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

FORM 10-K

(Mark One)

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended April 30, 2010

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-6089

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

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, without par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, without par value
(Title of Class)

Indicate by check mark whether the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

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

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

The aggregate market value of the registrant's Common Stock (all voting stock) held by non-affiliates of the registrant, computed by reference to the price at which the stock was sold on October 31, 2009, was $6,250,540,705.

Number of shares of the registrant's Common Stock, without par value, outstanding on May 31, 2010: 323,306,058.

Documents incorporated by reference

The definitive proxy statement for the registrant's Annual Meeting of Shareholders, to be held September 30, 2010, is incorporated by reference in Part III to the extent described therein.

2010 FORM 10-K AND ANNUAL REPORT

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INTRODUCTION AND FORWARD-LOOKING STATEMENTS

Specified portions of our proxy statement are listed as "incorporated by reference" in response to certain items. Our proxy statement will be made available to shareholders in August 2010, and will also be available on our website at *www.hrblock.com*.

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

PART I

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

H&R Block has subsidiaries that provide tax, banking and business and consulting services. Our Tax Services segment provides income tax return preparation, electronic filing and other services and products related to income tax return preparation to the general public primarily in the United States, and also in Canada and Australia. This segment also offers the H&R Block Prepaid Emerald MasterCard® and Emerald Advance lines of credit through H&R Block Bank (HRB Bank), along with other retail banking services. Our Business Services segment consists of RSM McGladrey, Inc. (RSM), a national tax and consulting firm primarily serving mid-sized businesses. Corporate operations include interest income from U.S. passive investments, interest expense on borrowings, net interest margin and gains or losses relating to mortgage loans held for investment, real estate owned, residual interests in securitizations and other corporate expenses, principally related to finance, legal and other support departments.

H&R Block, Inc. was organized as a corporation in 1955 under the laws of the State of Missouri. "H&R Block," "the Company," "we," "our" and "us" are used interchangeably to refer to H&R Block, Inc. or to H&R Block, Inc. and its subsidiaries, as appropriate to the context. A complete list of our subsidiaries can be found in Exhibit 21.

NEW DEVELOPMENTS – In May 2010 we announced plans to realign field and support organizations. The realignment included approximately 400 staff reductions and 400 office closures. Associated severance benefits were recorded primarily during the first fiscal quarter of 2011 and totaled approximately $19 million. There were no significant costs incurred in connection with announced office closures.

During fiscal year 2010, we entered into a new unsecured committed line of credit (CLOC) agreement to support commercial paper issuances, general corporate purposes and for working capital needs. The new facility provides funding up to $1.7 billion and matures July 31, 2013. This facility replaced our existing CLOCs, which were set to mature in August 2010. See additional discussion in Item 8, note 10 to the consolidated financial statements.

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

Effective February 3, 2010, RSM and M&P entered into new agreements related to the operation of the APS. See additional discussion of the new agreements in Item 8, note 17.

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

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

See discussion below and in Item 8, note 21 to our consolidated financial statements.

DESCRIPTION OF BUSINESS

TAX SERVICES

GENERAL – Our Tax Services segment is primarily engaged in providing tax return preparation and related services and products in the U.S. and its territories, Canada and Australia. Major revenue sources include fees earned for tax preparation services performed at company-owned retail tax offices, royalties from franchise retail tax offices, fees for tax-related services, sales of tax preparation and other software, online tax preparation fees, participation in refund anticipation loans (RALs), refund anticipation checks (RACs), fees from activities related to H&R Block Prepaid Emerald MasterCard®, and interest and fees from Emerald Advance lines of credit. HRB Bank also offers traditional banking services including checking and savings accounts, individual retirement accounts and certificates of deposit. Segment revenues constituted 76.8% of our consolidated revenues from continuing operations for fiscal year 2010, 76.7% for 2009 and 74.9% for 2008.

Retail income tax return preparation and related services are provided by tax professionals via a system of retail offices operated directly by us or by franchisees. We also offer our services through seasonal offices located inside major retailers.

TAX RETURNS PREPARED – We, together with our franchisees, prepared approximately 23.2 million tax returns worldwide during fiscal year 2010, compared to 23.9 million in 2009 and 24.6 million in 2008. We prepared 20.1 million tax returns in the U.S. during fiscal year 2010, down from 21.0 million in 2009 and 21.8 million in 2008. Our U.S. tax returns prepared, including those prepared by our franchisees and those prepared and filed at no charge, for the 2010 tax season constituted 15.6% of an Internal Revenue Service (IRS) estimate of total individual income tax returns filed during the fiscal year 2010 tax season. This compares to 15.8% in the 2009 tax season and 16.2% in the 2008 tax season, excluding tax returns filed as a result of the Economic Stimulus Act of 2008 (Stimulus Act). See Item 7 for further discussion of changes in the number of tax returns prepared.

FRANCHISES – We offer franchises as a way to expand our presence in certain markets. Our franchise arrangements provide us with certain rights designed to protect our brand. Most of our franchisees receive use of our software, access to product offerings and expertise, signs, specialized forms, local advertising, initial training and supervisory services, and pay us a percentage, typically approximately 30%, of gross tax return preparation and related service revenues as a franchise royalty.

During fiscal years 2010 and 2009 we sold certain offices to existing franchisees for sales proceeds totaling $65.7 million and $16.9 million, respectively. The net gain on these transactions totaled $49.0 million and $14.9 million in fiscal years 2010 and 2009, respectively. The extent to which we sell company-owned offices will depend upon ongoing analysis regarding the optimal mix of offices for our network, including geographic location, as well as our ability to identify qualified franchisees.

From time to time, we have also acquired the territories of existing franchisees and other tax return preparation businesses, and may continue to do so if future conditions warrant and satisfactory terms can be negotiated. During fiscal year 2009, we acquired the assets and franchise rights of our last major independent franchise operator for an aggregate purchase price of $279.2 million.

OFFICES – A summary of our company-owned and franchise offices is as follows:

April 30,	**2010**	2009	2008
U.S. OFFICES:			
Company-owned offices	**6,431**	7,029	6,835
Company-owned shared locations(1)	**760**	1,542	1,478
Total company-owned offices	**7,191**	8,571	8,313
Franchise offices	**3,909**	3,565	3,812
Franchise shared locations(1)	**406**	787	913
Total franchise offices	**4,315**	4,352	4,725
	11,506	12,923	13,038
INTERNATIONAL OFFICES:			
Canada	**1,269**	1,193	1,143
Australia	**374**	378	366
	1,643	1,571	1,509

(1) Shared locations include offices located within Sears or other third-party businesses. In 2009 and 2008, these locations also included offices within Wal-Mart stores.

We sold 267 company-owned offices to franchisees in fiscal year 2010 and 76 offices in fiscal year 2009. Additionally, we closed more than 1,700 offices in fiscal year 2010, including over 1,000 offices in Wal-Mart stores.

The acquisition of our last major independent franchise operator in fiscal year 2009 included a network of over 600 tax offices, nearly two-thirds of which converted to company-owned offices upon the closing of the transaction, as reflected in the table above.

Offices in shared locations at April 30, 2010 consist primarily of offices in Sears stores operated as "H&R Block at Sears." The Sears license agreement expires in July 2010. Offices in shared locations at April 30, 2009 and 2008 included offices in Wal-Mart stores. The Wal-Mart agreement expired in May 2009.

SERVICE AND PRODUCT OFFERINGS – In addition to our retail offices, we offer a number of digital tax preparation alternatives. By offering professional and do-it-yourself tax preparation options through multiple channels, we seek to serve our clients in the manner they choose to be served.

We also offer clients a number of options for receiving their income tax refund, including a check directly from the IRS, an electronic deposit directly to their bank account, a prepaid debit card, a RAC or a RAL.

Software Products. We develop and market H&R Block At Home™ income tax preparation software. H&R Block At Home™ offers a simple step-by-step tax preparation interview, data imports from money management software and tax preparation software, calculations, completion of the appropriate tax forms, error checking and electronic filing. Our software products may be purchased through third-party retail stores, direct mail or online.

Online Tax Preparation. We offer a comprehensive range of online tax services, from tax advice to complete professional and do-it-yourself tax return preparation and electronic filing, through our website at *www.hrblock.com*. This website allows clients to prepare their federal and state income tax returns using the H&R Block At Home™ Online Tax Program, access tax tips, advice and tax-related news and use calculators for tax planning.

We participate in the Free File Alliance (FFA). This alliance was created by the tax return preparation industry and the IRS, and allows qualified filers with adjusted gross incomes less than $57,000 to prepare and file their federal return online at no charge. We feel this program provides a valuable public service and increases our visibility with new clients, while also providing an opportunity to offer our state return preparation and other services to these clients.

RALs. RALs are offered to our U.S. clients by a designated bank primarily through a contractual relationship with HSBC Holdings plc (HSBC). An eligible, electronic filing client may apply for a RAL at one of our offices. After meeting certain eligibility criteria, clients are offered the opportunity to apply for a loan from HSBC in amounts up to $9,999 based on their anticipated federal income tax refund. We simultaneously transmit the income tax return information to the IRS and the lending bank. Within a few days after the filing date, the client receives a check, direct deposit or prepaid debit card in the amount of the loan, less the bank's transaction fee, our tax return preparation fee and other fees for client-selected services. Additionally, qualifying electronic filing clients are eligible to receive their RAL proceeds, less applicable fees, in approximately one hour after electronic filing using the Instant Money service. A RAL is repaid when the IRS directly deposits the participating client's federal income tax refund into a designated account at the lending bank. See related discussion in "Loan Participations" below.

RACs. Refund Anticipation Checks are offered to U.S. clients who would like to either: (1) receive their refund faster and do not have a bank account for the IRS to direct deposit their refund; (2) have their tax preparation fees paid directly out of their refund; or (3) receive their refund faster but do not qualify for a RAL under the existing credit criteria. A RAC is not a loan and is provided through a contractual relationship with HSBC.

Peace of Mind (POM) Guarantee. The POM guarantee is offered to U.S. clients, in addition to our standard guarantee, whereby we (1) represent our clients if audited by the IRS, and (2) assume the cost, subject to certain limits, of additional taxes owed by a client resulting from errors attributable to one of our tax professionals' work. The POM program has a per client cumulative limit of $5,000 in additional taxes assessed with respect to the federal, state and local tax returns we prepared for the taxable year covered by the program.

Emerald Advance Lines of Credit. Emerald Advance lines of credit are offered to clients in tax offices from late November through early January, currently in an amount not to exceed $1,000. If the borrower meets certain criteria as agreed in the loan terms, the line of credit can be increased and utilized year-round. These lines of credit are offered by HRB Bank.

H&R Block Prepaid Emerald Mastercard®. The H&R Block Prepaid Emerald MasterCard® allows a client to receive a tax refund from the IRS directly on a prepaid debit card, or to direct RAL or RAC proceeds to the card to avoid high-cost check-cashing fees. The card can be used for everyday purchases, bill payments and ATM withdrawals anywhere MasterCard® is accepted. Additional funds can be added to the card account year-round

through direct deposit or at participating retail locations. The H&R Block Prepaid Emerald MasterCard® is issued by HRB Bank.

Tax Return Preparation Courses. We offer income tax return preparation courses to the public, which teach students how to prepare income tax returns and provide us with a source of trained tax professionals.

CashBack Program. We offer a refund discount (CashBack) program to our customers in Canada. In accordance with current Canadian regulations, if a customer's tax return indicates the customer is entitled to a tax refund, we issue a check to the client in the amount of the refund, less a discount. The client assigns to us the full amount of the tax refund to be issued by the Canada Revenue Agency (CRA) and the refund check is then sent by the CRA directly to us. In accordance with the law, the discount is deemed to include both the tax return preparation fee and the fee for tax refund discounting. This program is financed by short-term borrowings. The number of returns discounted under the CashBack program in fiscal year 2010 was approximately 797,000, compared to 782,000 in 2009 and 749,000 in 2008.

LOAN PARTICIPATIONS – Since July 1996, we have been a party to agreements with HSBC and its predecessors to participate in RALs provided by a lending bank to H&R Block tax clients. During fiscal year 2006, we signed new agreements with HSBC in which we obtained the right to purchase a 49.9% participation interest in all RALs obtained through our retail offices. We received a signing bonus from HSBC during fiscal year 2006 in connection with these agreements, which was recorded as deferred revenue and is earned over the contract term. These agreements are effective through June 2011 and we have the right to extend through 2013. Our purchases of the participation interests are financed through short-term borrowings and we bear all of the credit risk associated with our participation interests. Revenue from our participation is calculated as the rate of participation multiplied by the fee paid by the borrower to the lending bank. Our RAL participation revenue was $146.2 million, $139.8 million and $190.2 million in fiscal years 2010, 2009 and 2008, respectively.

SEASONALITY OF BUSINESS – Because most of our clients file their tax returns during the period from January through April of each year, substantially all of our revenues from income tax return preparation and related services and products are received during this period. As a result, this segment generally operates at a loss through the first eight months of the fiscal year. Peak revenues occur during the applicable tax season, as follows:

United States and Canada	January – April
Australia	July – October

HRB Bank's operating results are subject to seasonal fluctuations primarily related to the offering of the H&R Block Prepaid Emerald MasterCard® and Emerald Advance lines of credit, and therefore peak in January and February and taper off through the remainder of the tax season.

COMPETITIVE CONDITIONS – The retail tax services business is highly competitive. There are a substantial number of tax return preparation firms and accounting firms offering tax return preparation services. Many tax return preparation firms and many firms not otherwise in the tax return preparation business are involved in providing electronic filing and RAL services to the public. Commercial tax return preparers and electronic filers are highly competitive with regard to price and service. In terms of the number of offices and personal tax returns prepared and electronically filed in offices, online and via our software, we are one of the largest providers of direct tax return preparation and electronic filing services in the U.S. We also believe we operate the largest tax return preparation businesses in Canada and Australia.

Our digital tax solutions businesses compete with a number of companies. Intuit, Inc. is the largest supplier of tax preparation software and online tax preparation services. There are many smaller competitors in the online market, as well as free state-sponsored online filing programs. Price and marketing competition for digital tax preparation services is increasing, including offers of free tax preparation services.

HRB Bank provides banking services primarily to our tax clients, both retail and digital, and for many of these clients, HRB Bank is the only provider of banking services. HRB Bank does not seek to compete broadly with regional or national retail banks.

GOVERNMENT REGULATION – Federal legislation requires income tax return preparers to, among other things, set forth their signatures and identification numbers on all tax returns prepared by them and retain all tax returns prepared by them for three years. Federal laws also subject income tax return preparers to accuracy-related penalties in connection with the preparation of income tax returns. Preparers may be prohibited from further acting as income tax return preparers if they continuously and repeatedly engage in specified misconduct.

The federal government regulates the electronic filing of income tax returns in part by requiring electronic filers to comply with all publications and notices of the IRS applicable to electronic filing. We are required to provide certain electronic filing information to the taxpayer and comply with advertising standards for electronic filers. We are also subject to possible monitoring by the IRS, penalties for improper disclosure or use of income tax return preparation, other preparer penalties and suspension from the electronic filing program.

The Gramm-Leach-Bliley Act and related Federal Trade Commission (FTC) regulations require income tax preparers to adopt and disclose consumer privacy policies, and provide consumers a reasonable opportunity to "opt-out" of having personal information disclosed to unaffiliated third-parties for marketing purposes. Some states have adopted or proposed strict "opt-in" requirements in connection with use or disclosure of consumer information. In addition, the IRS generally prohibits the use or disclosure by tax return preparers of taxpayer information without the prior written consent of the taxpayer.

Federal statutes and regulations also regulate an electronic filer's involvement in RALs. Electronic filers must clearly explain the RAL is a loan and not a substitute for or a quicker way of receiving an income tax refund. Federal laws place restrictions on the fees an electronic filer may charge in connection with RALs. In addition, some states and localities have enacted laws and adopted regulations for RAL facilitators and/or the advertising of RALs.

Certain states have regulations and requirements relating to offering income tax courses. These requirements include licensing, bonding and certain restrictions on advertising.

The IRS published proposed amendments on March 26, 2010 that, if finalized, would: (1) require all tax return preparers to use a Preparer Tax Identification Number (PTIN) as their identifying number on federal tax returns filed after December 31, 2010; (2) require all tax return preparers to be authorized to practice before the IRS as a prerequisite to obtaining or renewing a PTIN; (3) cause all currently issued PTINs to expire on December 31, 2010 unless properly renewed; (4) allow the IRS to conduct tax compliance checks on tax return preparers; and (5) define the individuals who are considered "tax return preparers" for the PTIN requirement. Additionally, it is expected that five other proposed regulations will be released in calendar year 2010. These would propose to: (1) establish instructions for tax return preparers related to legislative e-file mandate requirements; (2) set the amount of the PTIN user registration fee; (3) establish a new class of practitioners who are authorized to practice before the IRS under Circular 230 called "registered tax return preparers" and require them to pass a competency examination as a prerequisite to becoming a registered tax return preparer, complete annual continuing professional education requirements, and comply with ethical standards; (4) set the amount of a sponsor fee for qualified continuing professional education sponsors; and (5) set the amount of a competency examination user fee.

As noted above under "Offices," many of the income tax return preparation offices operating in the U.S. under the name "H&R Block" are operated by franchisees. Our franchising activities are subject to the rules and regulations of the FTC and various state laws regulating the offer and sale of franchises. The FTC and various state laws require us to furnish to prospective franchisees a franchise offering circular containing prescribed information. A number of states in which we are currently franchising regulate the sale of franchises and require registration of the franchise offering circular with state authorities and the delivery of a franchise offering circular to prospective franchisees. We are currently operating under exemptions from registration in several of these states based on our net worth and experience. Substantive state laws regulating the franchisor/franchisee relationship presently exist in a substantial number of states, and bills have been introduced in Congress from time to time that would provide for federal regulation of the franchisor/franchisee relationship in certain respects. The state laws often limit, among other things, the duration and scope of non-competition provisions, the ability of a franchisor to terminate or refuse to renew a franchise and the ability of a franchisor to designate sources of supply. From time to time, we may make appropriate amendments to our franchise offering circular to comply with our disclosure obligations under federal and state law.

We also seek to determine the applicability of all government and self-regulatory organization statutes, ordinances, rules and regulations in the other countries in which we operate (collectively, Foreign Laws) and to comply with these Foreign Laws. In addition, the Canadian government regulates the refund-discounting program in Canada. These laws have not materially affected our international operations.

HRB Bank is subject to regulation, supervision and examination by the Office of Thrift Supervision (OTS), the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC). All savings associations are subject to the capital adequacy guidelines and the regulatory framework for prompt corrective action. HRB Bank must meet specific capital guidelines involving quantitative measures of HRB Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. HRB Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors. As a savings and loan holding company, H&R Block, Inc. is also subject to regulation by the OTS.

See Item 7, "Regulatory Environment" and Item 8, note 19 to the consolidated financial statements for additional discussion of regulatory requirements.

See discussion in Item 1A, "Risk Factors" for additional information.

BUSINESS SERVICES

GENERAL – Our Business Services segment offers tax and consulting services, wealth management and capital markets services to middle-market companies. Segment revenues constituted 22.2% of our consolidated revenues from continuing operations for fiscal year 2010, 22.0% for fiscal year 2009 and 23.0% for fiscal year 2008.

