Agreements. This Agreement may be terminated by CB&T, upon thirty (30) days prior written notice to BFC, if BFC has not entered into a Servicing Agreement with a third party servicing company and a Remittance Agreement with a third party payments processor prior to February 15, 1994 provided however that this section shall not permit termination for failure to enter into such an agreement if CB&T and BFC have determined that the responsibilities under such agreement are to be performed by BFC or CB&T, or a subsidiary of either party, but have been unable to reach agreement on a definitive document.

(c) Ownership of a Bank by BFC. If BFC receives approval to establish or obtain control of any bank, thrift or industrial loan company, upon notice to CB&T, BFC may terminate this Agreement and exercise its rights under section (e) hereof to purchase the Accounts and , to purchase at par, any credit card receivables then owned by CB&T or an affiliate of CB&T, with such sale to occur at a mutually agreed upon date.

(d) Duties After Termination. Upon termination of this Agreement, in order to preserve the goodwill of Cardholders both parties shall cooperate in order to ensure a smooth and orderly termination of their relationship and a transition of Cardholder Accounts. In the event CB&T terminates this Agreement, CB&T shall continue to maintain and service the Accounts and fulfill all of its obligations hereunder for a period of up to 180 days after the termination, in order to allow BFC to convert the Accounts to an alternative credit card issuer or processor, provided, however, that if the termination results from a failure of BFC to purchase Credit Card Receivables under the terms of Section 4.1 hereof, and such unpurchased Credit Card Receivables equal or exceed $50 million, CB&T, upon one (1) day's prior notice to BFC, may refuse to authorize any new charges on the Accounts.

(e) Purchase of Accounts.

(i) Upon the expiration or termination of this Agreement, (A) BFC shall have the right, exercisable by providing written notice to CB&T, to purchase, and (B) CB&T shall have the right, exercisable by providing written notice to BFC, to cause BFC to purchase, all of the Credit Card Accounts and (to the extent not previously

purchased by BFC) all of the Credit Card Receivables as of the date of such purchase. BFC may fulfill such obligation by arranging for said purchase to be made by a third party designated by BFC. The purchase price in the event of a purchase and sale under this Section 8.1(e) shall be the full face amount of the Credit Card Receivables being purchased plus an out-of-pocket expenses

reasonably incurred by CB&T in connection with such sale. CB&T shall transfer to BFC or a financial institution designated by BFC the Deposit Accounts held as security by CB&T for the Credit Card Accounts and assign to BFC the security agreements related to the Deposit Accounts.

(ii) CB&T shall transfer to BFC all books and records relating to the Accounts and each party shall return all property belonging to the other party which is in its possession or control at the time of termination and shall discontinue the use of and return to the other party, or at the request of the other party destroy, all written and printed materials bearing the other party's name and logo. At BFC's request, upon the transfer of the Accounts, CB&T shall assign to BFC or its designee, as the case may be, its rights under the Processing Agreement, the Servicing Agreement, the Remittance Agreement and the SDC Agreement.

(iii) In the event BFC defaults in its obligation to purchase the Accounts, CB&T (without limiting any other remedy it may have) may elect to retain the Accounts, in which case it shall so notify BFC and may repurchase from BFC its interest in the Credit Card Receivables, at par, or the parties may mutually agree to sell the Accounts and Credit Card Receivables to an unrelated purchaser, in which case any premium received on the sale of the Accounts shall

be payable in full to BFC.

(f) Resolution of Disputes. The parties agree that it is their desire to use their best efforts to resolve amicably any and all disputes or disagreements that may arise between them with respect to the interpretation of any provision of this Agreement or with respect to the performance by the parties under this Agreement, in order to avoid an early termination of this Agreement. Toward that end, the parties agree that in the event any dispute or disagreement arises that cannot be resolved at the operating level by employees of each party having direct responsibility for the performance or operating function in question, each of the parties will promptly appoint a designated officer to meet for the purpose of endeavoring to resolve such dispute or negotiate an adjustment to such provision. Any disputes that, if not resolved, may lead to an allegation by one party that an Event of Default has occurred by the other party shall be referred to the Chief Financial Officer of CB&T and the Chief Financial Officer of H&R Block, Inc., who shall confer and diligently attempt to find reasonable methods of correcting the condition giving rise to the anticipated Event of Default. No legal proceedings for the resolution of any such dispute may be commenced or notice of termination of this Agreement may be served until such Chief Financial Officers have so conferred, and until either party concludes, in good faith, that amicable resolution through continued negotiation of the matter at issue does not appear likely and one party provides written notice of same to the other party.

8.2 Indemnification.

(a) BFC will indemnify and hold harmless Synovus and CB&T, and their respective directors, officers, employees, agents and affiliates and permitted assigns

("CB&T Indemnified Parties") from and against any and all "Losses" (as herein defined), except to the extent of any Losses which arise from the direct acts or omissions of CB&T or an affiliate of CB&T, arising out of (i) any failure of BFC to comply with any of the terms and conditions of this Agreement, (ii) any inaccuracy of a representation or warranty made by BFC herein, (iii) any infringement or alleged infringement of any of the Block Credit Card Marks, or the use thereof hereunder, on the rights of any third party; and (iv) any acts or omissions of the remittance processing company or the servicing company prior to the execution of the Remittance Agreement and the Servicing Agreement, respectively.