This segment consists primarily of RSM, which provides tax and consulting services in 88 cities and 26 states and offers services in 20 of the 25 top U.S. markets.

From time to time, we have acquired related businesses and may continue to do so if future conditions warrant and satisfactory terms can be negotiated.

ALTERNATIVE PRACTICE STRUCTURE WITH McGLADREY & PULLEN LLP – M&P is a limited liability partnership, owned 100% by certified public accountants (CPAs), which provides attest services to middle-market clients.

Under state accountancy regulations, a firm cannot provide attest services unless it is majority-owned and controlled by licensed CPAs. As such, RSM is unable to provide attest services. Since 1999, RSM and M&P have operated in what is known as an "alternative practice structure" (APS). Through the APS, RSM and M&P are able to offer clients a full-range of attest and non-attest services in full compliance with applicable accountancy regulations.

An administrative services agreement between RSM and M&P obligates RSM to provide M&P with administrative services, information technology, office space, non-professional staff, and other infrastructure in exchange for market rate fees from M&P.

On July 21, 2009, M&P provided 210 days notice of its intent to terminate the administrative services agreement, resulting in termination of the APS unless revoked or modified prior to the expiration of the notice period. As a protective measure, on September 15, 2009, RSM also provided notice of its intent to terminate the administrative services agreement. Effective February 3, 2010, RSM and M&P entered into new agreements related to the operation of the APS, withdrawing their prior notices of termination.

Pursuant to a Governance and Operations Agreement effective February 3, 2010, RSM and M&P agreed to be bound by the final award of an arbitration panel, dated as of November 24, 2009, regarding the applicability and enforceability of certain restrictive covenants between the parties. In the event the APS were ever terminated, M&P would generally be prohibited as a result of these restrictive covenants, from (1) engaging in businesses in which RSM operates in for 17 months, (2) soliciting any business with clients or potential clients of RSM or any of its subsidiaries or affiliates for 29 months, and (3) soliciting employees of RSM or any of its subsidiaries or affiliates for 24 months.

Although not required by the Governance and Operations Agreement, all partners of M&P, with the exception of M&P's Managing Partner, are also managing directors employed by RSM. Approximately 86% of RSM's managing directors are also partners in M&P. Certain other personnel are also employed by both M&P and RSM. M&P partners receive distributions from M&P in their capacity as partners, as well as compensation from RSM in their capacity as managing directors. Distributions to M&P partners are based on the profitability of M&P and are not capped by this arrangement. Pursuant to the Governance and Operations Agreement, effective May 1, 2010, the aggregate compensation payable to RSM managing directors by RSM in any given year shall generally equal 67 percent of the combined profits of M&P and RSM less any amounts paid in their capacity as M&P partners. RSM followed a similar practice historically, except that the compensation pool for managing directors was based on 65 percent of combined profits. In practice, this means that variability in the amounts paid to RSM managing directors under these contracts can cause variability in RSM's operating results. RSM is not entitled to any profits or residual interests of M&P, nor is it obligated to fund losses or capital deficiencies of M&P. Managing directors of RSM have historically participated in stock-based compensation plans of H&R Block. Beginning in fiscal 2011, participation in those plans will cease and be replaced by a non-qualified retirement plan.

See additional discussion in Item 8, note 17 to the consolidated financial statements.

SEASONALITY OF BUSINESS – Revenues for this segment are largely seasonal in nature, with peak revenues occurring during January through April.

COMPETITIVE CONDITIONS – The tax and consulting business is highly competitive. The principal methods of competition are price, service and reputation for quality. There are a substantial number of accounting firms offering similar services at the international, national, regional and local levels. As our focus is on middle-market businesses, our principal competition is with national and regional accounting firms.

GOVERNMENT REGULATION – Many of the same federal and state regulations relating to tax preparers and the information concerning tax reform and tax preparer registration discussed previously in Tax Services apply to the Business Services segment as well. RSM is not, and is not eligible to be, a licensed public accounting firm and takes measures to ensure that it does not provide services prohibited by regulation, such as attest services. RSM, through

its subsidiaries, provides capital markets and wealth management services and is subject to state and federal regulations governing investment advisors and securities brokers and dealers.

M&P and other accounting firms (collectively, the "Attest Firms") operate in an alternative practice structure with RSM. Auditor independence rules of the SEC, the Public Company Accounting Oversight Board (PCAOB) and various states apply to the Attest Firms as public accounting firms. In applying its auditor independence rules, the SEC views us and the Attest Firms as a single entity and requires that the SEC independence rules for the Attest Firms apply to us and requires us to be independent of any SEC audit client of the Attest Firms. The SEC regards any financial interest or prohibited business relationship we have with a client of the Attest Firms as a financial interest or prohibited business relationship between the Attest Firms and the client for purposes of applying its auditor independence rules.

We and the Attest Firms have jointly developed and implemented policies, procedures and controls designed to ensure the Attest Firms' independence as audit firms complying with applicable SEC regulations and professional responsibilities. These policies, procedures and controls are designed to monitor and prevent violations of applicable independence rules and include, among other things: (1) informing our officers, directors and other members of senior management concerning auditor independence matters; (2) procedures for monitoring securities ownership; (3) communicating with SEC audit clients regarding the SEC's interpretation and application of relevant independence rules and guidelines; and (4) requiring RSM employees to comply with the Attest Firms' independence and relationship policies (including the Attest Firms' independence compliance questionnaire procedures).

See discussion in Item 1A, "Risk Factors" for additional information.

SERVICE MARKS, TRADEMARKS AND PATENTS

We have made a practice of selling our services and products under service marks and trademarks and of obtaining protection for these by all available means. Our service marks and trademarks are protected by registration in the U.S. and other countries where our services and products are marketed. We consider these service marks and trademarks, in the aggregate, to be of material importance to our business, particularly our business segments providing services and products under the "H&R Block" brand.

We have no registered patents material to our business.

EMPLOYEES

We have approximately 7,700 regular full-time employees as of April 30, 2010. The highest number of persons we employed during the fiscal year ended April 30, 2010, including seasonal employees, was approximately 110,400.

AVAILABILITY OF REPORTS AND OTHER INFORMATION

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed with or furnished to the SEC are available, free of charge, through our website at *www.hrblock.com* as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website at *www.sec.gov* containing reports, proxy and information statements and other information regarding issuers who file electronically with the SEC.

Copies of the following corporate governance documents are posted on our website:

- The Amended and Restated Articles of Incorporation of H&R Block, Inc.;
- The Amended and Restated Bylaws of H&R Block, Inc.;
- The H&R Block, Inc. Corporate Governance Guidelines;
- The H&R Block, Inc. Code of Business Ethics and Conduct;
- The H&R Block, Inc. Board of Directors Independence Standards;
- The H&R Block, Inc. Audit Committee Charter;
- The H&R Block, Inc. Governance and Nominating Committee Charter; and
- The H&R Block, Inc. Compensation Committee Charter.

If you would like a printed copy of any of these corporate governance documents, please send your request to the Office of the Secretary, H&R Block, Inc., One H&R Block Way, Kansas City, Missouri 64105.

Information contained on our website does not constitute any part of this report.

ITEM 1A. RISK FACTORS

An investment in our common stock involves risk, including the risk that the value of an investment may decline or that returns on that investment may fall below expectations. There are a number of significant factors which could cause actual conditions, events or results to differ materially from those described in forward-looking statements, many of which are beyond management's control or its ability to accurately forecast or predict, or could adversely affect our operating results and the value of any investment in our stock. Other factors besides those listed below or discussed in reports filed with the SEC could adversely affect our results.

Our businesses may be adversely affected by economic conditions generally, including the current economic recession and lower employment levels.

Due in part to poor economic conditions and high unemployment, U.S. tax returns prepared by us declined 1.0 million and 0.7 million in fiscal years 2010 and 2009, respectively.

An economic recession as we are currently experiencing, is frequently characterized by lower employment and declining consumer and business spending. Poor economic conditions may negatively affect demand and pricing for our services. Lower employment levels, especially within client segments we serve, may result in clients no longer being required to file tax returns, electing not to file tax returns, or clients seeking lower cost preparation and filing alternatives. Continued lower employment levels may negatively impact our ability to increase tax preparation clients.

In addition, the downturn in the residential housing market and increase in mortgage defaults has negatively impacted our operating results and may continue to do so. An economic recession will likely reduce the ability of our borrowers to repay mortgage loans, and declining home values could increase the severity of loss we may incur in the event of default. In addition to mortgage loans, we also extend secured and unsecured credit to other customers, including RALs and Emerald Advance lines of credit to our tax clients. We may incur significant losses on credit we extend, which in turn could reduce our profitability.

Our access to liquidity may be negatively impacted if disruptions in credit markets occur, if credit rating downgrades occur or if we fail to meet certain covenants. Funding costs may increase, leading to reduced earnings.

We need liquidity to meet our off-season working capital requirements, to service debt obligations including refinancing of maturing obligations, to purchase RAL participations and for other related activities. Although we believe we have sufficient liquidity to meet our current needs, our access to and the cost of liquidity could be negatively impacted in the event of credit-rating downgrades or if we fail to meet existing debt covenants. In addition, events could occur which could increase our need for liquidity above current levels.

If rating agencies downgrade our credit rating, the cost of debt would likely increase and capital market access could decrease or become unavailable. Our CLOC is subject to various covenants, including a covenant requiring that we maintain minimum net worth equal to $650.0 million and a requirement that we reduce the aggregate outstanding principal amount of short-term debt (as defined) to $200.0 million or less for a minimum period of thirty consecutive days during the period from March 1 to June 30 of each year. Violation of a covenant could impair our access to liquidity currently available through the CLOC. If current sources of liquidity were to become unavailable, we would need to obtain additional sources of funding, which may not be possible or may be available under less favorable terms.

The lines of business in which we operate face substantial litigation, and such litigation may damage our reputation or result in material liabilities and losses.

We have been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation arising in connection with our various business activities. Adverse outcomes related to litigation could result in substantial damages and could cause our earnings to decline. Negative public opinion can also result from our actual or alleged conduct in such claims, possibly damaging our reputation and could cause the market price of our stock to decline. See Item 3, "Legal Proceedings" for additional information.

Failure to comply with laws and regulations that protect our customers' personal and financial information could result in significant fines, penalties and damages and could harm our brand and reputation.

Privacy concerns relating to the disclosure of consumer financial information have drawn increased attention from federal and state governments. The IRS generally prohibits the use or disclosure by tax return preparers of taxpayers' information without the prior written consent of the taxpayer. In addition, other regulations require financial service providers to adopt and disclose consumer privacy policies and provide consumers with a reasonable opportunity to "opt-out" of having personal information disclosed to unaffiliated third-parties for

marketing purposes. Although we have established security procedures to protect against identity theft, breaches of our clients' privacy may occur. To the extent the measures we have taken prove to be insufficient or inadequate, we may become subject to litigation or administrative sanctions, which could result in significant fines, penalties or damages and harm to our brand and reputation.

In addition, changes in these federal and state regulatory requirements could result in more stringent requirements and could result in a need to change business practices, including how information is disclosed. Establishing systems and processes to achieve compliance with these new requirements may increase costs and/or limit our ability to pursue certain business opportunities.

We are subject to operational risk and risks associated with our controls and procedures, which may result in incurring financial and reputational losses.

There is a risk of loss resulting from inadequate or failed processes or systems, theft or fraud. These can occur in many forms including, among others, errors, business interruptions arising from natural disasters or other events, inadequate design and development of products and services, inappropriate behavior of or misconduct by our employees or those contracted to perform services for us, and vendors that do not perform in accordance with their contractual agreements. These events could potentially result in financial losses or other damages. We utilize internally developed processes, internal and external information and technological systems to manage our operations. We are exposed to risk of loss resulting from breaches in the security or other failures of these processes and systems. Our ability to recover or replace our major operational systems and processes could have a significant impact on our core business operations and increase our risk of loss due to disruptions of normal operating processes and procedures that may occur while re-establishing or implementing information and transaction systems and processes. As our businesses are seasonal, our systems must be capable of processing high volumes during peak season. Therefore, service interruptions resulting from system failures could negatively impact our ability to serve our customers, which in turn could damage our brand and reputation, or adversely impact our profitability.

We also face the risk that the design of our controls and procedures may prove to be inadequate or that our controls and procedures may be circumvented, thereby causing delays in detection of errors or inaccuracies in data and information. It is possible that any lapses in the effective operations of controls and procedures could materially affect earnings or harm our reputation. Lapses or deficiencies in internal control over financial reporting could also be material to us.

TAX SERVICES

Government initiatives that simplify tax return preparation could reduce the need for our services as a third-party tax return preparer. In addition, changes in government regulations or processes regarding the preparation and filing of tax returns may increase our operating costs or reduce our revenues.

Many taxpayers seek assistance from paid tax return preparers such as us because of the level of complexity involved in the tax return preparation and filing process. From time to time, government officials propose measures seeking to simplify the preparation and filing of tax returns or to provide additional assistance with respect to preparing and filing such tax returns. The adoption of any measures that significantly simplify tax return preparation or otherwise reduce the need for a third-party tax return preparer could reduce demand for our services, causing our revenues or results of operations to decline.

Governmental regulations and processes affect how we provide services to our clients. Changes in these regulations and processes may require us to make corresponding changes to our client service systems and procedures. The degree and timing of changes in governmental regulations and processes may impair our ability to serve our clients in an effective and cost-efficient manner or reduce demand for our services, causing our revenues or results of operations to decline.

Federal and state legislators and regulators have increasingly taken an active role in regulating financial products such as RALs. In addition, we are dependent on third-party financial institutions to provide certain of these financial products to our clients and these institutions could cease or significantly reduce the offering of such products. These trends or potential developments could impede our ability to facilitate these financial products, reduce demand for our services and harm our business.

Changes in government regulation related to RALs could prohibit or limit the offering of RALs to our clients or our ability to purchase participation interests. In addition, third-party financial institutions currently originating RALs and similar products could decide to cease or significantly limit such offerings and related collection practices. Changes in IRS practices, including limitations on the availability of the IRS debt indicator, could impair our ability to limit our bad debt exposure. Changes in any of these, as well as possible litigation related to financial products offered through our distribution channels, may cause our revenues or profitability to decline. See discussion of RAL litigation in Item 3, "Legal Proceedings." In addition to the loss of revenues and income directly attributable to

the RAL program, the inability to offer RALs could indirectly result in the loss of significant retail tax clients and associated tax preparation revenues, unless we were able to take mitigating actions.

RAL participation and related revenues totaled $146.2 million for the year ended April 30, 2010, representing 3.8% of consolidated revenues and contributed $89.5 million to the Tax Services segment's pretax results. We prepared 20.1 million U.S. returns in fiscal year 2010, and of those clients 16.8% also purchased a RAL.

Increased competition for tax preparation clients in our retail offices and our online and software channels could adversely affect our current market share and profitability, and could limit our ability to grow our client base. Offers of free tax preparation services could adversely affect our revenues and profitability.

The retail tax services business is highly competitive. There are a substantial number of tax return preparation firms and accounting firms offering tax return preparation services. Many tax return preparation firms and many firms not otherwise in the tax return preparation business are involved in providing electronic filing, RALs and other related services to the public. Commercial tax return preparers and electronic filers are highly competitive with regard to price and service. Our digital tax solutions businesses also compete with in-office tax preparation services and a number of online and software companies, primarily on the basis of price and functionality.

Federal and certain state taxing authorities currently offer, or facilitate the offer of, tax return preparation and electronic filing options to taxpayers at no charge. In addition, many of our direct competitors offer certain free online tax preparation and electronic filing options. We have free offerings as well and prepared approximately 810,000 federal income tax returns in fiscal year 2010 and 788,000 in fiscal year 2009 at no charge as part of the FFA. Government tax authorities and direct competitors may elect to expand free offerings in the future. Intense price competition, including offers of free service, could result in a loss of market share, lower revenues or lower margins.

See tax returns prepared statistics included in Item 7, under "Tax Services."

We are subject to extensive government regulation, including banking rules and regulations. If we fail to comply with applicable banking laws, rules and regulations, we could be subject to disciplinary actions, damages, penalties or restrictions that could significantly harm our business.

The OTS can, among other things, censure, fine, issue cease-and-desist orders or suspend or expel a bank or any of its officers or employees with respect to banking activities. Similarly, the attorneys general of each state could bring legal action on behalf of the citizens of the various states to ensure compliance with local laws.

HRB Bank is subject to various regulatory capital requirements administered by the OTS. Failure to meet minimum capital requirements may trigger actions by regulators that, if undertaken, could have a direct material effect on HRB Bank. HRB Bank must meet specific capital guidelines involving quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. A bank's capital amounts and classification are also subject to qualitative judgments by the regulators about the strength of components of its capital, risk-weightings of assets, off-balance sheet transactions and other factors. Quantitative measures established by regulation to ensure capital adequacy require HRB Bank to maintain minimum amounts and ratios of tangible equity, total risk-based capital and Tier 1 capital. In addition to these minimum ratio requirements, HRB Bank is required to continually maintain a 12.0% minimum leverage ratio.

See Item 8, note 19 to the consolidated financial statements for additional discussion of regulatory capital requirements and classifications.

Significant changes have been proposed relating to the regulation of financial institutions. Although the ultimate impact of pending proposals is uncertain at this time, increased regulation could impact operating activities of our bank.

Various legislative proposals have been made regarding changes in the regulation of financial institutions, including the Financial Regulatory Reform Plan. Prior proposals included legislation which would have empowered courts to modify the terms of mortgage loans including a reduction in the principal amount to reflect lower underlying property values.

Future changes in regulation could increase compliance requirements and operating costs of HRB Bank, and could potentially limit operating activities of the bank. Should proposals be enacted into law allowing government modification of mortgage loans, we could report losses on mortgage loans in excess of current levels. The availability of principal reductions or other mortgage loan modifications could make bankruptcy a more attractive option for troubled borrowers, leading to increased bankruptcy filings and accelerated defaults.

BUSINESS SERVICES

The RSM alternative practice structure involves relationships with Attest Firms that are subject to regulatory restrictions and other constraints. Failure to comply with these restrictions, or operational difficulties involving the Attest Firms, could damage our brand reputation, lead to reduced earnings and impair our investment in RSM.

RSM's relationship with the Attest Firms requires compliance with applicable regulations regarding the practice of public accounting and auditor independence rules and requirements. Many of RSM's clients are also clients of the Attest Firms. In addition, the relationship with the Attest Firms closely links our RSM McGladrey brand with the Attest Firms. If the Attest Firms were to encounter regulatory or independence issues pertaining to the alternative practice structure or if significant litigation arose involving the Attest Firms or their services, such developments could have an adverse effect on our brand reputation and our ability to realize the mutual benefits of our relationship. In addition, a significant judgment or settlement of a claim against an Attest Firm could (1) impair the Attest Firm's, particularly M&P's, ability to meet its payment obligations under various service arrangements with RSM, (2) impair the profitability of the APS, (3) impact RSM's ability to attract and retain clients and quality professionals, (4) have a significant indirect adverse effect on RSM, as the Attest Firm partners are also RSM employees and (5) result in significant management distraction. This in turn could result in reduced revenue and earnings and, if sufficiently significant, impairment of our investment in RSM.

RSM receives a significant portion of its revenues from clients that are also clients of the Attest Firms. A termination of the alternative practice structure between RSM and the Attest Firms could result in a material loss of revenue to RSM and an impairment of our investment in RSM.

Under the alternative practice structure, RSM and the Attest Firms market their services and provide services to a significant number of common clients. RSM also provides operational and administrative support services to the Attest Firms, including information technology, office space, non-professional staff, and other infrastructure in exchange for market rate fees from M&P. If the RSM/Attest Firms relationship under the alternative practice structure were to be terminated, RSM could lose key employees and clients. In addition, RSM may not be able to recoup its costs associated with the infrastructure used to provide the operational and administrative support services to the Attest Firms. This in turn could result in reduced revenue, increased costs and reduced earnings and, if sufficiently significant, impairment of our investment in RSM.

OTHER

Economic conditions that negatively affect housing prices and the job market may result in deterioration in credit quality of our loan portfolio, and such deterioration could have a negative impact on our business and profitability.

The overall credit quality of mortgage loans held for investment is impacted by the strength of the U.S. economy and local economic conditions, including residential housing prices. Economic trends that negatively affect housing prices and the job market could result in deterioration in credit quality of our mortgage loan portfolio and a decline in the value of associated collateral. Future interest rate resets could also lead to increased delinquencies in our mortgage loans held for investment. Recent trends in the residential mortgage loan market reflect an increase in loan delinquencies and declining collateral values. As a result of similar trends in our loan portfolio, we recorded loan loss provisions totaling $47.8 million and $63.9 million during fiscal years 2010 and 2009, respectively.

Our loan portfolio is concentrated in the states of Florida, California, New York and Wisconsin, which represented 20%, 16%, 15% and 8%, respectively, of our total mortgage loans held for investment at April 30, 2010. No other state held more than 5% of our loan balances. If adverse trends in the residential mortgage loan market continue, particularly in geographic areas in which we own a greater concentration of mortgage loans, we could incur additional significant loan loss provisions.

Mortgage loans purchased from Sand Canyon Corporation (SCC) represent approximately 64% of total loans held for investment at April 30, 2010. These loans have experienced higher delinquency rates than other loans in our portfolio, and may expose us to greater risk of credit loss.

SCC is subject to potential litigation stemming from discontinued mortgage operations, which may result in significant financial losses.

Although SCC terminated its mortgage loan origination activities and sold its loan servicing business during fiscal year 2008, it remains subject to investigations, claims and lawsuits pertaining to its loan origination and servicing activities prior to such termination and sale. The costs involved in defending against and/or resolving these investigations, claims and lawsuits may be substantial in some instances and the ultimate resulting liability is difficult to predict. In the current non-prime mortgage environment, the number and frequency of investigations,

claims and lawsuits has increased over historical experience and is likely to continue at increased levels. In the event of unfavorable outcomes, the amount SCC may be required to pay in the discharge of liabilities or settlements could be substantial and, because SCC's operating results are included in our consolidated financial statements, could have a material adverse impact on our consolidated results of operations.

We are subject to potential contingent liabilities related to loan repurchase obligations, which may result in significant financial losses.

SCC remains exposed to losses relating to mortgage loans it previously originated. Non-prime mortgage loans originated by SCC were sold either as whole-loan sales to single third-party buyers or in the form of a securitization.

SCC entered into indemnification agreements with third-parties relating to the mortgage loans transferred through such whole-loan sales or securitizations. In some instances, H&R Block, Inc. was required to guarantee SCC's obligations. Obligations to repurchase loans or indemnify a third-party up to an agreed upon amount may arise from breaches of various representations and warranties SCC made under such indemnification agreements. These representations and warranties vary based on the nature of the transaction and the buyer's requirements but generally pertain to the ownership of the loan, the property securing the loan and compliance with applicable laws and SCC underwriting guidelines. These representations and warranties and corresponding repurchase obligations generally are not subject to stated limits or a stated term.

SCC records a liability for contingent losses relating to representation and warranty claims by estimating loan repurchase volumes and indemnification obligations for both known claims and projections of expected future claims. To the extent that future valid claim volumes exceed current estimates, or the value of mortgage loans and residential home prices decline, future losses may be greater than these estimates and those differences may be significant.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Most of our tax offices, except those in shared locations, are operated under leases throughout the U.S. Our Canadian executive offices are located in a leased office in Calgary, Alberta. Our Canadian tax offices are operated under leases throughout Canada. HRB Bank is headquartered and its single branch location is located in our corporate headquarters.

RSM's executive offices are located in leased offices in Bloomington, Minnesota. Its administrative offices are located in leased offices in Davenport, Iowa. RSM also leases office space throughout the U.S.

We own our corporate headquarters, which is located in Kansas City, Missouri. All current leased and owned facilities are in good repair and adequate to meet our needs.

ITEM 3. LEGAL PROCEEDINGS

The information below should be read in conjunction with the information included in Item 8, note 18 to our consolidated financial statements.

RAL LITIGATION – We have been named in multiple lawsuits as defendants in litigation regarding our refund anticipation loan program in past years. All of those lawsuits have been settled or otherwise resolved, except for one.

The sole remaining case is a putative class action styled *Sandra J. Basile, et al. v. H&R Block, Inc., et al.*, April Term 1992 Civil Action No. 3246 in the Court of Common Pleas, First Judicial District Court of Pennsylvania, Philadelphia County, instituted on April 23, 1993. The plaintiffs allege inadequate disclosures with respect to the RAL product and assert claims for violation of consumer protection statutes, negligent misrepresentation, breach of fiduciary duty, common law fraud, usury, and violation of the Truth In Lending Act. Plaintiffs seek unspecified actual and punitive damages, injunctive relief, attorneys' fees and costs. A Pennsylvania class was certified, but later decertified by the trial court in December 2003. The trial court's decertification decision is currently on appeal. We believe we have meritorious defenses to this case and intend to defend it vigorously. There can be no assurances, however, as to the outcome of this case or its impact on our consolidated results of operations.

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

Lorie J. Marshall, et al. v. H&R Block Tax Services, Inc., et al., Case No. 08-CV-591 in the U.S. District Court for the Southern District of Illinois, is a putative class action case originally filed in the Circuit Court of Madison County, Illinois on January 18, 2002. The plaintiffs allege that the sale of POM guarantees constitutes (1) statutory fraud by selling insurance without a license, (2) an unfair trade practice, by omission and by "cramming" (i.e., charging customers for the guarantee even though they did not request it or want it), and (3) a breach of fiduciary duty. The plaintiffs seek unspecified damages, injunctive relief, attorneys' fees and costs. The Madison County court ultimately certified a class consisting of all persons residing in 13 states who paid a separate fee for POM from January 1, 1997 to the date of a final judgment from the court. We subsequently removed the case to federal court in the Southern District of Illinois, where it is now pending. In November 2009, the federal court issued an order effectively vacating the state court's class certification ruling and allowing plaintiffs time to file a renewed motion for class certification under the federal rules. Plaintiffs filed a new motion for class certification seeking certification of an 11-state class. Oral argument on plaintiffs' motion occurred in April 2010 and the parties are awaiting a ruling. A trial date has been set for November 2010.

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

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

EXPRESS IRA LITIGATION – On March 15, 2006, the New York Attorney General filed a lawsuit in the Supreme Court of the State of New York, County of New York (Index No. 06/401110) styled *The People of New York v. H&R Block, Inc. and H&R Block Financial Advisors, Inc. et al*. The complaint asserts nationwide jurisdiction and alleges fraudulent business practices, deceptive acts and practices, common law fraud and breach of fiduciary duty with respect to the Express IRA product and seeks equitable relief, disgorgement of profits, damages and restitution, civil penalties and punitive damages. To avoid the cost and inherent risk associated with litigation, we reached an agreement to settle this case and the civil actions described below. Details regarding the settlement are below.

Subsequent to the filing of the New York Attorney General action, a number of civil actions were filed against HRBFA and us concerning the Express IRA product, the first of which was filed on March 15, 2006. Except for two cases pending in state court, all of the civil actions were consolidated by the panel for Multi-District Litigation into a single action styled *In re H&R Block, Inc. Express IRA Marketing Litigation* (Case No. 06-1786-MD-RED) in the United States District Court for the Western District of Missouri. To avoid the cost and inherent risk associated with litigation, we reached an agreement to settle these cases and the New York Attorney General action. The federal court presiding over the Multi-District Litigation approved the settlement in a final fairness hearing and dismissed its underlying actions with prejudice on May 17, 2010. Stipulations of dismissal were subsequently filed in the two cases pending in state court. The settlement requires a minimum payment of $11.4 million and a maximum payment of $25.4 million. The actual cost of the settlement will depend on the number of claims submitted by class members, which are due no later than July 30, 2010. We previously recorded a liability for our best estimate of the expected loss.

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

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

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

The court dismissed the complaint in February 2008, and the plaintiffs appealed the dismissal in March 2008. In addition, plaintiffs in a shareholder derivative action that was consolidated into the securities litigation filed a separate appeal in March 2008, contending that the derivative action was improperly consolidated. The derivative action is *Iron Workers Local 16 Pension Fund v. H&R Block, et al.*, in the United States District Court for the Western District of Missouri, Case No. 06-cv-00466-ODS (instituted on June 8, 2006) and was brought against certain of our directors and officers purportedly on behalf of the Company. The derivative action alleged breach of fiduciary duty, abuse of control, gross mismanagement, waste, and unjust enrichment. In September 2009, the appellate court affirmed the dismissal of the securities fraud class action, but reversed the dismissal of the shareholder derivative action. The plaintiffs in the shareholder derivative action subsequently agreed to voluntarily dismiss their complaint; an order dismissing their complaint was entered on April 19, 2010, thereby ending this litigation.

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

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

As more fully described in Item 8, note 17, RSM and M&P operate in an alternative practice structure. Accordingly, certain claims and lawsuits against M&P could have an impact on RSM. More specifically, any judgments or settlements arising from claims and lawsuits against M&P which exceed its insurance coverage could have a direct adverse effect on M&P's operations. Although RSM is not responsible for the liabilities of M&P, significant M&P litigation and claims could impair the profitability of the APS and impair the ability to attract and retain clients and quality professionals. This could, in turn, have a material adverse effect on RSM's operations and impair the value of our investment in RSM. There is no assurance regarding the outcome of any claims or litigation involving M&P.

On December 7, 2009, a lawsuit was filed in the Circuit Court of Cook County, Illinois (2009-L-014920) against M&P, RSM and H&R Block styled *Ronald R. Peterson ex rel. Lancelot Investors Fund, L.P., et al. v. McGladrey & Pullen LLP, et al.* The case was removed to the United States District Court for the Northern District of Illinois on December 28, 2009, where it remains pending (Case No. 08-28225). The complaint, which was filed by the trustee for certain bankrupt investment funds, seeks unspecified damages and asserts claims against RSM for vicarious liability and alter ego liability and against H&R Block for equitable restitution relating to audit work performed by M&P. The amount claimed in this case is substantial. We believe we have meritorious defenses to the claims against RSM and H&R Block in this case and intend to defend it vigorously, but there can be no assurances as to its outcome or its impact on our consolidated results of operations.

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

On June 3, 2008, the Massachusetts Attorney General filed a lawsuit in the Superior Court of Suffolk County, Massachusetts (Case No. 08-2474-BLS) styled *Commonwealth of Massachusetts v. H&R Block, Inc., et al.,* alleging unfair, deceptive and discriminatory origination and servicing of mortgage loans and seeking equitable relief, disgorgement of profits, restitution and statutory penalties. In November 2008, the court granted a preliminary injunction limiting the ability of the owner of SCC's former loan servicing business to initiate or advance foreclosure actions against certain loans originated by SCC or its subsidiaries without (1) advance notice to the Massachusetts Attorney General and (2) if the Attorney General objects to foreclosure, approval by the court. An appeal of the preliminary injunction was denied. A trial date has been set for June 2011. We believe the claims in this case are without merit, and we intend to defend this case vigorously. There can be no assurances, however, as to its outcome or its impact on our consolidated results of operations.

OTHER CLAIMS AND LITIGATION – We have been named in several wage and hour class action lawsuits throughout the country, respectively styled *Alice Williams v. H&R Block Enterprises LLC*, Case No.RG08366506 (Superior Court of California, County of Alameda, filed January 17, 2008); *Arabella Lemus v. H&R Block Enterprises LLC, et al.,* Case No. CGC-09-489251 (United States District Court, Northern District of California, filed June 9, 2009); *Delana Ugas v. H&R Block Enterprises LLC, et al.,* Case No. BC417700 (United States District Court, Central District of California, filed July 13, 2009); *Joaquin Llano v. H&R Block Eastern Enterprises, Inc.,* Case No. 09-CV-22531 (United States District Court, Southern District of Florida, filed August 27, 2009); *Barbara Petroski v. H&R Block Eastern Enterprises, Inc., et al.,* Case No. 10-CV-00075 (United States District Court, Western District of Missouri, filed January 25, 2010); *Lance Hom v. H&R Block Enterprises LLC, et al.,* Case No. 10CV0476 H (United States District Court, Southern District of California, filed March 4, 2010); *Stacy Oyer v. H&R Block Eastern Enterprises, Inc., et al.,* Case No. 10-CV-00387-WMS (United States District Court, Western District of New York, filed May, 10 2010); *Rita Greene v. H&R Block Eastern Enterprises, Inc., et al.,* Case No. 10-CV-21663-FAM (United States District Court, Southern District of Florida, filed May 21, 2010); and *Li Dong Ma v. RSM McGladrey TBS, LLC, et al.,* Case No. C-08-01729 JF (United States District Court, Northern District of California, filed February 28, 2008). These cases involve a variety of legal theories and allegations including, among other things, failure to compensate employees for all hours worked; failure to provide employees with meal periods; failure to provide itemized wage statements; failure to pay wages due upon termination; failure to compensate for mandatory off-season training; and/or misclassification of non-exempt employees. The plaintiffs seek actual damages, in addition to statutory penalties, pre-judgment interest and attorneys' fees. The Company has moved to consolidate certain of these cases into a single action because they allege substantially identical claims. We believe we have meritorious defenses to the claims in these cases and intend to defend them vigorously. The amounts claimed in these matters are substantial in some instances, however, and the ultimate liability with respect to these matters is difficult to predict. There can be no assurances as to the outcome of these cases or their impact on our consolidated results of operations, individually or in the aggregate.

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

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

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

H&R Block's common stock is traded on the New York Stock Exchange (NYSE) under the symbol HRB. On May 31, 2010, there were 24,000 shareholders of record and the closing stock price on the NYSE was $16.08 per share.

The quarterly information regarding H&R Block's common stock prices and dividends appears in Item 8, note 22 to our consolidated financial statements.

A summary of our securities authorized for issuance under equity compensation plans as of April 30, 2010 is as follows:

(in 000s, except per share amounts)

	Number of securities to be issued upon exercise of options warrants and rights	Weighted-average exercise price of outstanding options warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	**14,866**	**$ 20.60**	**816**
Equity compensation plans not approved by security holders	**–**	**–**	**–**
Total	**14,866**	**$ 20.60**	**816**

The remaining information called for by this item relating to "Securities Authorized for Issuance under Equity Compensation Plans" is reported in Item 8, note 13 to our consolidated financial statements.

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

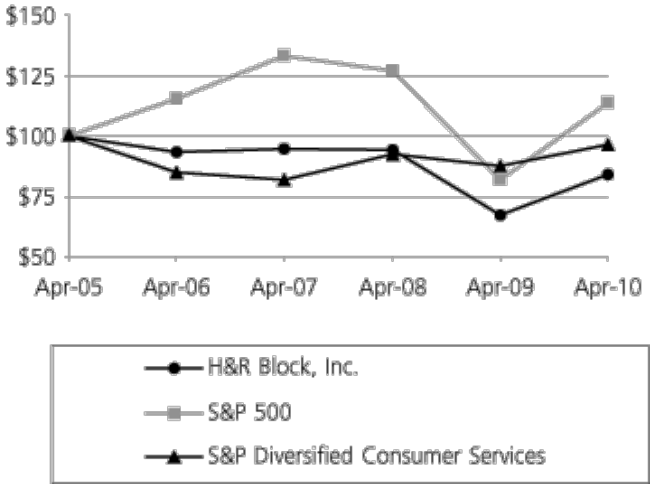
(in 000s, except per share amounts)

	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum Dollar Value of Shares that May be Purchased Under the Plans or Programs(2)
February 1 – February 28	**1**	**$ 22.22**	**–**	**$ 1,751,530**
March 1 – March 31	**5,962**	**$ 16.77**	**5,962**	**$ 1,651,619**
April 1 – April 30	**2**	**$ 18.26**	**–**	**$ 1,651,619**

(1) Of the shares listed above, approximately 2,457 shares were purchased in connection with funding employee income tax withholding obligations arising upon the exercise of stock options or the lapse of restrictions on restricted shares.

(2) In June 2008, our Board of Directors rescinded the previous authorizations to repurchase shares of our common stock, and approved an authorization to purchase up to $2.0 billion of our common stock through June 2012.

PERFORMANCE GRAPH – The following graph compares the cumulative five-year total return provided shareholders on H&R Block, Inc.'s common stock relative to the cumulative total returns of the S&P 500 index and the S&P Diversified Commercial & Professional Services index. An investment of $100, with reinvestment of all dividends, is assumed to have been made in our common stock and in each of the indexes on April 30, 2005, and its relative performance is tracked through April 30, 2010.



ITEM 6. SELECTED FINANCIAL DATA

We derived the selected consolidated financial data presented below as of and for each of the five years in the period ended April 30, 2010, from our audited consolidated financial statements. The data set forth below should be read in conjunction with Item 7 and our consolidated financial statements in Item 8.

(in 000s, except per share amounts)

April 30,	**2010**	2009	2008	2007	2006
Revenues	**$ 3,874,332**	$ 4,083,577	$ 4,086,630	$ 3,710,362	$ 3,286,798
Net income from continuing operations	**488,946**	513,055	445,947	369,460	310,811
Net income (loss)	**479,242**	485,673	(308,647)	(433,653)	490,408
Basic earnings (loss) per share:					
Net income from continuing operations	**$ 1.47**	$ 1.53	$ 1.37	$ 1.14	$ 0.94
Net income (loss)	**1.44**	1.45	(0.95)	(1.35)	1.49
Diluted earnings (loss) per share:					
Net income from continuing operations	**$ 1.46**	$ 1.53	$ 1.35	$ 1.13	$ 0.92
Net income (loss)	**1.43**	1.45	(0.95)	(1.33)	1.46
Total assets	**$ 5,234,318**	$ 5,359,722	$ 5,623,425	$ 7,544,050	$ 5,989,135
Long-term debt	**1,035,144**	1,032,122	1,031,784	537,134	417,262
Dividends per share[1]	**$ 0.75**	$ 0.59	$ 0.56	$ 0.53	$ 0.49

[1]Amounts represent dividends declared. In fiscal year 2010, the dividend payable in July 2010 was declared in April.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our subsidiaries provide tax preparation, retail banking and various business advisory and consulting services. We are the only major company offering a full range of software, online and in-office tax preparation solutions to individual tax clients.