(b) CB&T shall be liable to and shall indemnify and hold harmless BFC and H&R Block, Inc. and their respective officers, directors, employees, agents, affiliates, from and against any Losses (as defined below), except to the extent of any Losses which arise from the direct acts or omissions of BFC, arising out of the failure of CB&T to comply with any of the terms and conditions of this Agreement, or the inaccuracy of any representation or warranty made by CB&T herein.

(c) For the purposes of this Section 8.2, the term "Losses" shall mean all out-of-pocket costs, damages, losses, and expenses whatsoever, including, without limitation, (i) outside attorneys' fees and disbursements and court costs reasonably incurred by the indemnified party; and (ii) costs (including reasonable expenses and reasonable value of time spent) attributable to the necessity that any officer or employee (other than in-house attorneys) of any Indemnified Party spend more than 25% of his or her normal business hours, over a period of two (2) months, in connection with any judicial, administrative, legislative, or other proceeding.

8.3 Procedures for Indemnification.

(a) Notice of Claims. In the event any claim is made, any suit or action is commenced, or any knowledge of a state of facts that, if not corrected, would give rise to a right of indemnification of a party hereunder ("Indemnified Party") by the other party ("Indemnifying Party") is received, the Indemnified Party will give notice to the Indemnifying Party as promptly as practicable, but, in the case of lawsuit, in no event later than the time necessary to enable the Indemnifying Party to file a timely answer to the complaint. The Indemnified Party shall make available to the Indemnifying Party and its counsel and accountants at reasonable times and for reasonable periods, during normal business hours, all books and records of the Indemnified Party

relating to any such possible claim for indemnification, and each party hereunder will render to the other such assistance as it may reasonably require of the other (at the expense of the party requesting assistance) in order to insure prompt and adequate defense of any suit, claim or proceeding based upon a state of facts which may give rise to a right of indemnification hereunder.

(b) Defense and Counsel. Subject to the terms hereof, the Indemnifying Party shall have the right to defend any suit, claim or proceeding. The Indemnifying Party shall notify the Indemnified Party via facsimile transmission, with a copy by mail, within ten (10) days of having been notified pursuant to this Section 8.3 (a) if the Indemnifying Party elects to employ counsel and assume the defense of any such claim, suit or action. The Indemnifying Party shall institute and maintain any such defense diligently and

reasonably and shall keep the Indemnified Party fully advised of the status thereof. The Indemnified Party shall have the right to employ its own counsel if the Indemnified Party so elects to assume such defense, but the fees and expenses of such counsel shall be at the Indemnified Party's expense, unless (i) the employment of such counsel shall have been authorized in writing by the Indemnifying Party; (ii) such Indemnified Party shall have reasonably concluded that the interests of such parties are conflicting such that it would be inappropriate for the same counsel to represent both parties (in which case the Indemnifying Party shall not have the right to direct the defense of such action on behalf of the Indemnified Party), and in either of such events such reasonable fees and expenses shall be borne by the Indemnifying Party; or (iii) they Indemnifying Party shall not have employed counsel to take charge of the defense of such action after electing to assume the defense thereof.

(c) Settlement of Claims. The Indemnifying Party shall have the right to compromise and settle any suit, claim or proceeding in the name of the Indemnified Party; provided however, that the Indemnifying Party shall not compromise or settle a suit, claim or proceeding (i) unless it indemnifies the Indemnified Party for all Losses arising out of or relating thereto and (ii) with respect to any suit, claim or proceeding which seeks any non-monetary relief, without the consent of the Indemnified Party, which consent shall not be unreasonably withheld. Any final judgment or decree entered on or in, any claim, suit or action which the Indemnifying Party did not assume the defense of in accordance herewith, shall be deemed to have been consented to by, and shall (subject to the other provisions hereof) be binding upon, the Indemnifying Party as fully as if the Indemnifying Party had assumed the defense thereof and a final judgment or decree had been entered in such suit or action, or with regard to such claim, by a court of competent jurisdiction for the amount of such settlement, compromise, judgment or decree. the Indemnifying Party shall be subjugated to any claims or rights of the Indemnified Party as against any other Persons with respect to any amount paid by the Indemnifying Party under this Section 8.3.

(d) Indemnification Payments. Amounts owing under Section 8.2 shall be paid promptly upon written demand for indemnification containing in reasonable detail the facts giving rise to such liability, provided, however, that if the Indemnifying Party notifies the Indemnified Party within thirty (30) days of receipt of such demand that it disputes it obligation to indemnify and the parties are not otherwise able to reach agreement, the controversy shall be settled by final judgment entered by a court of competent jurisdiction.

(e) Survival. The terms of Sections 8.2 and 8.3 shall survive the termination of this Agreement provided, however, that a direct claim made by a party hereto against the other party hereto for breach of any part of this Agreement other than Sections 8.2 and 8.3 hereof, shall only survive the termination of this Agreement for a period of five years.

8.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia without regard to its conflict of laws rules.

8.5 Press Releases. Except as may be required by law or regulation or a court or regulatory authority or any stock exchange, neither CB&T nor BFC, nor their

respective parents or affiliates, shall issue a press release or make public announcement or any disclosure to any third party related to the terms of this Agreement without the prior consent of the other party hereto, which consent shall not be unreasonably withheld or delayed.

8.6 Relationship of the Parties. CB&T and BFC agree that in performing their responsibilities pursuant to this Agreement they are in the position of independent contractors. This Agreement is not intended to create, nor does it create and shall not be construed to create, a relationship of partners or joint ventures or any association for profit between and among CB&T and BFC.