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

OVERVIEW

A summary of our fiscal year 2010 results is as follows:

- Revenues for the fiscal year were $3.9 billion, down 5.1% from prior year results.
- Diluted earnings per share from continuing operations decreased 4.6% from the prior year to $1.46.
- U.S. tax returns prepared by us declined 4.3% from the prior year primarily due to a decline in overall IRS filings and lower employment levels. Lower employment levels disproportionately impacted our key client segments where fourth quarter 2009 unemployment levels ranged from 15-30%, far in excess of national unemployment levels.
- Revenues in our Tax Services segment decreased 5.0% from the prior year. Pretax income for this segment decreased $59.7 million, or 6.4%, due primarily to the decline in tax returns prepared.
- Pretax income for the Business Services segment decreased 38.9% from the prior year, due to lower than expected revenues, a $15.0 million goodwill impairment charge, and a $14.5 million increase in expenses related to arbitration proceedings and other litigation.

Consolidated Results of Operations Data			(in 000s, except per share amounts)
Year Ended April 30,	**2010**	2009	2008
REVENUES:			
Tax Services	**$ 2,975,252**	$ 3,132,077	$ 3,060,661
Business Services	**860,349**	897,809	941,686
Corporate and eliminations	**38,731**	53,691	84,283
	$ 3,874,332	$ 4,083,577	$ 4,086,630
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES:			
Tax Services	**$ 867,362**	$ 927,048	$ 825,721
Business Services	**58,714**	96,097	88,797
Corporate and eliminations	**(141,941)**	(183,775)	(179,447)
	784,135	839,370	735,071
Income taxes	**295,189**	326,315	289,124
Net income from continuing operations	**488,946**	513,055	445,947
Net loss of discontinued operations	**(9,704)**	(27,382)	(754,594)
Net income (loss)	**$ 479,242**	$ 485,673	$ (308,647)
BASIC EARNINGS (LOSS) PER SHARE:			
Net income from continuing operations	**$ 1.47**	$ 1.53	$ 1.37
Net loss of discontinued operations	**(0.03)**	(0.08)	(2.32)
Net income (loss)	**$ 1.44**	$ 1.45	$ (0.95)
DILUTED EARNINGS (LOSS) PER SHARE:			
Net income from continuing operations	**$ 1.46**	$ 1.53	$ 1.35
Net loss of discontinued operations	**(0.03)**	(0.08)	(2.30)
Net income (loss)	**$ 1.43**	$ 1.45	$ (0.95)

RESULTS OF OPERATIONS

TAX SERVICES

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

Tax Services – Operating Statistics

(in 000s, except average fee)

Year Ended April 30,	2010	2009	2008
TAX RETURNS PREPARED :			
United States:			
Company-owned operations	**9,182**	10,231	10,530
Franchise operations	**5,064**	4,936	5,577
Total retail operations	**14,246**	15,167	16,107
Software	**2,193**	2,309	2,378
Online	**2,893**	2,775	1,911
Free File Alliance	**810**	788	1,453
Total digital tax solutions	**5,896**	5,872	5,742
Total U.S operations	**20,142**	21,039	21,849
International operations	**3,019**	2,864	2,725
	23,161	23,903	24,574
NET AVERAGE FEE PER U.S. TAX RETURN PREPARED (1):			
Company-owned operations	**$ 197.42**	$ 196.16	$ 183.68
Franchise operations	**174.32**	169.04	157.72
	$ 189.21	$ 187.36	$ 174.70

(1)Calculated as net tax preparation fees divided by retail tax returns prepared.

Tax Services – Financial Results

(dollars in 000s)

Year Ended April 30,	2010	2009	2008
Tax preparation fees	$ **1,991,989**	$ 2,154,822	$ 2,096,236
Royalties	**275,559**	255,536	237,986
Loan participation fees and related revenue	**146,160**	139,770	190,201
Fees from Emerald Card activities	**99,822**	98,031	78,385
Interest income on Emerald Advance	**77,882**	91,010	45,339
Fees from Peace of Mind guarantees	**79,888**	78,205	80,503
Other	**303,952**	314,703	332,011
Total revenueS	**2,975,252**	3,132,077	3,060,661
Compensation and benefits:			
Field wages	**713,792**	757,835	771,598
Other wages	**111,326**	117,291	137,457
Benefits and other compensation	**175,904**	167,005	172,728
	1,001,022	1,042,131	1,081,783
Occupancy and equipment	**410,709**	412,335	409,214
Marketing and advertising	**233,748**	226,483	179,853
Bad debt	**104,716**	112,032	129,595
Depreciation and amortization	**93,424**	79,543	74,916
Supplies	**49,781**	52,438	63,107
Other	**263,556**	294,983	296,472
Gains on sale of tax offices	**(49,066)**	(14,916)	–
Total expenses	**2,107,890**	2,205,029	2,234,940
Pretax income	$ **867,362**	$ 927,048	$ 825,721
Pretax margin	**29.2%**	29.6%	27.0%

FISCAL 2010 COMPARED TO FISCAL 2009 – Tax Services' revenues decreased $156.8 million, or 5.0%, compared to the prior year. Tax preparation fees decreased $162.8 million, or 7.6%, due to a 10.3% decrease in U.S. retail tax returns prepared in company-owned offices, partially offset by a 0.6% increase in the net average fee per U.S. retail tax return. Adjusting for the effect of company-owned offices sold to franchisees during fiscal year 2010, the

decline in tax returns prepared in company-owned offices was 6.7% from fiscal 2009 to 2010. The 6.7% decrease in U.S. retail tax returns prepared in company-owned offices is primarily due to the following factors:

- Tax returns filed with the IRS declined 1.7%.
- Lower employment levels disproportionately impacted our key client segments. Fourth quarter 2009 unemployment levels ranged from 15-30%, far in excess of national unemployment levels for key client segments.
- We closed certain under-performing offices and exited offices serving clients in Wal-Mart locations. We believe that tax returns prepared declined by approximately 1% (net of client retention through other office locations) as a result of these office closures.

Royalties increased $20.0 million, or 7.8%, due to the conversion of 267 company-owned offices into franchises, partially offset by a decline in tax returns prepared in existing franchise offices.

Interest income on Emerald Advance lines of credit decreased $13.1 million, or 14.4%. This decline was primarily a result of lower loan volumes due to these lines of credit only being offered to prior year tax clients in fiscal year 2010, while being offered to both prior and new clients in fiscal year 2009.

Other revenue decreased $10.8 million, or 3.4%, primarily due to a $12.5 million decline in license fees earned from bank products, mainly RACs, and a decrease in software revenues.

Total expenses decreased $97.1 million, or 4.4%, compared to the prior year. Total compensation and benefits decreased $41.1 million, or 3.9%, primarily as a result of lower commission-based wages due to the decline in the number of tax returns prepared. Bad debt expense decreased $7.3 million, or 6.5%, primarily as a result of lower Emerald Advance lines of credit and RAL volumes, and more restrictive underwriting criteria. Depreciation and amortization expenses increased $13.9 million, or 17.5%, primarily as a result of amortization of intangible assets, related to the November 2008 acquisition of our last major independent franchise operator. Other expenses decreased $31.4 million, or 10.7%, primarily as a result of lower legal expenses. During fiscal year 2010 we recognized gains of $49.1 million on the sale of certain company-owned offices to franchisees, compared to $14.9 million in the prior year. We do not expect these gains to continue at a similar level during fiscal year 2011.

Pretax income for fiscal year 2010 decreased $59.7 million, or 6.4%, from 2009. As a result of the declines in revenues, pretax margin for the segment decreased from 29.6% in fiscal year 2009, to 29.2% in fiscal year 2010.

FISCAL 2009 COMPARED TO FISCAL 2008 – Tax Services' revenues increased $71.4 million, or 2.3%, compared to fiscal year 2008.

Tax preparation fees from our retail offices increased $58.6 million, or 2.8%, for fiscal year 2009. This increase is primarily due to an increase of 6.8% in the net average fee per U.S. tax return prepared in company-owned offices, offset by a 2.8% decrease in the number of U.S. tax returns prepared in those offices. Tax return volume was positively affected by the November 2008 acquisition of our last major independent franchise operator, which resulted in an increase of 470,000 tax returns prepared in company-owned offices. See Item 8, note 2 to the consolidated financial statements for additional information on this acquisition. Excluding operating results attributable to the acquired franchise operator, tax returns prepared in company-owned offices decreased 7.3% from fiscal year 2008 and tax preparation fees decreased $32.9 million.

Increases in our net average fee were due primarily to increased tax return complexity. In addition, planned pricing increases of approximately 1% and lower discounts contributed to an increase in net average fee. We believe that declines during the year in tax return volume were attributable to a decline of approximately 6% in IRS tax filings overall, and difficult economic conditions which resulted in clients seeking lower-cost tax preparation alternatives.

Tax returns prepared in our international operations grew 5.1%, and the related tax preparation revenues increased 8.9% in local currencies. However, unfavorable exchange rates caused these revenues in U.S. dollars to decline $9.5 million, or 5.6%, from fiscal year 2008.

Royalty revenue increased $17.6 million, or 7.4%, primarily due to a 7.2% increase in the net average fee and an increase in royalty rates at sub-franchises of the acquired franchise operator.

Loan participation fees and related revenues decreased $50.4 million, or 26.5%, from fiscal year 2008. This decrease is primarily due to a 24.6% decline in RAL volume, mainly as a result of many clients choosing lower cost alternatives such as RACs rather than a loan. In addition, stricter credit criteria were required by our third-party loan originator.

Fees from Emerald Card activities and interest income on Emerald Advance increased $19.6 million and $45.7 million, respectively, both primarily as a result of higher volumes.

Other revenues decreased $17.3 million, or 5.2%, primarily due to a $10.6 million decline in e-filing revenues, as a result of the elimination of separate e-filing fees related to our tax preparation software and a decline in software revenues. These declines were partially offset by $10.7 million in additional license fees earned from bank products, mainly RACs.

Total expenses decreased $29.9 million, or 1.3%, compared with fiscal year 2008, due primarily to lower tax return volumes, lower bad debt on loan products and planned cost reduction initiatives. Compensation and benefits decreased $39.7 million, or 3.7%, from fiscal year 2008 as a result of a decrease in commission-based wages resulting from a corresponding decrease in tax returns prepared. Marketing and advertising increased $46.6 million, or 25.9%, primarily due to a planned increase in marketing costs. Bad debt expense decreased $17.6 million, or 13.6%, primarily due to lower RAL volumes and the impact of loss provisions in fiscal year 2008 which did not repeat in fiscal year 2009. During fiscal year 2009 we sold certain company-owned offices to franchisees, recognizing a net gain of $14.9 million.

Pretax income for fiscal year 2009 increased $101.3 million, or 12.3%, from 2008. As a result of cost reduction initiatives and the acquisition of our last major franchise operator, pretax margin for the segment increased from 27.0% in fiscal year 2008, to 29.6% in fiscal year 2009.

BUSINESS SERVICES

This segment offers tax and consulting services, wealth management and capital market services to middle-market companies.

Business Services – Operating Results

(dollars in 000s)

Year Ended April 30,	2010	2009	2008
Tax services	**$ 429,102**	$ 458,439	$ 442,521
Business consulting	**262,590**	249,346	237,113
Accounting services	**48,987**	54,217	57,399
Capital markets	**11,855**	18,220	51,144
Leased employee revenue	**–**	55	25,100
Reimbursed expenses	**22,929**	19,863	18,654
Other	**84,886**	97,669	109,755
Total revenues	**860,349**	897,809	941,686
Compensation and benefits	**574,901**	588,866	587,972
Occupancy	**49,154**	49,070	53,946
Depreciation	**21,122**	22,626	21,400
Marketing and advertising	**18,960**	23,803	25,623
Amortization of intangible assets	**11,639**	13,018	14,439
Other	**125,859**	104,329	149,509
Total expenses	**801,635**	801,712	852,889
Pretax income	**$ 58,714**	$ 96,097	$ 88,797
Pretax margin	**6.8%**	10.7%	9.4%

FISCAL 2010 COMPARED TO FISCAL 2009 – Business Services' revenues for fiscal year 2010 decreased $37.5 million, or 4.2%, from the prior year. Revenues from core tax, consulting and accounting services decreased $21.3 million, or 2.8%, from the prior year. Tax and accounting services revenues decreased $29.3 million and $5.2 million, respectively, primarily due to decreases in chargeable hours and pressures on billable rates. Business consulting revenues increased $13.2 million, or 5.3%, over the prior year primarily due to a large engagement in our operational consulting practice.

Continued weak economic conditions in recent years have severely reduced investment and transaction activity. As a result, revenues from our capital markets business have been declining severely, including a decline in revenues of $6.4 million, or 34.9%, from fiscal year 2009. As noted below, we recorded an impairment of goodwill associated with this business during fiscal year 2010.

Other revenue declined $12.8 million, or 13.1%, primarily due to lower management fee revenues and interest income received from M&P.

Total expenses were essentially flat compared to the prior year. Compensation and benefits decreased $14.0 million, or 2.4%, primarily due to headcount reductions driven by reduced client demand. Marketing and advertising costs decreased $4.8 million, or 20.3%, primarily due to fewer sponsorships and lower advertising costs. Other expenses increased $21.5 million primarily due to a $15.0 million impairment of goodwill at RSM EquiCo, Inc. (RSM EquiCo), as discussed in Item 8, note 8 to the consolidated financial statements, and increased legal expenses.

Pretax income for the year ended April 30, 2010 of $58.7 million compares to $96.1 million in the prior year. Pretax margin for the segment decreased from 10.7% in fiscal year 2009, to 6.8% in fiscal year 2010, primarily due to poor results in our capital markets business and a reduction of revenue in our core businesses.

FISCAL 2009 COMPARED TO FISCAL 2008 – Business Services' revenues for fiscal year 2009 decreased $43.9 million, or 4.7%, from fiscal year 2008, primarily due to declines in capital markets, leased employee revenues and outside contractor services.

Revenues from core tax, consulting and accounting services increased $25.0 million, or 3.4%, over fiscal year 2008. Tax services revenues increased $15.9 million, or 3.6%, due to increases in net billed rate per hour. Business consulting revenues increased $12.2 million, or 5.2%, primarily due to a large one-time financial institutions engagement.

Weak economic conditions in fiscal year 2009 severely reduced investment and transaction activity. As a result, capital markets revenues decreased $32.9 million, or 64.4%, from fiscal year 2008 primarily due to a 57.4% decline in the number of transactions closed.

Leased employee revenue decreased due to a change in organizational structure between the businesses we acquired from American Express Tax and Business Services, Inc. (AmexTBS) and the Attest Firms that, while not affiliates of our company, also serve our clients. Employees we previously leased to the Attest Firms were transferred to the separate attest practices in fiscal years 2008 and 2007. As a result, we no longer record the revenues and expenses associated with leasing these employees, which resulted in a reduction of $25.0 million to fiscal year 2009 revenues, and a similar reduction in compensation and benefits.

Other revenue declined $12.0 million, or 11.0%, primarily due to a decrease in outside contractor services provided to our clients.

Total expenses decreased $51.2 million, or 6.0%, compared to fiscal year 2008. Other expenses decreased $45.2 million, or 30.2%, primarily due to declines in external consulting fees, allocated corporate and support department costs and travel and entertainment expenses.

Pretax income for the year ended April 30, 2009 of $96.1 million compares to $88.8 million in fiscal year 2008. Pretax margin for the segment increased from 9.4% in fiscal year 2008, to 10.7% in fiscal year 2009.

CORPORATE, ELIMINATIONS AND INCOME TAXES ON CONTINUING OPERATIONS

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

Corporate – Operating Results (in 000s)

Year Ended April 30,	2010	2009	2008
Interest income on mortgage loans held for investment	$ 31,877	$ 46,396	$ 74,895
Other	6,854	7,295	9,388
Total revenues	38,731	53,691	84,283
Interest expense	79,929	92,945	92,923
Provision for loan losses	47,750	63,897	42,004
Compensation and benefits	53,607	48,973	115,479
Other, net	(614)	31,651	13,324
Total expense	180,672	237,466	263,730
Pretax loss	$ (141,941)	$ (183,775)	$ (179,447)

FISCAL YEAR 2010 COMPARED TO FISCAL YEAR 2009

Interest income earned on mortgage loans held for investment for the fiscal year ended April 30, 2010 decreased $14.5 million, or 31.3%, from the prior year, primarily as a result of non-performing loans. Interest expense decreased $13.0 million, or 14.0%, due to lower funding costs related to our mortgage loan portfolio and lower corporate borrowings. Our provision for loan losses decreased $16.1 million from the prior year. See related discussion below under "Mortgage Loans Held for Investment."

Other expenses declined $32.3 million primarily due to gains of $9.0 million on residual interests in the current year, compared to impairments of $3.1 million recorded in the prior year. Additionally, we transferred liabilities relating to previously retained insurance risk to a third-party, and recorded a gain of $9.5 million in fiscal year 2010.

Income Taxes on Continuing Operations

Our effective tax rate for continuing operations was 37.6% for the fiscal year ended April 30, 2010, compared to 38.9% in the prior year. Our effective tax rates declined from the prior year due to a reduction in our valuation allowance related to tax-planning strategies and favorable tax benefits related to investment gains on our corporate owned life insurance investments.

Mortgage Loans Held for Investment

Mortgage loans held for investment at April 30, 2010 totaled $595.4 million. The portfolio includes loans originated by SCC, and purchased by HRB Bank which constituted approximately 64% of the total loan portfolio at April 30, 2010. We have experienced higher rates of delinquency and have greater exposure to loss with respect to this segment of our loan portfolio. Our remaining loan portfolio totaled $249.0 million and is more characteristic of a prime loan portfolio, and we believe subject to a lower loss exposure.

Detail of our mortgage loans held for investment and the related allowance, excluding unamortized deferred fees and costs of $5.3 million and $7.1 million at April 30, 2010 and 2009, respectively, is as follows:

(dollars in 000s)

	Outstanding Principal Balance	Loan Loss Allowance Amount	Loan Loss Allowance % of Principal	% 30+ Days Past Due
As of April 30, 2010:				
Purchased from SCC	**$ 434,644**	**$ 82,793**	**19.1%**	**37.8%**
All other	**249,040**	**10,742**	**4.3%**	**8.9%**
	$ 683,684	**$ 93,535**	**13.7%**	**27.3%**
As of April 30, 2009:				
Purchased from SCC	$ 531,233	$ 78,067	14.7%	28.7%
All other	290,604	6,006	2.1%	4.4%
	$ 821,837	$ 84,073	10.2%	20.2%

We recorded a provision for loan loss of $47.8 million during fiscal year 2010, compared to $63.9 million in the prior year. Our allowance for loan losses as a percent of mortgage loans was 13.7%, or $93.5 million, at April 30, 2010, compared to 10.2%, or $84.1 million, at April 30, 2009. This allowance represents our best estimate of credit losses inherent in the loan portfolio as of the balance sheet dates.

FISCAL YEAR 2009 COMPARED TO FISCAL YEAR 2008

Interest income earned on mortgage loans held for investment for the fiscal year ended April 30, 2009 decreased $28.5 million, or 38.1%, from fiscal year 2008, primarily as a result of non-performing loans. Our provision for loan losses increased $21.9 million from fiscal year 2008 primarily due to declines in residential home prices and higher projected delinquencies.