8.7 Force Majeure. In the event that either party fails to perform its obligations under this Agreement in whole or in part as a consequence of events beyond its reasonable control (including, without limitation, acts of God, fire, explosion, public utility failure, accident, floods, embargoes, epidemics, war, nuclear disaster or riot), such failure to perform shall not be considered a breach of this Agreement during the period of such disability. In the event of any force majeure occurrence as set forth in this Section, the disabled party shall use its best efforts to meet its obligations as set forth in this Agreement. The disabled party shall promptly and in writing advise the other party if it is unable to perform due to a force majeure event, the expected duration of such inability to perform and of any developments (or changes therein) that appear likely to affect the ability of that party to perform any of its obligations hereunder in whole or in part.

8.8 Books and Records. Each party shall maintain books of account and records, in accordance with standard accounting practices and procedures, of all financial transactions arising in connection with its obligations pursuant to this Agreement for a period of five years, and after such time the other party will be offered a reasonable opportunity to take possession of such records at its expense prior to their destruction. In addition to and notwithstanding the foregoing, to the extent either party has sole possession of any records required to be maintained by the other party pursuant to applicable state or federal laws or regulations, the party with possession shall maintain such records in such form and for such time periods as are provided for in such laws and regulations. Subject to the first sentence of this Section, either party may, at its own expense and upon reasonable prior notice, have full access to and the right to inspect and copy the books and records of the other party relating to services performed herein by that party, and during the term of this Agreement, each party shall furnish to the other party all such information concerning transactions and services provided by it pursuant to this Agreement as that party may reasonably request.

8.9 Notices. All notices, requests and approvals required by this Agreement (i) shall be in writing, (ii) shall be addressed to the parties as indicated below unless notified in writing of a change in address, and (iii) shall be deemed to have been given either when personally delivered or, if sent

by mail, in which event it shall be sent postage prepaid, upon delivery thereof, or, if sent by telegraph, telex, or facsimile, upon delivery thereof. The addresses of the parties are as follows:

To CB&T: Columbus Bank and Trust Company
PO Box 120
Columbus, Georgia 31902-0120
Attention: President

To BFC: Block Financial Corporation
4410 Main Street
Kansas City, Missouri 64111
Attention: President

8.10 Modification and Changes. This Agreement, together with any Exhibits attached hereto, constitutes the entire agreement between the parties relating to the subject mater herein. This Agreement may only be amended by a written document signed by both parties. In the course of the planning and coordination of this Agreement, written documents have been exchanged between he parties. such written documents shall not be deemed to amend or supplement this Agreement.

8.11 Assignment. This Agreement and the rights and obligations created under it shall be binding upon and inure solely to the benefit of the parties

hereto and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. Except as otherwise provided herein, this Agreement shall not be assigned by either party, except to a wholly-owning parent or to a wholly-owned subsidiary of such parties wholly-owning parent, without the written consent of the other party, and any such permitted assignment or delegation shall terminate when such assignee is no longer a wholly owning parent of such party or a wholly owned subsidiary of such party or of such party's wholly owning parent.

8.12 Effectiveness. This Agreement shall become effective with it has been accepted and executed on behalf of CB&T by an authorized officer and on behalf of BFC by an authorized officer.

8.13 Waivers. Neither of the parties shall be deemed to have waived any of its rights, powers or remedies hereunder unless such waiver is approved in writing by the waiving party.

8.14 Severability. If any provision of this Agreement or portion thereof is held invalid, illegal, void or unenforceable by reason of any rule of law, administrative or judicial provision or public policy, all other provisions of this Agreement shall nevertheless remain in full force and effect.

8.15 Headings. The headings contained herein are for convenience of reference only and are not intended to define, limit, expand or describe the scope or intent of any provision of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

COLUMBUS BANK AND TRUST COMPANY	BLOCK FINANCIAL CORPORATION
By: /s/ Wade Buford	By: /s/ William P. Anderson
Title: Vice President	Title: President

Exhibit C

Calculation of CB&T Required Before Tax Return
As of December 31, 1993

Required before Tax Return = Required Net after Tax Return / (100% (Federal Income Tax Rate) / (100% (State Income Tax Rate), where:

Required Net after Tax Return =	1.50%
Current Federal Income Tax Rate =	35%
Current State Income Tax Rate =	6%

1.5% / (100% (35%) / (100% (6%) = 2.45%

Current Required before Tax Return = 2.45%

CALCULATION OF CB&T REQUIRED MONTHLY RETURN
As of December 31, 1993

Assumptions:

Total Average Program Receivables for the month	$5,289,129.00
# of Days in Month	31
# of Days in Year	365

Total Average Program Receivables for the month	$5,289,129.00
First $5 million allocated to CB&T	(5,000,000.00)
Balance of Receivables	$2,89,129.00
Allocation Percentage	10%
10% above $5 million allocated to CB&T	$28,912.90
First $5 million allocated to CB&T	$5,000,000.00
Total Allocated to CB&T	$5,028,912.90

Total Allocated to CB&T	$5,028,912.90
X Required Before Tax Return	2.45%
X # of Days in Period	31
(# of Days in Year	365
= CB&T Guaranteed Return	$10,458.59

EXHIBIT D

H&R BLOCK RETURNED MAIL SERVICES

Procedures

1. CB&T will, on each business day, pick up all undelivered or returned mail from P.O. Box 2295 located at the main Post Office in Columbus Georgia.

2. The cards will be delivered to Bankcard Data Entry and logged.

3. Upon receipt of returned mail data Entry will:

Change Address

Update the change of address supplied by the Post Office on the cardholder's account.