Compensation and benefits decreased $66.5 million, or 57.6%, primarily due to severance-related costs recorded in fiscal year 2008, coupled with benefits in fiscal year 2009 resulting from the staff reductions.

Other expenses increased $18.3 million primarily due to an $11.9 million write-down of REO property during fiscal year 2009.

Income Taxes on Continuing Operations

Our effective tax rate for continuing operations was 38.9% for the fiscal year ended April 30, 2009, compared to 39.3% in fiscal year 2008.

DISCONTINUED OPERATIONS

Effective November 1, 2008, we sold H&R Block Financial Advisors, Inc. (HRBFA) to Ameriprise Financial, Inc. HRBFA and its direct corporate parent are presented as discontinued operations in the consolidated financial statements for all periods presented. Our discontinued operations also include our former mortgage loan origination and servicing business, as well as three smaller lines of business previously reported in our Business Services segment.

FISCAL 2010 COMPARED TO FISCAL 2009 – The net loss from discontinued operations for fiscal year 2010 was $9.7 million compared to a net loss of $27.4 million in the prior year. The decline in losses was due to a loss on the disposition of HRBFA totaling $12.2 million in fiscal year 2009 compared with a gain of $6.2 million in fiscal year 2010 relating to post-disposition purchase price adjustments.

FISCAL 2009 COMPARED TO FISCAL 2008 – The pretax loss of our discontinued operations for fiscal year 2009 was $47.6 million compared to a loss of $1.2 billion in the prior year. The loss from discontinued operations for fiscal year 2008 included significant losses from our former mortgage loan businesses, including losses relating to loan repurchase obligations of $582.4 million and impairments of residual interests of $137.8 million. Net of applicable tax benefits, the loss from discontinued operations for fiscal year 2009 was $27.4 million compared to a loss of $754.6 million in fiscal year 2008.

Our effective tax rate for discontinued operations was 42.5% and 35.3% for the fiscal years 2009 and 2008, respectively. Our effective tax rate increased primarily due to a tax benefit recorded in conjunction with the sale of HRBFA.

CRITICAL ACCOUNTING ESTIMATES

We consider the estimates discussed below to be critical to understanding our financial statements, as they require the use of significant judgment and estimation in order to measure, at a specific point in time, matters that are inherently uncertain. Specific risks for these critical accounting estimates are described in the following paragraphs. We have reviewed and discussed each of these estimates with the Audit Committee of our Board

of Directors. For all of these estimates, we caution that future events rarely develop precisely as forecasted and estimates routinely require adjustment and may require material adjustment.

ALLOWANCE FOR LOAN LOSSES – The principal amount of mortgage loans held for investment totaled $683.7 million at April 30, 2010. We are exposed to the risk that borrowers may not repay amounts owed to us when they become contractually due. We record an allowance representing our estimate of credit losses inherent in the portfolio of loans held for investment at the balance sheet date. Determination of our allowance for loan losses is considered a critical accounting estimate because loss provisions can be material to our operating results, projections of loan delinquencies and related matters are inherently subjective, and actual losses are impacted by factors outside of our control including economic conditions, unemployment rates and residential home prices.

We record a loan loss allowance for loans less than 60 days past due on a pooled basis. The aggregate principal balance of these loans totaled $372.7 million at April 30, 2010, and the portion of our allowance for loan losses allocated to these loans totaled $16.2 million. In estimating our loan loss allowance for these loans, we stratify the loan portfolio based on our view of risk associated with various elements of the pool and assign estimated loss rates based on those risks. Loss rates are based primarily on historical experience and our assessment of economic and market conditions. Loss rates consider both the rate at which loans will become delinquent (frequency) and the amount of loss that will ultimately be realized upon occurrence of a liquidation of collateral (severity). Frequency rates are based primarily on historical migration analysis of loans to delinquent status. Severity rates are based primarily on recent broker quotes or appraisals of collateral. Because of imprecision and uncertainty inherent in developing estimates of future credit losses, in particular during periods of rapidly declining collateral values or increasing delinquency rates, our estimation process includes development of ranges of possible outcomes. Ranges were developed by stressing initial estimates of both frequency and severity rates. Stressing of frequency and severity assumptions is intended to model deterioration in credit quality that is difficult to predict during declining economic conditions. Future deterioration in credit quality may exceed our modeled assumptions.

Mortgage loans held for investment include loans originated by our affiliate, SCC, and purchased by HRB Bank. We have greater exposure to loss with respect to this segment of our loan portfolio as a result of historically higher delinquency rates. Therefore, we assign higher frequency rate assumptions to SCC-originated loans compared with loans originated by other third-party banks as we consider estimates of future losses. At April 30, 2010 our weighted-average frequency assumption was 15% for SCC-originated loans compared to 4% for remaining loans in the portfolio.

Loans 60 days past due are considered impaired and are reviewed individually. We record loss estimates typically based on the value of the underlying collateral. Our specific loan loss allowance for these impaired loans reflected an average loss severity of approximately 41% at April 30, 2010. The aggregate principal balance of impaired loans totaled $165.9 million at April 30, 2010, and the portion of our allowance for loan losses allocated to these loans totaled $68.7 million.

Modified loans that meet the definition of a troubled debt restructuring (TDR) are also considered impaired and are reviewed individually. We record impairment equal to the difference between the principal balance of the loan and the present value of expected future cash flows discounted at the loan's effective interest rate. However, if we assess that foreclosure of a modified loan is probable, we record impairment based on the estimated fair value of the underlying collateral. The aggregate principal balance of TDR loans totaled $145.0 million at April 30, 2010, and the portion of our allowance for loan losses allocated to these loans totaled $8.9 million.

The loan loss allowance as a percent of mortgage loans held for investment was 13.7% at April 30, 2010, compared to 10.2% at April 30, 2009. The percentage increased significantly during the current year primarily as a result of declining collateral values due to lower residential home prices and modeled expectations for future loan delinquencies in the portfolio. The residential mortgage industry has experienced significant adverse trends for an extended period. If adverse trends continue for a sustained period or at rates worse than modeled by us, we may be required to record additional loan loss provisions, and those losses may be significant.

Determining the allowance for loan losses for loans held for investment requires us to make estimates of losses that are highly uncertain and requires a high degree of judgment. If our underlying assumptions prove to be inaccurate, the allowance for loan losses could be insufficient to cover actual losses. Our mortgage loan portfolio is a static pool, as we are no longer originating or purchasing new mortgage loans, and we believe that factor, over time, will limit variability in our loss estimates.

MORTGAGE LOAN REPURCHASE OBLIGATION – SCC is obligated to repurchase loans sold or securitized in the event of a breach of representations and warranties it made to purchasers or insurers of such loans, or otherwise indemnify certain third-parties for losses incurred by them. SCC records a liability for contingent losses relating to representation and warranty claims by estimating loan repurchase volumes and indemnification obligations for both known claims and projections of expected future claims. Projections of future claims are

based on an analysis that includes a combination of reviewing historical repurchase trends, developing loss expectations on loans sold or securitized, and predicting the level at which previously originated loans may be subject to valid claims regarding representation and warranty breaches.

Based on an analysis as of April 30, 2010, SCC estimated its liability for loan repurchase and indemnification obligations pertaining to claims of breach of representation and warranties to be $188.2 million. Actual losses charged against this reserve during fiscal year 2010 totaled $18.4 million. To the extent that valid claim volumes in the future exceed current estimates, or the value of mortgage loans and residential home prices decline, future losses may be greater than our current estimates and those differences may be significant. See Item 8, note 16 to our consolidated financial statements.

LITIGATION – It is our policy to routinely assess the likelihood of any adverse judgments or outcomes related to legal matters, as well as ranges of probable losses. A determination of the amount of the reserves required, if any, for these contingencies is made after analysis of each known issue and an analysis of historical experience. Therefore, we have recorded reserves related to certain legal matters for which we believe it is probable that a loss will be incurred and the range of such loss can be estimated. With respect to other matters, we have concluded that a loss is only reasonably possible or remote, or is not estimable and, therefore, no liability is recorded.

Assessing the likely outcome of pending litigation, including the amount of potential loss, if any, is highly subjective. Our judgments regarding likelihood of loss and our estimates of probable loss amounts may differ from actual results due to difficulties in predicting the outcome of jury trials, arbitration hearings, settlement discussions and related activity, predicting the outcome of class certification actions and various other uncertainties. Due to the number of claims which are periodically asserted against us, and the magnitude of damages sought in those claims, actual losses in the future may significantly exceed our current estimates.

VALUATION OF GOODWILL – The evaluation of goodwill for impairment is a critical accounting estimate due both to the magnitude of our goodwill balances, and the judgment involved in determining the fair value of our reporting units. Goodwill balances totaled $840.4 million as of April 30, 2010 and $850.2 million as of April 30, 2009.

We test goodwill and other indefinite-life intangible assets for impairment annually or more frequently if events occur or circumstances change which would, more likely than not, reduce the fair value of a reporting unit below its carrying value. Our goodwill impairment analysis is based on a discounted cash flow approach and market comparables. This analysis, at the reporting unit level, requires significant management judgment with respect to revenue and expense forecasts, anticipated changes in working capital and the selection and application of an appropriate discount rate. Changes in projections or assumptions could materially affect our estimate of reporting unit fair values. The use of different assumptions would increase or decrease estimated discounted future operating cash flows and could affect our conclusions regarding the existence or amount of potential impairment. Finally, strategic changes in our outlook regarding reporting units or intangible assets may alter our valuation approach and could result in changes to our conclusions regarding impairment.

Estimates of fair value for certain of our reporting units exceed the corresponding carrying value by a significant margin. In certain instances, however, the excess of estimated fair value over carrying value is not significant. Future estimates of fair value may be adversely impacted by declining economic conditions. In addition, if future operating results of our reporting units are below our current modeled expectations, fair value estimates may decline. Any of these factors could result in future impairments, and those impairments could be significant.

In assessing potential goodwill impairment of our RSM reporting unit, we estimate fair value based on an assumption that the collaboration between RSM and M&P under their alternative practice structure arrangement will continue. Were M&P to exit the alternative practice structure, or the collaboration between these two businesses otherwise cease, we believe our fair value estimates could be lower than presently assumed. In addition, adverse business results for M&P could also negatively impact our fair value estimates for RSM. Goodwill balances for RSM totaled $374.5 million at April 30, 2010. In fiscal year 2010, the estimated fair value of our RSM reporting unit exceeded its carrying value by approximately 30%.

We recorded a goodwill impairment of $15.0 million related to our RSM EquiCo reporting unit within our Business Services segment in the third quarter of fiscal year 2010, leaving a remaining goodwill balance of $14.3 million. Operating results for this reporting unit have been declining and continued poor results could result in further impairment.

We have a separate reporting unit within our Tax Services segment with a goodwill balance totaling $28.6 million at April 30, 2010. Operating activities of the business consist principally of the development and sale of commercial tax preparation software. The estimated fair value of this reporting unit exceeded its carrying value by approximately 8% at April 30, 2010.

See Item 8, note 8 to our consolidated financial statements.

INCOME TAXES – Income taxes are accounted for using the asset and liability approach under U.S. GAAP.

We calculate our current and deferred tax provision for the fiscal year based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed during the applicable calendar year. Adjustments based on filed returns are recorded in the appropriate periods when identified. We file a consolidated federal tax return on a calendar year basis, generally in the second fiscal quarter of the subsequent year.

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We have considered taxable income in carry-back periods, historical and forecasted earnings, future taxable income, the mix of earnings in the jurisdictions in which we operate, and tax planning strategies in determining the need for a valuation allowance against our deferred tax assets. Determination of a valuation allowance for deferred tax assets requires that we make judgments about future matters that are not certain, including projections of future taxable income and evaluating potential tax-planning strategies. To the extent that actual results differ from our current assumptions, the valuation allowance will increase or decrease. In the event we were to determine we would not be able to realize all or part of our deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to earnings in the period in which we make such determination. Likewise, if we later determine it is more likely than not that the deferred tax assets would be realized, we would reverse the applicable portion of the previously provided valuation allowance.

The income tax laws of jurisdictions in which we operate are complex and subject to different interpretations by the taxpayer and applicable government taxing authorities. Income tax returns filed by us are based on our interpretation of these rules. The amount of income taxes we pay is subject to ongoing audits by federal, state and foreign tax authorities, which may result in proposed assessments, including assessments of interest and/or penalties. Our estimate for the potential outcome for any uncertain tax issue is highly subjective and based on our best judgments. Actual results may differ from our current judgments due to a variety of factors, including changes in law, interpretations of law by taxing authorities that differ from our assessments, changes in the jurisdictions in which we operate and results of routine tax examinations. We believe we have adequately provided for any reasonably foreseeable outcome related to these matters. However, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved, or when statutes of limitation on potential assessments expire. As a result, our effective tax rate may fluctuate on a quarterly basis.

REVENUE RECOGNITION – We have many different revenue sources, each governed by specific revenue recognition policies. Our revenue recognition policies can be found in Item 8, note 1 to our consolidated financial statements.

OTHER SIGNIFICANT ACCOUNTING ESTIMATES – Other significant accounting estimates, not involving the same level of judgment or uncertainty as those discussed above are nevertheless important to an understanding of the financial statements. These estimates may require judgments on complex matters that are often subject to multiple sources of authoritative guidance. Certain of these matters are among topics currently under reexamination by accounting standard setters and regulators. Although specific conclusions reached by these standard setters may cause a material change in our accounting estimates, outcomes cannot be predicted with confidence. See Item 8, note 1 to our consolidated financial statements, which discusses accounting estimates we have selected when there are acceptable alternatives and new or proposed accounting standards that may affect our financial reporting in the future.

FINANCIAL CONDITION

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

Given the likely availability of a number of liquidity options discussed herein, including borrowing capacity under our CLOC, we believe, that in the absence of any unexpected developments, our existing sources of capital at April 30, 2010 are sufficient to meet our operating needs.

These comments should be read in conjunction with the consolidated balance sheets and consolidated statements of cash flows included in Item 8.

(in 000s)

Year Ended April 30,	**2010**	2009	2008
Net cash provided by (used in):			
Operating activities	**$ 587,469**	$ 1,024,439	$ 258,760
Investing activities	**31,353**	5,560	1,147,289
Financing activities	**(481,118)**	(40,233)	(1,558,069)
Effect of exchange rates on cash	**11,678**	–	–
Net change in cash and cash equivalents	**$ 149,382**	$ 989,766	$ (152,020)

CASH FROM OPERATING ACTIVITIES – Cash provided by operations decreased $437.0 million from fiscal year 2009 primarily due to income tax payments of $359.6 million in the current year, compared to refunds received in the prior year.

Restricted Cash. We hold certain cash balances that are restricted as to use. Cash and cash equivalents – restricted totaled $34.4 million at April 30, 2010, and primarily consisted of cash held by our captive insurance subsidiary that will be used to pay claims.

CASH FROM INVESTING ACTIVITIES – Changes in cash provided by investing activities primarily relate to the following:

Mortgage Loans Held for Investment. We received net proceeds of $72.8 million, $91.3 million and $207.6 million on our mortgage loans held for investment in fiscal years 2010, 2009 and 2008, respectively.

Purchases of Property and Equipment. Total cash paid for property and equipment was $90.5 million, $97.9 million and $101.6 million for fiscal years 2010, 2009 and 2008, respectively.

Business Acquisitions. Total cash paid for acquisitions was $10.5 million, $293.8 million and $24.9 million during fiscal years 2010, 2009 and 2008, respectively. In November 2008, we acquired our last major independent franchise operator for an aggregate purchase price of $279.2 million.

Sales of Businesses. In fiscal year 2010, we sold 267 tax offices to franchisees for proceeds of $65.7 million. In fiscal year 2009, we sold certain tax offices to franchisees for proceeds of $16.9 million. The majority of these sales were financed through Franchise Equity Lines of Credit (FELCs). The increase in the lines of credit is also included in investing activities.

Discontinued Operations. In fiscal year 2009, we sold our financial advisor business for proceeds of $304.0 million. In fiscal year 2008, we sold our former mortgage loan origination and servicing business, as well as three smaller lines of business previously reported in our Business Services segment, for cash proceeds of $1.1 billion.

CASH FROM FINANCING ACTIVITIES – Changes in cash used in financing activities primarily relate to the following:

Short-Term Borrowings. We had no short-term borrowings outstanding at April 30, 2010.

Customer Banking Deposits. Customer banking deposits provided $17.5 million in the current year compared to $64.4 million provided in fiscal year 2009 and $345.4 million used in fiscal year 2008. These deposits are held by HRB Bank

Dividends. We have consistently paid quarterly dividends. Dividends paid totaled $200.9 million, $198.7 million and $183.6 million in fiscal years 2010, 2009 and 2008, respectively.

Repurchase and Retirement of Common Stock. During fiscal year 2010, we purchased and immediately retired 12.8 million shares of our common stock at a cost of $250.0 million. We may continue to repurchase and retire common stock or retire treasury stock in the future.

In June 2008, our Board of Directors rescinded the previous authorizations to repurchase shares of our common stock and approved an authorization to purchase up to $2.0 billion of our common stock through June 2012. There was $1.7 billion remaining under this authorization at April 30, 2010.

Issuances of Common Stock. In October 2008, we sold 8.3 million shares of our common stock, without par value, at a price of $17.50 per share in a registered direct offering through subscription agreements with selected institutional investors. We received net proceeds of $141.4 million, after deducting placement agent fees and other offering expenses. The purpose of the equity offering was to ensure we maintained adequate equity levels, as a condition of our CLOC, during our off-season. Proceeds were used for general corporate purposes.

Proceeds from the issuance of common stock in accordance with our stock-based compensation plans totaled $16.7 million, $71.6 million, and $23.3 million in fiscal years 2010, 2009 and 2008, respectively.

HRB BANK – Block Financial LLC (BFC) typically makes capital contributions to HRB Bank to help it meet its capital requirements. BFC made capital contributions to HRB Bank of $235.0 million during fiscal year 2010 and $245.0 million during fiscal year 2009.

Historically, capital contributions by BFC have been repaid as a return of capital by HRB Bank as capital requirements decline. A return of capital or dividend paid by HRB Bank must be approved by the Office of Thrift Supervision (OTS). Although the OTS has approved such payments in the past, there is no assurance that they will continue to do so in the future, in particular if they determine that higher capital levels at HRB Bank are necessary due to non-performing asset levels. In addition, BFC may elect to maintain higher capital levels at HRB Bank. At April 30, 2010, HRB Bank had cash balances of $701.0 million. Distribution of those cash balances would be subject to OTS approval and are therefore not currently available for general corporate purposes.

HRB Bank received approval from the OTS on May 17, 2010 to pay a non-cash dividend by June 30, 2010 to BFC of REO.

See additional discussion of regulatory and capital requirements of HRB Bank in “Regulatory Environment.”

BORROWINGS

We continually monitor our funding requirements and execute strategies to manage our overall asset and liability profile. The following chart provides the debt ratings for BFC as of April 30, 2010 and 2009:

	Short-term	Long-term	Outlook
Moody's	P-2	Baa1	Stable
S&P	A-2	BBB	Positive
DBRS	R-2 (high)	BBB (high)	Positive

On March 4, 2010, we entered into a new CLOC agreement to support commercial paper issuances, general corporate purposes or for working capital needs, and terminated the previous CLOCs. The new facility provides funding up to $1.7 billion and matures July 31, 2013. The new facility bears interest at an annual rate of LIBOR plus 1.30% to 2.80% or PRIME plus .30% to 1.80% (depending on the type of borrowing) and includes an annual facility fee of .20% to .70% of the committed amounts, based on our credit ratings. Covenants in the new facility are substantially similar to those in the previous CLOCs including: (1) maintenance of a minimum net worth of $650.0 million on the last day of any fiscal quarter; and (2) reduction of the aggregate outstanding principal amount of short-term debt, as defined in the agreement, to $200.0 million or less for thirty consecutive days during the period March 1 to June 30 of each year ("Clean- down requirement"). At April 30, 2010, we were in compliance with these covenants and had net worth of $1.4 billion. There was no balance outstanding on this facility at April 30, 2010.

As of April 30, 2010, we had $250.0 million remaining under our shelf registration for additional debt issuances.

Effective January 12, 2010, we entered into a $2.5 billion committed line of credit agreement with HSBC Bank USA, National Association (HSBC) for the purchase of RAL participations. This line was available up to its facility limit through March 30, 2010 and then only up to $120.0 million thereafter through June 30, 2010. The line is subject to covenants similar to those in the CLOC, but secured by the RAL participation interests. All borrowings on this facility were repaid as of April 30, 2010 and the facility is now closed.

During fiscal year 2010, borrowing needs in our Canadian operations were funded by corporate borrowings in the U.S. To mitigate the foreign currency exchange rate risk, we used foreign exchange forward contracts. We do not enter into forward contracts for speculative purposes. In estimating the fair value of derivative positions, we utilize quoted market prices, if available, or quotes obtained from external sources. There were no forward contracts outstanding as of April 30, 2010.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

A summary of our obligations to make future payments as of April 30, 2010, is as follows:

(in 000s)

	Total	Less Than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Long-term debt (including interest)	$ 1,218,824	$ 67,750	$ 721,383	$ 429,691	$ –
Customer deposits	874,218	492,313	18,558	3,106	360,241
FHLB borrowings	75,000	50,000	25,000	–	–
Retirement plan contribution	60,000	60,000	–	–	–
Acquisition payments	28,701	3,157	25,455	89	–
Media advertising purchase obligation	26,548	13,274	13,274	–	–
Capital lease obligations	11,526	531	1,293	1,477	8,225
Operating leases	791,206	246,061	332,119	144,278	68,748
Total contractual cash obligations	$ 3,086,023	$ 933,086	$ 1,137,082	$ 578,641	$ 437,214

The amount of liabilities recorded in connection with unrecognized tax positions that we reasonably expect to pay within twelve months is $74.5 million at April 30, 2010 and is included in accrued income taxes on our consolidated balance sheet. The remaining amount is included in other noncurrent liabilities on our consolidated balance sheet. Because the ultimate amount and timing of any future cash settlements cannot be predicted with reasonable certainty, the estimated unrecognized tax position liability has been excluded from the table above. See Item 8, note 14 to the consolidated financial statements for additional information.

A summary of our commitments as of April 30, 2010, which may or may not require future payments, are as follows:

(in 000s)

	Total	Less Than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Franchise Equity Lines of Credit	$36,806	$ 21,819	$ 9,242	$ 5,745	$ –
Contingent acquisition payments	20,697	5,365	14,391	941	–
Other commercial commitments	482	482	–	–	–
Total commercial commitments	$57,985	$ 27,666	$ 23,633	$ 6,686	$ –

See discussion of contractual obligations and commitments in Item 8, within the notes to our consolidated financial statements.

REGULATORY ENVIRONMENT

HRB Bank is a federal savings bank and H&R Block, Inc. is a savings and loan holding company. As a result, each is subject to regulation by the OTS. Federal savings banks are subject to extensive regulation and examination by the OTS, their primary federal regulator, as well as the FDIC.

All savings associations are subject to the capital adequacy guidelines and the regulatory framework for prompt corrective action. HRB Bank must meet specific capital guidelines involving quantitative measures of HRB Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. HRB Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors. As of March 31, 2010, our most recent Thrift Financial Report (TFR) filing with the OTS, HRB bank was a "well capitalized" institution under the prompt corrective action provisions of the FDIC. See Item 8, note 19 to the consolidated financial statements for additional discussion of regulatory capital requirements and classifications.

HRB Bank is an indirect wholly-owned subsidiary of H&R Block, Inc. and its customer deposits are insured by the FDIC. If an insured institution fails, claims for administrative expenses of the receiver and for deposits in U.S. branches (including claims of the FDIC as subrogee of the failed institution) have priority over the claims of general unsecured creditors. In addition, the FDIC has authority to require H&R Block, Inc. to reimburse it for losses it incurs in connection with the failure of HRB Bank or with the FDIC's provision of assistance to a banking subsidiary that is in danger of failure.

H&R Block, Inc. is a legal entity separate and distinct from its subsidiary, HRB Bank. Various federal and state statutory provisions and regulations limit the amount of dividends HRB Bank may pay without regulatory approval. The OTS has authority to prohibit HRB Bank from engaging in unsafe or unsound practices in conducting their business. The payment of dividends, depending on the financial condition of the bank, could be deemed an unsafe or unsound practice. The ability of HRB Bank to pay dividends in the future is currently, and could be further, influenced by bank regulatory policies and capital guidelines.

The U.S., various state, local, provincial and foreign governments and some self-regulatory organizations have enacted statutes and ordinances, and/or adopted rules and regulations, regulating aspects of our business. These aspects include, but are not limited to, commercial income tax return preparers, income tax courses, the electronic filing of income tax returns, the facilitation of RALs, loan originations and assistance in loan originations, mortgage lending, privacy, consumer protection, franchising, sales methods, banking, accountants and the accounting practice. We seek to determine the applicability of such statutes, ordinances, rules and regulations (collectively, "Laws") and comply with those Laws.

From time to time in the ordinary course of business, we receive inquiries from governmental and self-regulatory agencies regarding the applicability of Laws to our services and products. In response to past inquiries, we have agreed to comply with such Laws, convinced the authorities that such Laws were not applicable or that compliance already exists and/or modified our activities in the applicable jurisdiction to avoid the application of all or certain parts of such Laws. We believe the past resolution of such inquiries and our ongoing compliance with Laws has not had a material adverse effect on our consolidated financial statements. We cannot predict what effect future Laws, changes in interpretations of existing Laws or the results of future regulator inquiries with respect to the applicability of Laws may have on our consolidated financial statements. See additional discussion of legal matters in Item 3, "Legal Proceedings" and Item 8, note 18 to our consolidated financial statements.

FUTURE LEGISLATION – In light of current conditions in the U.S. and global financial markets and the U.S. and global economy, regulators have increased their focus on the regulation of the financial services industry. Proposals that could substantially intensify the regulation of the financial services industry are expected to be introduced in the U.S. Congress, in state legislatures and from applicable regulatory authorities. These proposals may change banking statutes and regulation and our operating environment in substantial and unpredictable ways. If enacted, these proposals could increase or decrease the cost of doing business, limit or expand permissible

activities or affect the competitive balance among banks, savings associations, credit unions and other financial institutions. We cannot predict whether any of these proposals will be enacted and, if enacted, the effect that it, or any impending regulations, would have on our business, results of operations or financial condition.

STATISTICAL DISCLOSURE BY BANK HOLDING COMPANIES

This section presents information required by the SEC's Industry Guide 3, "Statistical Disclosure by Bank Holding Companies." The tables in this section include HRB Bank information only.

DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL – The following table presents average balance data and interest income and expense data for our banking operations, as well as the related interest yields and rates for fiscal years 2010, 2009 and 2008:

(dollars in 000s)

Year Ended April 30,	2010			2009			2008		
	Average Balance	Interest Income/ Expense	Average Yield/ Cost	Average Balance	Interest Income/ Expense	Average Yield/ Cost	Average Balance	Interest Income/ Expense	Average Yield/ Cost
Interest-earning assets:									
Mortgage loans, net	$ 677,115	$ 31,877	4.12%	$ 839,253	$ 46,396	5.14%	$ 1,157,360	$ 74,895	6.40%
Federal funds sold	9,471	9	0.09%	311,138	801	0.26%	153,332	4,981	3.25%
Emerald Advance (1)	106,093	77,891	35.21%	133,252	91,019	35.31%	68,932	45,339	32.31%
Available-for-sale investment securities	25,144	181	0.71%	29,500	791	2.68%	36,055	1,847	5.12%
FHLB stock	6,703	119	1.77%	6,557	127	1.93%	6,876	322	4.70%
Cash and due from banks	747,504	1,976	0.26%	12,474	123	0.99%	–	–	– %
	1,572,030	$ 112,053	7.00%	1,332,174	$ 139,257	10.45%	1,422,555	$ 127,384	8.95%
Non-interest-earning assets	94,499			71,759			20,313		
Total HRB Bank assets	$ 1,666,529			$ 1,403,933			$ 1,442,868		
Interest-bearing liabilities:									
Customer deposits	$ 1,019,664	$ 10,174	1.00%	$ 863,072	$ 14,069	1.63%	$ 904,836	$ 42,878	4.74%
FHLB borrowing	98,767	1,997	2.02%	103,885	5,113	4.92%	117,743	6,008	5.10%
	1,118,431	$ 12,171	1.09%	966,957	$ 19,182	1.98%	1,022,579	$ 48,886	4.78%
Non-interest-bearing liabilities	267,159			230,271			210,767		
Total liabilities	1,385,590			1,197,228			1,233,346		
Total shareholders' equity	280,939			206,705			209,522		
Total liabilities and shareholders' equity	$ 1,666,529			$ 1,403,933			$ 1,442,868		
Net yield on interest-earning assets (1)		$ 99,882	6.23%		$ 120,075	9.06%		$ 78,498	5.54%

(1) Includes all interest income related to Emerald Advance activities. Amounts recognized as interest income also include certain fees, which are amortized into interest income over the life of the loan, of $39.2 million, $44.0 million and $23.1 million for fiscal years 2010, 2009 and 2008, respectively.

The following table presents the rate/volume variance in interest income and expense for the last two fiscal years:

(in 000s)

Year Ended April 30,	2010				2009			
	Total Change in Interest Income/Expense	Change Due to Rate/Volume	Change Due to Rate	Change Due to Volume	Total Change in Interest Income/Expense	Change Due to Rate/Volume	Change Due to Rate	Change Due to Volume
Interest income:								
Loans, net(1)	$ (27,646)	$ 1,233	$ (8,192)	$ (20,687)	$ 17,182	$ (11,253)	$ 53,654	$ (25,219)
Available-for-sale investment securities	(611)	86	(580)	(117)	(1,056)	160	(881)	(335)
Federal funds sold	(792)	500	(515)	(777)	(4,180)	(4,720)	(4,586)	5,126
FHLB stock	(8)	–	(11)	3	(196)	9	(190)	(15)
Cash & due from banks	1,853	(5,305)	(90)	7,248	123	123	–	–
	$ (27,204)	$ (3,486)	$ (9,388)	$ (14,330)	$ 11,873	$ (15,681)	$ 47,997	$ (20,443)
Interest expense:								
Customer deposits	$ (3,895)	$ (573)	$ (5,457)	$ 2,135	$ (28,809)	$ 1,298	$ (28,128)	$ (1,979)
FHLB borrowings	(3,116)	149	(3,013)	(252)	(895)	25	(213)	(707)
	$ (7,011)	$ (424)	$ (8,470)	$ 1,883	$ (29,704)	$ 1,323	$ (28,341)	$ (2,686)

(1) Non-accruing loans have been excluded.

INVESTMENT PORTFOLIO – The following table presents the cost basis and fair value of HRB Bank's investment portfolio at April 30, 2010, 2009 and 2008:

(in 000s)

April 30,	2010		2009		2008	
	Cost Basis	Fair Value	Cost Basis	Fair Value	Cost Basis	Fair Value
Mortgage-backed securities	**$ 23,026**	**$ 23,016**	$ 27,466	$ 26,793	$ 30,809	$ 29,401
Federal funds sold	**2,338**	**2,338**	157,326	157,326	9,938	9,938
FHLB stock	**6,033**	**6,033**	6,730	6,730	7,536	7,536
Trust preferred security	**1,854**	**31**	3,454	292	3,500	2,809
	$ 33,251	**$ 31,418**	$ 194,976	$ 191,141	$ 51,783	$ 49,684

The following table shows the cost basis, scheduled maturities and average yields for HRB Bank's investment portfolio at April 30, 2010:

(dollars in 000s)

		Less Than One Year		After Ten Years		Total	
	Cost Basis	Balance Due	Average Yield	Balance Due	Average Yield	Balance Due	Average Yield
Mortgage-backed securities	**$ 23,026**	**$ –**	**– %**	**$ 23,026**	**0.7%**	**$ 23,026**	**0.7%**
Federal funds sold	**2,338**	**2,338**	**0.1%**	**–**	**– %**	**2,338**	**0.1%**
FHLB stock	**6,033**	**–**	**– %**	**6,033**	**1.8%**	**6,033**	**1.8%**
Trust preferred security	**1,854**	**–**	**– %**	**1,854**	**1.3%**	**1,854**	**1.3%**
	$ 33,251	**$ 2,338**		**$ 30,913**		**$ 33,251**	

LOAN PORTFOLIO AND SUMMARY OF LOAN LOSS EXPERIENCE – The following table shows the composition of HRB Bank's mortgage loan portfolio as of April 30, 2010, 2009, 2008 and 2007, and information on delinquent loans:

(in 000s)

April 30,	2010	2009	2008	2007
Residential real estate mortgages	**$ 683,452**	$ 821,583	$ 1,004,283	$ 1,350,612
Home equity lines of credit	**232**	254	357	280
	$ 683,684	$ 821,837	$ 1,004,640	$ 1,350,892
Loans and TDRs on non-accrual	**$ 185,209**	$ 222,382	$ 110,759	$ 22,909
Loans past due 90 days or more	**153,703**	121,685	73,600	22,909
Total TDRs	**144,977**	160,741	37,159	–

Of total loans outstanding at April 30, 2010, 60% were adjustable-rate loans and 40% were fixed-rate loans.

Concentrations of loans to borrowers located in a single state may result in increased exposure to loss as a result of changes in real estate values and underlying economic or market conditions related to a particular geographical location. The table below presents outstanding loans by state for our portfolio of mortgage loans held for investment as of April 30, 2010:

(dollars in 000s)

	Loans Purchased from SCC	Loans Purchased from Other Parties	Total	Percent of Total	Delinquency Rate (30+ Days)
Florida	**$ 57,396**	**$ 78,999**	**$ 136,395**	**20%**	**30.3%**
California	**96,830**	**14,546**	**111,376**	**16%**	**35.3%**
New York	**94,626**	**10,305**	**104,931**	**15%**	**34.9%**
Wisconsin	**2,214**	**51,947**	**54,161**	**8%**	**4.3%**
All others	**183,578**	**93,243**	**276,821**	**41%**	**24.2%**
Total	**$ 434,644**	**$ 249,040**	**$ 683,684**	**100%**	**27.3%**

A rollforward of HRB Bank's allowance for loss on mortgage loans is as follows:

(dollars in 000s)

Year Ended April 30,	2010	2009	2008	2007
Balance at beginning of the year	$ 84,073	$ 45,401	$ 3,448	$ –
Provision	47,750	63,897	42,004	3,622
Recoveries	88	54	999	–
Charge-offs	(38,376)	(25,279)	(1,050)	(174)
Balance at end of the year	$ 93,535	$ 84,073	$ 45,401	$ 3,448
Ratio of net charge-offs to average loans outstanding during the year	4.95%	2.80%	0.09%	0.02%

DEPOSITS – The following table shows HRB Bank's average deposit balances and the average rate paid on those deposits for fiscal years 2010, 2009 and 2008:

(dollars in 000s)

Year Ended April 30,	2010		2009		2008	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Money market and savings	$ 400,920	0.50%	$ 467,864	1.37%	$ 653,126	4.92%
Interest-bearing checking accounts	13,677	0.61%	13,579	2.25%	141,328	4.31%
IRAs	377,973	1.02%	289,814	1.27%	101,085	4.12%
Certificates of deposit	227,094	1.86%	91,815	3.98%	9,297	5.45%
	1,019,664	1.00%	863,072	1.63%	904,836	4.74%
Non-interest-bearing deposits	233,717		212,607		189,325	
	$ 1,253,381		$ 1,075,679		$ 1,094,161	

RATIOS – The following table shows certain of HRB Bank's key ratios for fiscal years 2010, 2009 and 2008:

Year Ended April 30,	2010	2009	2008
Pretax return on assets	2.12%	(1.03)%	0.80%
Net return on equity	21.04%	(6.67)%	3.32%
Equity to assets ratio	28.83%	12.44%	12.80%

During fiscal year 2009, HRB Bank shared the revenues and expenses of the H&R Block Prepaid Emerald MasterCard® program with an affiliate, and as a result, transferred revenues and expenses of $49.4 million and $13.4 million, respectively, to this affiliate. During fiscal year 2010, the agreement with the affiliate was terminated and HRB Bank now retains the revenues and expenses of the program.

SHORT-TERM BORROWINGS – The following table shows HRB Bank's short-term borrowings for fiscal years 2010, 2009 and 2008:

(dollars in 000s)

Year Ended April 30,	2010		2009		2008	
	Balance	Rate	Balance	Rate	Balance	Rate
Ending balance of FHLB advances	$ 50,000	1.92%	$ 25,000	1.76%	$ 25,000	2.64%
Average balance of FHLB advances	98,767	2.07%	103,885	4.92%	13,743	5.32%

The maximum amount of FHLB advances outstanding during fiscal years 2010, 2009 and 2008 was $100.0 million, $129.0 million and $179.0 million, respectively.

NEW ACCOUNTING PRONOUNCEMENTS

See Item 8, note 1 to our consolidated financial statements for a discussion of recently issued accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

GENERAL – We have a formal investment policy that strives to minimize the market risk exposure of our cash equivalents and available-for-sale (AFS) securities, which are primarily affected by credit quality and movements in interest rates. These guidelines focus on managing liquidity and preserving principal and earnings.

Our cash equivalents are primarily held for liquidity purposes and are comprised of high quality, short-term investments, including qualified money market funds. Because our cash and cash equivalents have a relatively short maturity, our portfolio's market value is relatively insensitive to interest rate changes.

As our short-term borrowings are generally seasonal, interest rate risk typically increases through our third fiscal quarter and declines to zero by fiscal year-end. While the market value of short-term borrowings is relatively insensitive to interest rate changes, interest expense on short-term borrowings will increase and decrease with changes in the underlying short-term interest rates.

Our long-term debt at April 30, 2010, consists primarily of fixed-rate Senior Notes; therefore, a change in interest rates would have no impact on consolidated pretax earnings. See Item 8, note 10 to our consolidated financial statements.

HRB BANK – At April 30, 2010, approximately 42% of HRB Bank's total assets were residential mortgage loans with 40% of these fixed-rate loans and 60% adjustable-rate loans. These loans are sensitive to changes in interest rates as well as expected prepayment levels. As interest rates increase, fixed-rate residential mortgages tend to exhibit lower prepayments. The opposite is true in a falling rate environment. When mortgage loans prepay, mortgage origination costs are written off. Depending on the timing of the prepayment, the write-offs of mortgage origination costs may result in lower than anticipated yields.