Prepare a label with the new address, place on the old card insert and place in new envelope.

Overseas Address

Cards with overseas address's and returned for insufficient postage will be placed in a plain envelope with the correct address and marked for overseas postage.

Undeliverable Mail

Mail returned as undeliverable will be checked on the system to verify the address. If the address's are the same the cards will be destroyed and action taken will be placed in thnotes on the TSYS system.

4. All mail that is corrected for remailing will be listed on a log sheet and transported to Card production to be mailed.

Pricing

cards/per month	cost/per card/per month
0-100	$7.50
101-250	$5.00
251-1000	$3.00
1001 & up	renegotiate

AMENDMENT NO. 1

TO AFFINITY CARD AGREEMENT

THIS AMENDMENT (this "Amendment") is made this 29th day of December, 1995, by and between BLOCK FINANCIAL CORPORATION, a Delaware corporation, and COLUMBUS BANK AND TRUST COMPANY, a bank organized under the laws of the State of Georgia ("CB&T").

WHEREAS, the parties hereto are parties to that certain Affinity Card Agreement dated March 1, 1993 (the "Affinity Card Agreement"); and

WHEREAS, the parties hereto desire to amend the Affinity Card Agreement to, among other things, (i) extend the term thereof, (ii) modify the purchase and sale of receivables provisions, and (iii) reflect the fact that BFC has discontinued its H&R Block Value Card and Interim Card programs;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein set forth, the parties hereby agree as follows:

1. All capitalized terms used herein and not otherwise defined shall have the respective meanings provided such terms in the Affinity Card Agreement.

2. Section 1 of the Affinity Card Agreement is hereby amended as follows:

(a) The definition of "Credit Card" or "Card" is deleted therefrom in its entirety and inserted in lieu thereof is the following:

"`Credit Card' or `Card' shall mean each CompuServe Card or such other MasterCard and/or Visa Card issued hereunder by CB&T and bearing such name or logo as requested by BFC and approved by CB&T pursuant to Section 2.1 herein."

(b) The definitions of "H&R Block Value Card," "Value Card," and "Interim Card" are deleted therefrom in their entirety.

3. Section 2.1 of the Affinity Card Agreement is hereby amended by deleting the last sentence thereof in its entirety and inserting in lieu thereof the following:

"Subject to the Operating Regulations (as defined in Section 2.12 hereof) and the terms of Section 2.10 herein, each Credit Card shall have on the front thereof the name, logo and/or trademark of CompuServe Card or such other name, logo and/or trademark requested by BFC and approved by CB&T (which approval shall not be unreasonably withheld or delayed) and shall be of a design approved by CB&T, BFC and MasterCard or Visa, as applicable."

4. Section 3.1(a) of the Affinity Card Agreement is hereby amended as follows:

(a) Subclause (a) of paragraph (iv) is amended by deleting therefrom the phrase "for the H&R Block Value Card program and such other amount as may be mutually agreed upon by the parties with respect to the Interim Card and CompuServe Card programs."

(b) Subparagraphs (vi) and (vii) are deleted therefrom in their entirety and inserted in lieu thereof is the following:

(vi) "CB&T Return" shall mean with respect to a particular month such dollar amount which, when divided by the daily average of: (x) $5,000,000 and (y) 10% of the amount by which the Credit Card Receivables exceed $5,000,000, will produce a quotient of the decimal equivalent (when carried two places to the right of the decimal point) of the percentage that, when reduced by the tax rate to which Synovus is subject, which tax rate shall be fixed for each

monthly period, will produce an annual return of 1.5%; provided, however, that if the CB&T Return for each six-month period ending on August 31 or February 28 or 29 (as the case may be) is less than $50,000, the CB&T Return shall be increased to $50,000 for such period. As of December 31, 1993, such amount is $10,485.59 and was calculated as indicated on Exhibit C to this Agreement.

(c) Subparagraphs (viii) and (ix) are hereby renumbered as (vii) and (viii) respectively.

5. Section 3.2 of the Affinity Card Agreement is hereby amended by deleting the amount "$5,000,000" and inserting in lieu thereof the amount "$1,000,000."

6. Section 4.1(a) of the Affinity Card Agreement is hereby amended by deleting from the first sentence thereof the amount "$5,000,000" from each place where it appears therein and inserting in lieu thereof the amount "$1,000,000."

7. Section 5.3 of the Affinity Card Agreement is hereby amended by deleting from the first sentence thereof the phrase "H&R Block Value Card, Interim Card or."

8. Section 8.1(a) of the Affinity Card Agreement is hereby amended as follows:

(a) The first sentence thereof is amended by deleting the date "June 30, 1995" and inserting in lieu thereof the date "July 1, 1998."

(b) The second sentence thereof is deleted therefrom in its entirety and inserted in lieu thereof is the following:

"After the Initial Term, this Agreement shall be executed for renewal terms of two (2) years each ("Renewal Term"), unless one party notifies the other party of its intent to terminate this Agreement at least 270 days prior to the end of the Initial Term or any Renewal Term."

9. Notwithstanding the provisions of this Amendment that reflect the fact that BFC has discontinued its H&R Block Value Card and Interim Card programs, BFC and CB&T hereby agree and confirm that (i) all representations and warranties made by BFC and CB&T in Article 6 of the Affinity Card Agreement with respect to the H&R Block Value Card and Interim Card remain in full force and effect, and (ii) the indemnification obligations of BFC and CB&T set forth in Article 8.2 of the Affinity Card Agreement with respect to Losses associated with the H&R Block Value Card and Interim Card remain in full force and effect.