At April 30, 2010, HRB Bank's other investments consisted primarily of mortgage-backed securities and FHLB stock. See table below for sensitivity analysis of our mortgage-backed securities.

HRB Bank's liabilities consist primarily of transactional deposit relationships, such as prepaid debit card accounts and checking accounts. Other liabilities include money market accounts, certificates of deposit and collateralized borrowings from the FHLB. Money market accounts re-price as interest rates change. Certificates of deposit re-price over time depending on maturities. FHLB advances generally have fixed rates ranging from one day through multiple years.

Under criteria published by the OTS, HRB Bank's overall interest rate risk exposure at March 31, 2010, the most recent date an evaluation was completed, was characterized as "minimal." We actively manage our interest rate risk positions. As interest rates change, we will adjust our strategy and mix of assets and liabilities to optimize our position.

EQUITY PRICE RISK

We have limited exposure to the equity markets. Our primary exposure is through our deferred compensation plans. Within the deferred compensation plans, we have mismatches in asset and liability amounts and investment choices (both fixed-income and equity). At April 30, 2010 and 2009, the impact of a 10% market value change in the combined equity assets held by our deferred compensation plans and other equity investments would be approximately $9.7 million and $7.3 million, respectively, assuming no offset for the liabilities.

FOREIGN EXCHANGE RATE RISK

Our operations in international markets are exposed to movements in currency exchange rates. The currencies involved are the Canadian dollar and the Australian dollar. We translate revenues and expenses related to these operations at the average of exchange rates in effect during the period. Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates prevailing at the end of the year. Translation adjustments are recorded as a separate component of other comprehensive income in stockholders' equity. Translation of financial results into U.S. dollars does not presently materially affect and has not historically materially affected our consolidated financial results, although such changes do affect the year-to-year comparability of the operating results in U.S. dollars of our international businesses. We estimate a 10% change in foreign exchange rates by itself would impact consolidated net income in fiscal years 2010 and 2009 by approximately $5.1 million and $3.0 million, respectively, and cash balances at April 30, 2010 and 2009 by $7.1 million and $5.4 million, respectively.

During fiscal year 2010, borrowing needs in our Canadian operations were funded by corporate borrowings in the U.S. To mitigate the foreign currency exchange rate risk, we used forward foreign exchange contracts. We do not enter into forward contracts for speculative purposes. In estimating the fair value of derivative positions, we utilized quoted market prices, if available, or quotes obtained from external sources. When foreign currency financial instruments are outstanding, exposure to market risk on these instruments results from fluctuations in

currency rates during the periods in which the contracts are outstanding. The counterparties to our currency exchange contracts consist of major financial institutions, each of which is rated investment grade. We are exposed to credit risk to the extent of potential non-performance by counterparties on financial instruments. Any potential credit exposure does not exceed the fair value. We believe the risk of incurring losses due to credit risk is remote. At April 30, 2010 we had no forward exchange contracts outstanding.

SENSITIVITY ANALYSIS

The sensitivities of certain financial instruments to changes in interest rates as of April 30, 2010 and 2009 are presented below. The following table represents hypothetical instantaneous and sustained parallel shifts in interest rates and should not be relied on as an indicator of future expected results. The impact of a change in interest rates on other factors, such as delinquency and prepayment rates, is not included in the analysis below.

(in 000s)

	Carrying Value at April 30, 2010	Basis Point Change −300	−200	−100	+100	+200	+300
Mortgage loans held for investment	**$ 595,405**	**$ 60,251**	**$ 43,363**	**$ 20,780**	**$ (7,906)**	**$ (12,525)**	**$ (14,664)**
Mortgage-backed securities	**23,016**	**123**	**125**	**134**	**(272)**	**(411)**	**(510)**

	Carrying Value at April 30, 2009	Basis Point Change −300	−200	−100	+100	+200	+300
Mortgage loans held for investment	$ 744,899	$ 115,319	$ 76,202	$ 33,253	$ (28,847)	$ (58,293)	$ (85,922)
Mortgage-backed securities	26,793	803	727	398	(1,188)	(1,675)	(1,906)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

DISCUSSION OF FINANCIAL RESPONSIBILITY

We at H&R Block are guided by our core values of client focus, teamwork and responsibility. These values govern the manner in which we serve clients and each other and are embedded in the execution and delivery of our responsibilities to our shareholders. H&R Block's management is responsible for the integrity and objectivity of the information contained in this document. Management is responsible for the consistency of reporting this information and for ensuring that accounting principles generally accepted in the United States are used. In discharging this responsibility, management maintains an extensive program of internal audits and requires the management teams of our individual subsidiaries to certify their respective financial information. Our system of internal control over financial reporting also includes formal policies and procedures, including a Code of Business Ethics and Conduct program designed to encourage and assist all employees and directors in living up to high standards of integrity.

The Audit Committee of the Board of Directors, composed solely of outside and independent directors, meets periodically with management, the independent auditors and the chief internal auditor to review matters relating to our financial statements, internal audit activities, internal accounting controls and non-audit services provided by the independent auditors. The independent auditors and the chief internal auditor have full access to the Audit Committee and meet, both with and without management present, to discuss the scope and results of their audits, including internal control, audit and financial matters.

Deloitte & Touche LLP audited our consolidated financial statements for fiscal years 2010, 2009 and 2008. Their audits were conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 12a-15(f). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as of April 30, 2010.

Based on our assessment, management concluded that as of April 30, 2010, the Company's internal control over financial reporting was effective based on the criteria set forth by COSO. The Company's external auditors, Deloitte & Touche LLP, an independent registered public accounting firm, have issued an audit report on the effectiveness of the Company's internal control over financial reporting.

Russell P. Smyth
President and Chief Executive Officer

Jeffrey T. Brown
Vice President, Interim Chief Financial Officer and Corporate Controller

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

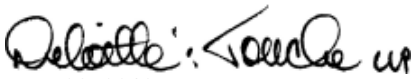
We have audited the accompanying consolidated balance sheets of H&R Block, Inc. and subsidiaries (the "Company") as of April 30, 2010 and 2009, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended April 30, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of H&R Block, Inc. and subsidiaries as of April 30, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 14 to the consolidated financial statements, the Company adopted an accounting standard for uncertainty in income taxes on May 1, 2007.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of April 30, 2010, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 28, 2010 expressed an unqualified opinion on the Company's internal control over financial reporting.



June 28, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of H&R Block, Inc. and subsidiaries (the "Company") as of April 30, 2010, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

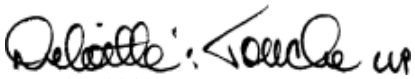
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2010, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended April 30, 2010 of the Company and our report dated June 28, 2010 expressed an unqualified opinion on those financial statements and financial statement schedule and included an explanatory paragraph regarding the Company's adoption of an accounting standard for uncertainty in income taxes on May 1, 2007.



June 28, 2010

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(in 000s, except per share amounts)

Year Ended April 30,	2010	2009	2008
REVENUES:			
Service revenues	**$3,231,487**	$ 3,437,906	$ 3,393,906
Product and other revenues	**520,440**	491,155	541,166
Interest income	**122,405**	154,516	151,558
	3,874,332	4,083,577	4,086,630
OPERATING EXPENSES:			
Cost of revenues	**2,467,996**	2,596,218	2,588,193
Selling, general and administrative	**631,499**	648,490	788,898
	3,099,495	3,244,708	3,377,091
Operating income	**774,837**	838,869	709,539
Other income, net	**9,298**	501	25,532
Income from continuing operations before income taxes	**784,135**	839,370	735,071
Income taxes	**295,189**	326,315	289,124
Net income from continuing operations	**488,946**	513,055	445,947
Net loss from discontinued operations	**(9,704)**	(27,382)	(754,594)
NET INCOME (LOSS)	**$ 479,242**	$ 485,673	$ (308,647)
BASIC EARNINGS (LOSS) PER SHARE:			
Net income from continuing operations	**$ 1.47**	$ 1.53	$ 1.37
Net loss from discontinued operations	**(0.03)**	(0.08)	(2.32)
Net income (loss)	**$ 1.44**	$ 1.45	$ (0.95)
DILUTED EARNINGS (LOSS) PER SHARE:			
Net income from continuing operations	**$ 1.46**	$ 1.53	$ 1.35
Net loss from discontinued operations	**(0.03)**	(0.08)	(2.30)
Net income (loss)	**$ 1.43**	$ 1.45	$ (0.95)
COMPREHENSIVE INCOME (LOSS):			
Net income (loss)	**$ 479,242**	$ 485,673	$ (308,647)
Unrealized gains (losses) on securities, net of taxes:			
Unrealized holding gains (losses) arising during the year, net of taxes of $188, $(1,736) and $2,683	**274**	(2,836)	4,402
Reclassification adjustment for gains included in income, net of taxes of $811, $762 and $130	**(1,399)**	(1,164)	(205)
Change in foreign currency translation adjustments	**14,442**	(10,125)	(391)
Comprehensive income (loss)	**$ 492,559**	$ 471,548	$ (304,841)

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

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

	April 30, 2010	April 30, 2009
ASSETS		
Cash and cash equivalents	$ 1,804,045	$ 1,654,663
Cash and cash equivalents — restricted	34,350	51,656
Receivables, less allowance for doubtful accounts of $112,475 and $128,541	517,986	512,814
Prepaid expenses and other current assets	292,655	351,947
Total current assets	2,649,036	2,571,080
Mortgage loans held for investment, less allowance for loan losses of $93,535 and $84,073	595,405	744,899
Property and equipment, at cost less accumulated depreciation and amortization of $657,008 and $625,075	345,470	368,289
Intangible assets, net	367,432	385,998
Goodwill	840,447	850,230
Other assets	436,528	439,226
Total assets	$ 5,234,318	$ 5,359,722
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Customer banking deposits	$ 852,555	$ 854,888
Accounts payable, accrued expenses and other current liabilities	756,577	705,945
Accrued salaries, wages and payroll taxes	199,496	259,698
Accrued income taxes	459,175	543,967
Current portion of long-term debt	3,688	8,782
Current Federal Home Loan Bank borrowings	50,000	25,000
Total current liabilities	2,321,491	2,398,280
Long-term debt	1,035,144	1,032,122
Long-term Federal Home Loan Bank borrowings	25,000	75,000
Other noncurrent liabilities	412,053	448,461
Total liabilities	3,793,688	3,953,863
STOCKHOLDERS' EQUITY:		
Common stock, no par, stated value $.01 per share, 800,000,000 shares authorized, shares issued of 431,390,599 and 444,176,510	4,314	4,442
Convertible preferred stock, no par, stated value $0.01 per share, 500,000 shares authorized	–	–
Additional paid-in capital	832,604	836,477
Accumulated other comprehensive income (loss)	1,678	(11,639)
Retained earnings	2,658,586	2,671,437
Less treasury shares, at cost	(2,056,552)	(2,094,858)
Total stockholders' equity	1,440,630	1,405,859
Total liabilities and stockholders' equity	$ 5,234,318	$ 5,359,722

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in 000s)

Year Ended April 30,	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	**$ 479,242**	$ 485,673	$ (308,647)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	**126,901**	123,631	119,514
Provision for bad debts and loan losses	**161,296**	181,829	174,813
Provision for deferred taxes	**170,566**	73,213	(51,695)
Stock-based compensation	**29,369**	26,557	40,373
Net cash provided by discontinued operations	**–**	97,578	213,045
Changes in assets and liabilities, net of acquisitions:			
Cash and cash equivalents — restricted	**2,497**	(44,625)	(3,168)
Receivables	**(87,889)**	(77,447)	(120,676)
Prepaid expenses and other current assets	**(2,320)**	84,279	6,796
Accounts payable, accrued expenses and other current liabilities	**(305)**	(36,024)	16,215
Accrued salaries, wages and payroll taxes	**(59,617)**	(106,014)	65,845
Accrued income taxes	**(77,254)**	126,594	204,472
Other noncurrent liabilities	**(65,261)**	(56,001)	(34,738)
Other, net	**(89,756)**	145,196	(63,389)
Net cash provided by operating activities	**587,469**	1,024,439	258,760
CASH FLOWS FROM INVESTING ACTIVITIES:			
Available-for-sale securities:			
Purchases of available-for-sale securities	**(5,365)**	(5,092)	(11,794)
Sales of and payments received on available-for-sale securities	**15,758**	15,075	18,175
Principal payments on mortgage loans held for investment, net	**72,832**	91,329	207,606
Purchases of property and equipment	**(90,515)**	(97,880)	(101,554)
Payments made for business acquisitions, net of cash acquired	**(10,539)**	(293,805)	(24,872)
Net cash provided by investing activities of discontinued operations	**–**	255,066	1,044,990
Other, net	**49,182**	40,867	14,738
Net cash provided by investing activities	**31,353**	5,560	1,147,289
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of commercial paper	**(1,406,013)**	–	(5,125,279)
Proceeds from issuance of commercial paper	**1,406,013**	–	4,133,197
Proceeds from issuance of Senior Notes	**–**	–	599,376
Repayments of other borrowings	**(4,267,773)**	(4,762,294)	(9,055,426)
Proceeds from other borrowings	**4,242,727**	4,733,294	8,505,426
Customer banking deposits, net	**17,539**	64,357	(345,391)
Dividends paid	**(200,899)**	(198,685)	(183,628)
Repurchase of common stock, including shares surrendered	**(254,250)**	(106,189)	(7,280)
Proceeds from issuance of common stock, net	**–**	141,415	–
Proceeds from exercise of stock options	**16,682**	71,594	23,322
Net cash provided by (used in) financing activities of discontinued operations	**–**	4,783	(64,439)
Other, net	**(35,144)**	11,492	(37,947)
Net cash used in financing activities	**(481,118)**	(40,233)	(1,558,069)
Effects of exchange rates on cash	**11,678**	–	–
Net increase (decrease) in cash and cash equivalents	**149,382**	989,766	(152,020)
Cash and cash equivalents at beginning of the year	**1,654,663**	664,897	816,917
Cash and cash equivalents at end of the year	**$ 1,804,045**	$ 1,654,663	$ 664,897
SUPPLEMENTARY CASH FLOW DATA:			
Income taxes paid, net of refunds received of $12,587, $158,862 and $317,849	**$ 359,559**	$ (1,593)	$ (238,803)
Interest paid on borrowings	**78,305**	89,541	173,181
Interest paid on deposits	**10,156**	14,004	44,501
Transfers of loans to foreclosed assets	**19,341**	65,171	–

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(amounts in 000s, except per share amounts)

	Common Stock		Convertible Preferred Stock		Additional Paid-in	Accumulated Other Comprehensive	Retained	Treasury Stock		Total
	Shares	Amount	Shares	Amount	Capital	Income (Loss)	Earnings	Shares	Amount	Equity
Balances at May 1, 2007	435,891	$ 4,359	–	$ –	$ 676,766	$ (1,320)	$ 2,886,440	(112,672)	$ (2,151,746)	$ 1,414,499
Remeasurement of uncertain tax positions upon adoption of new accounting standard	–	–	–	–	–	–	(9,716)	–	–	(9,716)
Net loss	–	–	–	–	–	–	(308,647)	–	–	(308,647)
Unrealized translation loss	–	–	–	–	–	(391)	–	–	–	(391)
Change in net unrealized gain (loss) on available-for-sale securities	–	–	–	–	–	4,197	–	–	–	4,197
Stock-based compensation	–	–	–	–	50,410	–	–	–	–	50,410
Shares issued for:										
Option exercises	–	–	–	–	(11,090)	–	–	1,736	33,174	22,084
Nonvested shares	–	–	–	–	(20,097)	–	–	963	18,387	(1,710)
ESPP	–	–	–	–	(65)	–	–	413	7,872	7,807
Acquisitions	–	–	–	–	35	–	–	8	158	193
Acquisition of treasury shares	–	–	–	–	–	–	–	(328)	(7,280)	(7,280)
Cash dividends paid – $0.56 per share	–	–	–	–	–	–	(183,628)	–	–	(183,628)
Balances at April 30, 2008	435,891	4,359	–	–	695,959	2,486	2,384,449	(109,880)	(2,099,435)	987,818
Net income	–	–	–	–	–	–	485,673	–	–	485,673
Unrealized translation loss	–	–	–	–	–	(10,125)	–	–	–	(10,125)
Change in net unrealized gain (loss) on available-for-sale securities	–	–	–	–	–	(4,000)	–	–	–	(4,000)
Proceeds from common stock Issuance, net of expenses	8,286	83	–	–	141,332	–	–	–	–	141,415
Stock-based compensation	–	–	–	–	32,600	–	–	–	–	32,600
Shares issued for:										
Option exercises	–	–	–	–	(12,624)	–	–	4,481	85,624	73,000
Nonvested shares	–	–	–	–	(20,392)	–	–	1,015	19,402	(990)
ESPP	–	–	–	–	(423)	–	–	292	5,577	5,154
Acquisitions	–	–	–	–	25	–	–	8	163	188
Acquisition of treasury shares	–	–	–	–	–	–	–	(5,991)	(106,189)	(106,189)
Cash dividends paid – $0.59 per share	–	–	–	–	–	–	(198,685)	–	–	(198,685)
Balances at April 30, 2009	444,177	4,442	–	–	836,477	(11,639)	2,671,437	(110,075)	(2,094,858)	1,405,859
Net income	–	–	–	–	–	–	479,242	–	–	479,242
Unrealized translation gain	–	–	–	–	–	14,442	–	–	–	14,442
Change in net unrealized gain (loss) on available-for-sale securities	–	–	–	–	–	(1,125)	–	–	–	(1,125)
Stock-based compensation	–	–	–	–	29,369	–	–	–	–	29,369
Shares issued for:										
Option exercises	–	–	–	–	(10,840)	–	–	1,293	24,616	13,776
Nonvested shares/units	–	–	–	–	(13,806)	–	(300)	677	12,879	(1,227)
ESPP	–	–	–	–	(924)	–	–	266	5,058	4,134
Acquisition of treasury shares	–	–	–	–	–	–	–	(246)	(4,247)	(4,247)
Retirement of common shares	(12,786)	(128)	–	–	(7,672)	–	(242,203)	–	–	(250,003)
Cash dividends declared	–	–	–	–	–	–	(48,691)	–	–	(48,691)
Cash dividends paid – $0.60 per share	–	–	–	–	–	–	(200,899)	–	–	(200,899)
Balances at April 30, 2010	431,391	$ 4,314	–	$ –	$ 832,604	$ 1,678	$ 2,658,586	(108,085)	$ (2,056,552)	$ 1,440,630

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS – Our operating subsidiaries provide a variety of services to the general public, principally in the United States (U.S.). Specifically, we offer: tax return preparation; tax and consulting services to business clients; certain retail banking services; tax preparation and related software; and refund anticipation loans (RALs) offered by third-party lending institutions. Tax preparation services are also provided in Canada and Australia. Our Tax Services segment comprised 76.8% of our consolidated revenues from continuing operations for fiscal year 2010.

PRINCIPLES OF CONSOLIDATION – The consolidated financial statements include the accounts of the Company and our wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated.

Some of our subsidiaries operate in regulated industries and their underlying accounting records reflect the policies and requirements of these industries.