10. Except as herein modified, the Affinity Card Agreement shall remain in full force and effect and is hereby confirmed in all respects.

11. This Amendment shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

12. This Amendment shall be effective as of the date hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

BLOCK FINANCIAL CORPORATION	COLUMBUS BANK AND TRUST COMPANY
By: /s/ G. Cotter Cunningham	By: /s/Russell D. Carreker
G. Cotter Cunningham	Russell D. Carreker
Vice President, Credit Card Operations	Vice President

THIRD AMENDMENT TO CREDIT AGREEMENT

THIRD AMENDMENT, dated as of September 12, 1997 (this "Third Amendment"), to Credit Agreement, dated as of December 10, 1996, among BLOCK FINANCIAL CORPORATION, a Delaware Corporation (the "Borrower"), the Lenders parties thereto from time to time (individually, a "Lender", and collectively, the "Lenders") and MELLON BANK, N.A., a national banking association, as agent for the Lenders (in such capacity, the "Agent") (as amended by that certain First Amendment to Credit Agreement dated as of April 10, 1997, and by that certain Second Amendment to Credit Agreement dated as of June 6, 1997, the "Agreement").

W I T N E S S E T H

WHEREAS, the Borrower, the Lenders and the Agent desire to make certain amendments to the Agreement, including requiring the Consolidated Net Worth of Guarantor to be at least $325,000,000 at all times and permitting Borrower to issue certain Indebtedness;

NOW THEREFORE, for and in consideration of the premises herein contained, and intending to be legally bound, the parties hereto agree as follows:

ARTICLE I

Amendments

Section 1.01. Section 6.01 of the Agreement is hereby amended by deleting subsection (a) in its entirety and replacing it with a new subsection (a), such new subsection (a) to read it in its entirety as follows:

> (a) Consolidated Net Worth of Guarantor. At all times, the Consolidated Net Worth of Guarantor shall not be less than $325,000,000.

Section 1.02. Schedule 6.05 of the Agreement is hereby further amended by adding thereto, as a new item 14, the following.

> 14. Unsecured Indebtedness, evidenced by promissory notes, in an aggregate principal amount not exceeding $300,000,000, with a maturity not less than five years after the incurrence thereof, which promissory notes do not have the benefit of covenants more favorable to the holders thereof than the covenants described in the Borrower's preliminary prospectus, dated August 14, 1997, with respect to such promissory notes, and the proceeds of the issuance of which is used by Borrower to repay its commercial paper notes.

ARTICLE II

Conditions to Effectiveness

Section 2.01. This Third Amendment shall become effective upon the satisfaction of the following conditions precedent:

(a) This Third Amendment shall have been executed and delivered by the Borrower, the Agent and the Required Lenders. The Guarantor shall have executed and delivered the Consent to this Third Amendment in the form of Exhibit A to this Third Amendment.

(b) The Agent shall have received, with an executed counterpart for each Lender, certificates from such officers of the Borrower and the Guarantor as to such matters as the Agent may request.

ARTICLE III

Miscellaneous

Section 3.01. (a) The Required Lenders hereby authorize and direct the Agent to enter into this Third Amendment.

(b) Capitalized terms used and not otherwise defined herein shall have the meanings given such terms in the Agreement. Except as amended hereby, the Agreement shall remain in full force and effect. This Third Amendment may be executed in one or more counterparts and all such counterparts taken together shall constitute one and the same instrument.

(c) THIS THIRD AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA.

(d) The amendments set forth herein shall be limited precisely as provided for herein and shall not be deemed to be waivers of, amendments to, consents to or modifications of any term of provision of the Agreement or any other Loan Document, or instrument referred to therein. The Agreement, as amended hereby, shall continue in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be duly executed as of the day and year first above written.

ATTEST:

By /s/ John R. Cox

Title: Secretary

[Corporate Seal]

BLOCK FINANCIAL CORPORATION

By /s/ Bret G. Wilson

Title: Vice President

MELLON BANK, N.A., as Lender and Swing Line Lender and as Agent

By /s/ Mellon Bank, N.A.
Title:

THE BANK OF TOKYO-MITSUBISHI, LTD., CHICAGO BRANCH

By /s/ The Bank of Tokyo-Mitsubishi, Ltd., Chicago Branch
Title:

THE CHASE MANHATTAN BANK

By /s/ The Chase Manhattan Bank
Title:

COMERICA BANK

By /s/ Comerica Bank
Title:

COMMERCE BANK, N.A.

By /s/ Commerce Bank, N.A.
Title:

CREDIT LYONNAIS CHICAGO BRANCH

By /s/ Credit Lyonnais Chicago Branch
Title:

THE FIRST NATIONAL BANK OF

CHICAGO

By /s/ The First National Bank of Chicago
Title:

THE FUJI BANK, LIMITED

By /s/ The Fuji Bank, Limited
Title:

THE LONG-TERM CREDIT BANK OF
JAPAN, LTD.

By /s/ The Long-Term Credit Bank of Japan,
Ltd.
Title:

ISTITUTO BANCARIO SAN PAOLO DI
TORINO SPA

By /s/ Istituto Bancario San Paolo Di
Torino SPA
Title:

SOCIETE GENERALE

By /s/ Societe Generale
Title:

TORONTO DOMINION (TEXAS), INC.

By /s/ Toronto Dominion (Texas), Inc.
Title:

THE YASUDA TRUST & BANKING CO.,
LTD.

By /s/ The Yasuda Trust & Banking Co., Ltd.
Title:

Exhibit A

CONSENT WITH RESPECT TO GUARANTY AND SURETYSHIP AGREEMENT

Reference is made to the Guaranty and Suretyship Agreement, dated as of December 10, 1996 (the "Guaranty") made by H & R Block, Inc., a Missouri corporation (the "Guarantor"), in favor of Mellon Bank, N.A., as Agent under the Credit Agreement, dated as of December 10, 1996, among Block Financial Corporation (the "Borrower"), the Lenders party thereto from time to time and such Agent (as amended, modified or supplemented from time to time, the "Credit Agreement") and to the Third Amendment to Credit Agreement, dated as of September 12, 1997 (the "Third Amendment") among such parties. The Guarantor hereby consents to the Third Amendment.

H & R BLOCK, INC.

By /s/ Frank L. Salizzoni

Title President

6

AMENDED AND RESTATED OPTION AND WARRANT AGREEMENT

THIS AMENDED AND RESTATED OPTION AND WARRANT AGREEMENT ("this Agreement") is made this 19th day of December, 1995 by and among W.D. Everitt, Jr., an individual ("Everitt"), National Consumer Services Corp., L.L.C., a Georgia limited liability company ("NCS"), National Consumer Services, Corp. II, L.L.C., a Georgia limited liability company ("NCS II"), and Block Financial Corporation, a Delaware Corporation ("BFC") and is amended and restated as of January 1, 1996.

Recitals

A. Pursuant to that certain Operating Agreement for NCS dated as of September 15, 1995, as amended by the First Amendment to Operating Agreement of NCS (as amended, the "NCS Operating Agreement"), Everitt owns a Company Interest (as such term is defined in the NCS Operating Agreement) in NCS equal to a 66% Percentage Interest (as such term is defined in the NCS Operating Agreement).

B. Pursuant to that certain Operating Agreement for NCS II dated as of December 19, 1995 (the "NCS II Operating Agreement"), Everitt owns a Company Interest (as such term is defined in the NCS II Operating Agreement) in NCS equal to a 66% Percentage Interest (as such term is defined in the NCS II Operating Agreement).

C. In reliance upon, and in consideration of, the agreements of Everitt, NCS and NCS II under this Agreement to grant options to BFC with respect to the purchase by BFC of a Company Interest in NCS and NCS II, BFC has agreed to (i) extend certain financial accommodations to NCS and NCS II pursuant to that certain Credit Agreement by and between NCS, NCS II and BFC dated even date herewith (the "Credit Agreement") and (ii) purchase certain mortgage loans from NCS and NCS II pursuant to that certain Loan Purchase Agreement by and between NCS, NCS II and BFC dated even date herewith.

Agreements

IN CONSIDERATION of the premises, and of the mutual promises, obligations and agreement contained herein, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. Option. (a) Everitt hereby grants to BFC the right and option to purchase from Everitt a Company Interest in each of NCS and NCS II equal to a 40% Percentage Interest in each of NCS and NCS II, at an aggregate purchase price of $4,000,000 and in the manner and on the terms and conditions as hereinafter set forth.

(b) The option granted by Everitt to BFC hereunder may be exercised by BFC at any time during (and only during) the three-year period commencing on December 19, 1995 (the "Option Period"); provided, however, that

in the event BFC's obligations to make Loans (as such term is defined in the Credit Agreement) under the Credit Agreement is terminated for any reason, such option shall terminate upon the earlier of (i) the expiration of the Option Period or (ii) the date 90 days after the date on which BFC's obligations to make Loans under the Credit Agreement is terminated. BFC shall exercise such right, if at all, by giving Everitt, NCS and NCS II written notice of exercise. Such notice of exercise shall specify a date for closing of the purchase, which date shall not be more

than 15 days after the date of such notice of exercise. Any exercise of the option granted to BFC hereunder shall be with respect to both NCS and NCS II.

(c) The closing of any purchase and sale of Company Interests under this Section 1 shall be held at the principal office of NCS (or such other

place as agreed upon by Everitt and BFC) on such date set forth in Section 1 (b) of this Agreement; provided, however, that if the closing is scheduled for a day that is not a business day in the State of Georgia, the closing shall occur on the next business day thereafter. At the closing, the purchase price shall be paid by federal wire transfer of funds immediately available at such domestic account designated by Everitt, against delivery of a written instrument of transfer of the applicable Company Interests executed by Everitt (or his applicable legal representative) and in form and substance satisfactory to BFC.

2. Restrictions on Transfer. During the period commencing on the date hereof and ending on the date of the closing of any purchase and sale of Company Interests under Section 1 of this Agreement, Everitt shall not make, and NCS and NCS II shall not suffer to occur, any Transfer (as such term is defined in the NCS Operating Agreement) of Everitt's Company Interests in NCS and/or NCS II that results in Everitt owning after such Transfer a Percentage Interest in NCS or NCS II that is less then 40%.

3. Failure to Transfer Company Interest. (a) If Everitt or his legal representative is not present at the time and place designated for a closing pursuant to Section 1 of this Agreement, or, if present, fails to execute and deliver to BFC a written instrument of transfer of the applicable Company Interests as required by Section 1 of this Agreement, or fails to satisfy any other obligation to be satisfied at the closing, as aforesaid, for any reason whatsoever or no reason (any such foregoing events is hereinafter referred to as a "Closing Failure"), then the purchase price and any document required of BFC at the closing (such purchase price and documents are hereinafter referred to as the "Closing Documentation") shall be deposited with the Manager of NCS. The foregoing shall constitute valid payment even though Everitt has attempted to encumber or dispose of any of such Company Interests contrary to the provisions of this Agreement and irrespective of the fact that any pledge, transferee or other person may thereby have attempted to acquire an interest in any of such Company Interests or the fact any of such Company Interests may have been Transferred to any such person.

(b) If the Closing Documentation is deposited with the Manager of NCS as provided herein, then from and after the date of such deposit and even

if the written instrument of transfer as required by Section 1 of this Agreement has not been delivered to BFC, the purchase of such Company Interests shall be deemed to have been fully effected and all title and interest in and to such Company Interests shall be deemed to have been vested in BFC, and all rights of Everitt or of any purported transferee, assignee or any other person purporting to have an interest therein, as a Member (as defined in the NCS Operating Agreement and NCS II Operating Agreement, as the case may be) or otherwise, shall terminate except for the right to receive the Closing Documentation, but without interest; and the Manager of NCS and the Manager of NCS II, as attorney-in-fact for and in the name of Everitt, shall cause such applicable Company Interest to be transferred on the books of NCS and NCS II to BFC. Everitt does hereby irrevocably appoint and designate the Manager of NCS and the Manager of NCS II and their successors in office as his attorney-in-fact, for and on his behalf, to receive, receipt for, hold and collect the Closing Documentation, and to effect the transfer of the Company Interests on the books of NCS and NCS II. Everitt shall be entitled to receive the Closing Documentation upon delivery to NCS of the written instruments of transfer as required by Section 1 of this Agreement, as aforesaid.

4. Warrant. (a) NCS and NCS II each hereby agree, that in the event a Closing Failure occurs and continues until the closing of the purchase of Company Interest pursuant to this Section 4, BFC shall be entitled to subscribe for and purchase from NCS and NCS II Company Interests in NCS and NCS II equal to a 40% Percentage Interest in each of NCS and NCS II, at an aggregate purchase price of $4,000,000 and in the manner, and on, and subject to, the terms and conditions set forth in this Section 4 at any time during the one-year period commencing on the date of deposit of the Closing Documentation with NCS.

(b) BFC shall exercise its right to subscribe for and purchase Company Interests pursuant to this Section 4, if at all, by giving Everitt, NCS and NCS II written notice of exercise. Upon receipt of such notice of exercise, NCS and NCS II shall be entitled to retain (as payment by BFC of the purchase price for the Company Interests purchase pursuant to this Section 4) the purchase price deposited with NCS pursuant to Section 3 of this Agreement, and the closing of the purchase of Company Interests under this Section 4 shall be deemed to have occurred on the date such notice was received by NCS. NCS and NCS

II hereby agree that the aggregate purchase price shall be remitted by BFC solely to NCS and that such aggregate purchase price shall be allocated between NCS and NCS II as determined by NCS and NCS II.

5. Assignments and Transfers; Binding Effect. This Agreement shall not be assigned by any party hereto without the prior written consent of the other parties hereto, and the options herein granted shall not be transferable and shall be exercisable only by BFC and shall not be transferred, assigned, pledged or hypothecated by BFC; provided, however, that BFC may assign this agreement or transfer the options herein granted to any Affiliate (as defined in the NCS Operating Agreement) of BFC. All rights and obligations pursuant to this Agreement shall adhere to and be binding upon the parties hereto and their permitted heirs, administrators, executors, successors and assigns.

6. Entire Agreement; Amendments. This Agreement cancels and

supersedes all previous agreements relating to the subject matter of this agreement, written or oral, between the parties hereto and contains the entire understanding of the parties hereto and shall not be amended, modified or supplemented in any manner whatsoever except as otherwise provided herein or in writing signed by each of the parties hereto. No waiver or any provision hereof will be valid or binding on the parties hereto, unless such waiver is in writing and signed by or on behalf of the parties hereto, and no waiver on one occasion shall be deemed to be a waiver of the same or any other provision hereof in the future.

7. NCS and NCS II's Right to Refuse Transfer. NCS and NCS II are hereby irrevocably authorized by Everitt to refuse to accommodate or recognize any Transfer of a Company Interest that would not be in accordance with the terms hereof, and NCS and NCS II and the Manager and the other Members of NCS and NCS II are hereby released and relieved from any and all liability that might arise from the refusal to accommodate or recognize such Transfer.

8. Severability. If for any reason any one or more provisions or parts of a provision hereof shall be determined to be invalid or unenforceable in any respect, such invalidity or unenforceability shall not affect any other provision or part of a provision herein, and such provision or part shall be reformed so that it would be valid, legal and enforceable to the maximum extent permitted.

9. Notices. All notices required or permitted to be given under this Agreement shall be in writing and shall be given by registered or certified mail, return receipt requested, or by nationally recognized overnight courier, by first-class mail, or by facsimile transmission (with confirmation in writing mailed first-class or sent by such overnight courier) or by personal delivery, addressed as follows:

If to BFC, to:

Block Financial Corporation
4435 Main Street, Suite 500
Kansas City, Missouri 64111
Attention: Clifford A Davis, Jr.
Facsimile: 816-561-0673

If to Everitt, to:

W.D. Everitt, Jr.
1815 N. Expressway
P.O. Box 149
Griffin, Georgia 30224
Facsimile: (770) 228-0039

If to NCS or NCS II, to:

National Consumer Services Corp., L.L.C.

16 Perimeter Center
Suite 1600
Atlanta, Georgia 30306

Attention: John B. Stanforth
Facsimile: (770) 668-0541

Any party may change the address to which it desires notices to be sent giving the other party ten (10) days' prior notice of any such change. Any notices shall be deemed effective on the earliest to occur of receipt, telephone confirmation of receipt of facsimile transmission, one business day after delivery to a nationally-recognized overnight courier, or three business days after deposit in the mail.

10. Law Governing. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Missouri applicable to agreements made and to be performed entirely within such state, including all matters of enforcement, validity and performance.

11. Specific Performance. Everitt, NCS and NCS II each hereby acknowledge and agree that the remedy at law available to BFC would be inadequate for any breach of this Agreement whereby (i) a person or his legal representative would refuse to transfer a Company Interest in NCS or NCS II in accordance with the terms of this Agreement, or (ii) Everitt would attempt to transfer a Company Interest in NCS or NCS II not in accordance with the terms of this Agreement. In recognition of that fact, Everitt, NCS and NCS II each hereby agree that, in addition to any other available remedies, BFC shall be entitled to specific performance of all

affirmative duties with respect to the transfer of a Company Interest in NCS or NCS II and to an injunction, restraining order or other form of equitable relief prohibiting violation of any of the restrictive covenants with respect to the Transfer of Company Interests hereunder.

12. Subrogation of BFC's Rights. In the event BFC exercises its rights under Section 4 of this Agreement and shall have purchased a Company Interest from NCS and/or NCS II pursuant to such Section 4, NCS and NCS II, as the case may be, shall be subrogated as to BFC's right under Sections 1, 2, 3 and 11 of this Agreement and, accordingly, shall be entitled to enforce such rights against Everitt.

13. Headings Section headings contained in this Agreement are for Reference purposes only and are in no way intended to define, interpret, describe or limit the scope, extent or intent of this Agreement or any provision hereof.

14. Counterparts. This Agreement may be executed in counterparts, each of which shall for all purposes be deemed an original, and all of such counterparts shall together constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

/s/ W.D. Everitt, Jr.
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W.D. Everitt, Jr.

BLOCK FINANCIAL CORPORATION

By Clifford A.Davis, Jr.

Clifford A.Davis, Jr. Vice President
Finance and Corporate Development

NATIONAL CONSUMER SERVICES
CORP., L.L.C.

By John B. Stanforth

John B. Stanforth
Manager

NATIONAL CONSUMER SERVICES
CORP. II, L.L.C.

By John B. Stanforth

John B. Stanforth
Manager

EXHIBIT 12(B)

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

	1997	1996	1995	1994	1993
Pretax income from continuing operations	$143,777	$125,089	$ 97,989	$103,052 (b)	$126,556
FIXED CHARGES:					
Interest expense	11,642	3,969	4,056	3,798	6,579
Interest portion of net rent expense(a)	26,012	21,821	20,660	19,075	17,965
Total fixed charges	37,654	25,790	24,716	22,873	24,544
Earnings before income taxes and fixed charges	$181,431	$150,879	$122,705	$125,925	$151,100
Ratio of earnings to fixed charges	4.8:1	5.9:1	5.0:1	5.5:1	6.2:1

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(a) One-third of net rent expense is the portion deemed representative of the interest factor.

(b) Included in earnings for 1994 was a nonrecurring charge of $25,072 for purchased research and development related to the acquisition of MECA Software, Inc. as disclosed in the Acquisitions note to Block's consolidated financial statements for the year ended April 30, 1996. If such charges had not occured, the ratio of earnings to fixed charges would have been 6.6:1.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Amendment No. 1 to Registration Statement Nos. 333-33655 and 333-33655-01 of Block Financial Corporation and H&R Block, Inc. on Form S-3 of our reports dated June 17, 1997, except for the "Subsequent Events" note to the consolidated financial statements as to which the date is September 7, 1997 appearing in and incorporated by reference in Amendment Number 2 to the Annual Report of Form 10-K of H&R Block, Inc. for the year ended April 30, 1997 and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

Kansas City, Missouri
September 24, 1997

Independent Auditors' Consent

The Board of Directors
Option One Mortgage Corporation:

We consent to the incorporation by reference in Amendment No. 1 to the registration statement on Form S-3 of Block Financial Corporation and H&R Block, Inc. dated September 25, 1997 of our report dated February 18, 1997, with respect to the balance sheets of Option One Mortgage Corporation as of December 31, 1996 and 1995 and the statements of earnigs, stockholder's equity and cash flows for the year ended December 31, 1996 and for the period March 3, 1995 to December 31, 1995 (Successor period) and from January 1, 1995 to March 2, 1995 (Predecessor period), which report appears in the Form 8-K/A of H&R Block, Inc. dated July 2, 1995 (filed August 14, 1997) and to the reference to our firm under the heading "Experts" in the Prospectus.

Our report dated February 18, 1997 contains an explanatory paragraph that states that effective March 3, 1995, Fleet National Bank, Rhode Island acquired all of the outstanding stock of Option One Mortgage Corporation in a business combination accounted for as a purchase. As a result of the acquisition, the financial information for the periods after the acquisition is presented on a different cost basis than that for the periods before the acquisition and, therefore, is not comparable. Effective September 27, 1995, Fleet National Bank, Rhode Island transferred its investment in the Company to one of its wholly owned subsidiaries, Fleet Holding Corporation.

/S/ KPMG PEAT MARWICK LLP

Orange County, California
September 25, 1997