RECLASSIFICATIONS – Certain reclassifications have been made to prior year amounts to conform to the current year presentation. We realigned our segments as discussed in note 21, and accordingly restated segment disclosures for prior periods. These changes had no effect on our results of operations or stockholders' equity as previously reported.

MANAGEMENT ESTIMATES – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates, assumptions and judgments are applied in the determination of our allowance for loan losses, potential losses from loan repurchase and indemnity obligations associated with our discontinued mortgage business, contingent losses associated with pending litigation, fair value of reporting units, valuation allowances based on future taxable income, reserves for uncertain tax positions and related matters. We seek to change our estimates when facts and circumstances dictate, however, future events and their effects cannot be determined with absolute certainty. As such, actual results could differ materially from those estimates.

CONCENTRATIONS OF RISK – The overall credit quality of our mortgage loans held for investment is impacted by the strength of the U.S. economy and local economies. Our mortgage loans held for investment include concentrations of loans to borrowers in certain states, which may result in increased exposure to loss as a result of changes in real estate values and underlying economic or market conditions related to a particular geographical location. Approximately 51% of our mortgage loan portfolio consists of loans to borrowers located in the states of Florida, California and New York.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents include cash on hand, cash due from banks and federal funds sold. For purposes of the consolidated balance sheets and consolidated statements of cash flows, all non-restricted highly liquid instruments purchased with an original maturity of three months or less are considered to be cash equivalents. We present cash flow activities utilizing the indirect method. Book overdrafts included in accounts payable totaled $35.9 million and $48.0 million at April 30, 2010 and 2009, respectively.

CASH AND CASH EQUIVALENTS – RESTRICTED – Cash and cash equivalents – restricted consists primarily of cash held by our captive insurance subsidiary that will be used to pay claims.

RECEIVABLES – Receivables consist primarily of accounts receivable from customers of our Business Services segment, receivables from tax clients for tax return preparation, refund anticipation loan participations and receivables of our franchise financing subsidiary. The allowance for doubtful accounts requires management's judgment regarding collectibility and current economic conditions to establish an amount considered by management to be adequate to cover estimated losses as of the balance sheet date.

MARKETABLE SECURITIES – AVAILABLE-FOR-SALE – Marketable securities we hold are classified as available-for-sale (AFS) and are reported at fair value. Unrealized gains and losses are calculated using the specific identification method and reported, net of applicable taxes, as a component of accumulated other comprehensive income. Realized gains and losses on the sale of these securities are determined using the specific identification method. These securities are included in other assets in the consolidated balance sheets.

We monitor our AFS investment portfolio for impairment and consider many factors in determining whether the impairment is deemed to be other-than-temporary. These factors include, but are not limited to, the length of time the security has had a market value less than the cost basis, the severity of loss, our intent to sell, including regulatory or contractual requirements to sell, recent events specific to the issuer or industry, external credit ratings and recent downgrades in such ratings.

For investments in mortgage-backed securities, amortization of premiums and accretion of discounts are recognized in interest income using the interest method, adjusted for anticipated prepayments where applicable. We update our estimates of expected cash flows periodically and recognize changes in calculated effective yields as appropriate.

Our investment in the stock of the Federal Home Loan Bank (FHLB) is carried at cost, as it is a restricted security, which is required to be maintained by H&R Block Bank (HRB Bank) for borrowing availability. The cost of the stock represents its redemption value, as there is no ready market value.

REAL ESTATE OWNED – Real estate owned (REO) includes foreclosed properties securing mortgage loans. Foreclosed assets are adjusted to fair value less costs to sell upon transfer of the loans to REO. Subsequently, REO is carried at the lower of carrying value or fair value less costs to sell. Fair value is generally based on independent market prices or appraised values of the collateral. Subsequent holding period losses and losses arising from the sale of REO are expensed as incurred. REO is included in prepaid expenses and other current assets in the consolidated balance sheets.

MORTGAGE LOANS HELD FOR INVESTMENT – Mortgage loans held for investment represent loans originated or acquired with the ability and current intent to hold to maturity. Loans held for investment are carried at amortized cost adjusted for charge-offs, net allowance for loan losses, deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Loan fees and certain direct loan origination costs are deferred and the net fee or cost is recognized in interest income over the lives of the related loans. Unearned income, premiums and discounts on purchased loans are amortized or accreted into income over the estimated life of the loan using methods that approximate the interest method based on assumptions regarding the loan portfolio, including prepayments adjusted to reflect actual experience.

We record an allowance representing our estimate of credit losses inherent in the loan portfolio at the balance sheet date. Loan recoveries and the provision for credit losses increase the allowance, while loan charge-offs decrease the allowance. A current assessment of the value of the loan is made when the loan is no later than 60 days past due and any loan balance in excess of the value less costs to sell the property is charged off.

We evaluate mortgage loans less than 60 days past due on a pooled basis and record a loan loss allowance for those loans in the aggregate. We stratify these loans based on our view of risk associated with various elements of the pool and assign estimated loss rates based on those risks. Loss rates consider both the rate at which loans will become delinquent (frequency) and the amount of loss that will ultimately be realized upon occurrence of a liquidation of collateral (severity), and are primarily based on historical experience and our assessment of economic and market conditions.

Loans are considered impaired when we believe it is probable we will be unable to collect all principal and interest due according to the contractual terms of the note, or when the loan is 60 days past due. Impaired loans are reviewed individually and a specific loan loss allowance is recorded based on the fair value of the underlying collateral.

We classify loans as non-accrual when full and timely collection of interest or principal becomes uncertain, or when they are 90 days past due. Interest previously accrued, but not collected, is reversed against current interest income when a loan is placed on non-accrual status. Accretion of deferred fees is discontinued for non-accrual loans. Payments received on non-accrual loans are recognized as interest income when the loan is considered collectible and applied to principal when it is doubtful that full payment will be collected. Loans are not placed back on accrual status until collection of principal and interest is reasonably assured as a result of the borrower bringing the loan into compliance with the contractual terms of the loan. Prior to restoring a loan to accrual status, management considers a borrower's prospects for continuing future contractual payments.

From time to time, as part of our loss mitigation process, we may agree to modify the contractual terms of a borrower's loan. We have developed loan modification programs designed to help borrowers refinance adjustable-rate mortgage loans prior to rate reset. In cases where we modify a loan and in so doing grant a concession to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring (TDR). We may consider the borrower's payment status and history, the borrower's ability to pay upon a rate reset on an adjustable-rate mortgage, the size of the payment increase upon a rate reset, the period of time remaining prior to the rate reset and other relevant factors in determining whether a borrower is experiencing financial difficulty. A borrower who is current may be deemed to be experiencing financial difficulty in instances where the evidence suggests an inability to pay based on the original terms of the loan after the interest rate reset and, in the absence of a modification, may default on the loan. We evaluate whether the modification represents a concession we would not otherwise consider, such as a lower interest rate than what a new borrower of similar credit risk would be offered. A loan modified in a troubled debt restructuring, including a loan that was current at the time of modification, is placed on non-accrual status until we determine future collection of principal and interest is reasonably assured, which generally requires the borrower to demonstrate a period of performance according to

the restructured terms. TDR loans totaled $145.0 million and $160.7 million at April 30, 2010 and 2009, respectively. At the time of the modification, we record impairment for TDR loans equal to the difference between the principal balance of the loan and the present value of expected future cash flows discounted at the loan's effective interest rate. However, if we later assess that foreclosure of a modified loan is probable, we record impairment based on the estimated fair value of the underlying collateral.

PROPERTY AND EQUIPMENT – Buildings and equipment are initially recorded at cost and are depreciated over the estimated useful life of the assets using the straight-line method. Leasehold improvements are initially recorded at cost and are amortized over the lesser of the term of the respective lease or the estimated useful life, using the straight-line method. Estimated useful lives are 15 to 40 years for buildings, 3 to 5 years for computers and other equipment and up to 8 years for leasehold improvements.

We capitalize certain allowable costs associated with software developed or purchased for internal use. These costs are typically amortized over 36 months using the straight-line method.

Substantially all of the operations of our subsidiaries are conducted in leased premises. For all lease agreements, including those with escalating rent payments or rent holidays, we recognize rent expense on a straight-line basis.

INTANGIBLE ASSETS AND GOODWILL – We test goodwill and other indefinite-life intangible assets for impairment annually or more frequently, whenever events occur or circumstances change which would, more likely than not, reduce the fair value of a reporting unit below its carrying value. The first step of the impairment test is to compare the estimated fair value of the reporting unit to its carrying value. If the carrying value is less than fair value, no impairment exists. If the carrying value is greater than fair value, a second step is performed to determine the fair value of goodwill and the amount of impairment loss, if any.

In addition, long-lived assets, including intangible assets with finite lives, are assessed for impairment whenever events or circumstances indicate the carrying value may not be fully recoverable by comparing the carrying value to future undiscounted cash flows. Impairment is recorded for long-lived assets determined not to be fully recoverable equal to the excess of the carrying amount of the asset over its estimated fair value.

We recorded a $15.0 million goodwill impairment related to our RSM EquiCo, Inc. (RSM EquiCo) reporting unit within our Business Services segment in fiscal year 2010 and a $2.2 million goodwill impairment for a reporting unit within our Tax Services segment in fiscal year 2009. No material impairment adjustments to other intangible assets or other long-lived assets of continuing operations were made during the three-year period ended April 30, 2010.

The weighted-average life of intangible assets with finite lives is 27 years. Intangible assets are typically amortized over the estimated useful life of the assets using the straight-line method.

COMMERCIAL PAPER – We resumed issuing commercial paper during fiscal year 2010 to finance temporary liquidity needs and various financial activities. There was no commercial paper outstanding at April 30, 2010.

MORTGAGE LOAN REPURCHASE LIABILITY – Sand Canyon Corporation (SCC) is obligated to repurchase loans sold or securitized in the event of a breach of representations and warranties it made to purchasers or insurers of such loans, or otherwise indemnify certain third-parties for losses incurred by them.

The amount of expected losses depends primarily on the frequency of valid claims and the severity of loss incurred on loans. To the extent actual losses related to repurchase and indemnification activity are different from estimates, the repurchase reserve may increase or decrease. See note 16 for additional information.

LITIGATION – It is our policy to routinely assess the likelihood of any adverse judgments or outcomes related to legal matters, as well as ranges of probable losses. A determination of the amount of the reserves required, if any, for these contingencies is made after analysis of each known issue and an analysis of historical experience. We record reserves related to certain legal matters for which we believe it is probable that a loss will be incurred and the range of such loss can be estimated. With respect to other matters, management has concluded that a loss is only reasonably possible or remote, or not estimable and, therefore, no liability is recorded. Management discloses the facts regarding material matters, and potential exposure if determinable, for losses assessed as reasonably possible to occur. Costs incurred with defending claims are expensed as incurred. Any receivable for insurance recoveries is recorded separately from the corresponding litigation reserve, and only if recovery is determined to be probable.

INCOME TAXES – We account for income taxes under the asset and liability method, which requires us to record deferred income tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax basis. Deferred taxes are determined separately for each tax-paying component within each tax jurisdiction based on provisions of enacted tax law. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Our deferred tax assets include capital loss and state and foreign tax loss carry-forwards and are reduced by a

valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Our current deferred tax assets are included in prepaid expenses and other current assets in the consolidated balance sheets. Noncurrent deferred tax assets are included in other assets on our consolidated balance sheets. Noncurrent deferred tax liabilities are included in other noncurrent liabilities on our consolidated balance sheets.

We evaluate the sustainability of each uncertain tax position based on its technical merits. If we determine it is more likely than not a tax position will be sustained based on its technical merits, we record the impact of the position in our consolidated financial statements at the largest amount that is greater than fifty percent likely of being realized upon ultimate settlement. We record no tax benefit for tax positions where we have concluded it is not more likely than not to be sustained. Differences between a tax position taken or expected to be taken in our tax returns and the amount of benefit recognized and measured in the financial statements result in unrecognized tax benefits, which are recorded in the balance sheet as either a liability for unrecognized tax benefits or reductions to recorded tax assets, as applicable.

We file a consolidated federal tax return on a calendar year basis and state tax returns on a consolidated or combined basis, as permitted by authorities. We report interest and penalties as a component of income tax expense.

TREASURY SHARES – Shares of common stock repurchased by us are recorded, at cost, as treasury shares and result in a reduction of stockholders' equity. We reissue treasury shares as part of our stock-based compensation programs or for acquisitions. When shares are reissued, we determine the cost using the average cost method. Periodically, we may permanently retire shares held in treasury as determined by our Board of Directors.

REVENUE RECOGNITION – Service revenues consist primarily of fees for preparation and filing of tax returns, both in offices and through our online programs, fees associated with our Peace of Mind (POM) guarantee program and fees for consulting services. Service revenues are recognized in the period in which the service is performed as follows:

- Retail and online tax preparation revenues are recorded when a completed return is filed or accepted by the customer.
- POM revenues are deferred and recognized over the term of the guarantee, based on historical and actual payment of claims.
- Revenues for services rendered in connection with the Business Services segment include fees based on time and materials, which are recognized as the services are performed and amounts are earned.
- Revenues associated with our H&R Block Prepaid Emerald MasterCard® program consist of interchange income from the use of debit cards and fees from the use of ATM networks. Interchange income is a fee paid by a merchant bank to the card-issuing bank through the interchange network, and is based on cardholder purchase volumes. Interchange income is recognized as earned.

Product and other revenues include royalties from franchisees, refund anticipation loan (RAL) participation revenues and sales of software products, and are recognized as follows:

- Upon granting of a franchise, franchisees pay a refundable deposit generally in the amount of $2,500, but pay no initial franchise fee. We record the payment as a deposit liability and recognize no revenue in connection with the initial granting of a franchise. Franchise royalties, which are based on contractual percentages of franchise revenues, are recorded in the period in which the franchise provides the service.
- Loan participation revenue is recognized over the life of the loan.
- Software revenues consist mainly of tax preparation software and other personal productivity software. Revenue from the sale of software such as H&R Block At Home™ is recognized when the product is sold to the end user, either through retail, online or other channels. Rebates, slotting fees and other incentives paid in connection with these sales are recorded as a reduction of revenue. Revenue from the sale of TaxWorks® software is deferred and recognized over the period for which upgrades and support are provided to the customer.

Interest income consists primarily of interest earned on mortgage loans held for investment and Emerald Advance lines of credit and is recognized as follows:

- Interest income on mortgage loans held for investment includes deferred origination fees and costs and purchase discounts and premiums, which are amortized to income over the life of the loan using the interest method.
- Interest income on Emerald Advance lines of credit is calculated using the average daily balance method and is recognized based on the principal amount outstanding until the outstanding balance is paid or written-off.
- Loan commitment fees, net of related expenses, are initially deferred and recognized as revenue over the commitment period.

Revenue recognition is evaluated separately for each unit in multiple-deliverable arrangements. Sales tax we collect and remit to taxing authorities is recorded net in our consolidated income statements.

ADVERTISING EXPENSE – Advertising costs are primarily expensed as incurred, or the first time the advertisement takes place. Total advertising costs of continuing operations for fiscal years 2010, 2009 and 2008 totaled $254.8 million, $249.2 million and $204.8 million, respectively.

EMPLOYEE BENEFIT PLANS – We have 401(k) defined contribution plans covering all full-time and seasonal employees following the completion of an eligibility period. Contributions of our continuing operations to these plans are discretionary and totaled $24.0 million, $26.7 million and $27.3 million for fiscal years 2010, 2009 and 2008, respectively.

We have a severance policy covering all regular full-time or part-time active employees for involuntary separation from the company. In May 2010 we announced plans to realign field and support organizations. The realignment included approximately 400 staff reductions. Associated severance benefits were recorded primarily during the first fiscal quarter of 2011 and totaled approximately $19 million.

FOREIGN CURRENCY TRANSLATION – Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates prevailing at the end of the year. Revenues and expenses of our foreign operations are translated at the average exchanges rates in effect during the fiscal year. Translation adjustments are recorded as a separate component of other comprehensive income in stockholders' equity.

COMPREHENSIVE INCOME – Our comprehensive income (loss) is comprised of net income (loss), foreign currency translation adjustments and the change in net unrealized gains or losses on AFS marketable securities. Included in stockholders' equity at April 30, 2010 and 2009, the net unrealized holding gain on AFS securities was $0.3 million and $1.5 million, respectively, and the foreign currency translation adjustment was $1.3 million and $(13.1) million, respectively.

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

In June 2009, the FASB issued guidance, under Topic 810 – Consolidation. This guidance changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting or similar rights should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. This guidance will require a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement, and will be effective for our fiscal year 2011. The adoption of this guidance will not have a material effect on our consolidated financial statements, but will require additional disclosures in our quarterly and annual filings.

In June 2009, the FASB issued guidance, under Topic 860 – Transfers and Servicing. This guidance will require more disclosure about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a qualifying special purpose entity and changes the requirements for derecognizing financial assets. This guidance will be effective at the beginning of our fiscal year 2011. The adoption of this guidance will not have a material effect on our consolidated financial statements.

STANDARDS IMPLEMENTED – In December 2007, the FASB issued guidance, under Topic 805 – Business Combinations, requiring an acquiring entity to recognize all the assets acquired and liabilities assumed in a transaction, including non-controlling interests, at the acquisition-date fair value with limited exceptions. This guidance will require acquisition-related expenses to be expensed and will generally require contingent consideration to be recorded as a liability at the time of acquisition. Under this guidance, subsequent changes to deferred tax valuation allowances relating to acquired businesses and acquired liabilities for uncertain tax positions will no longer be applied to goodwill but will instead be typically recognized as an adjustment to income

tax expense. We adopted the provisions of this guidance as of May 1, 2009. The adoption did not have a material impact on our consolidated financial statements.

In June 2008, the FASB issued guidance, under Topic 260 – Earnings Per Share, addressing whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, should be included in the process of allocating earnings for purposes of computing earnings per share (EPS). We adopted the provisions of this guidance as of May 1, 2009. The adoption and retrospective application of this guidance reduced basic EPS as previously reported for fiscal year 2009 by $0.01 and increased diluted EPS by $0.01 for fiscal year 2008. See additional discussion in note 3.

NOTE 2: BUSINESS COMBINATIONS AND DISPOSALS

We periodically acquire the businesses of franchisees and account for the transaction as a business combination. We also periodically sell company-owned offices to franchisees and record a gain if the sale qualifies as a divestiture for accounting purposes and upon determination that collection of the sales proceeds is reasonably assured. Gains are reported in operating income because the transactions are considered a recurring part of our business, and are included as a reduction of selling, general and administrative expenses in our consolidated income statements. During fiscal years 2010 and 2009, we sold certain offices to existing franchisees for cash proceeds of $65.7 million and $16.9 million, respectively, and recorded gains on these sales of $49.0 million and $14.9 million, respectively.

Effective November 3, 2008, we acquired the assets and franchise rights of our last major independent franchise operator for an aggregate purchase price of $279.2 million. Goodwill recognized on this transaction is included in the Tax Services segment and is deductible for tax purposes.

During fiscal years 2010, 2009 and 2008, we made other acquisitions, which were accounted for as purchases with cash payments totaling $10.3 million, $12.6 million and $21.4 million, respectively. Operating results of the acquired businesses, which are not material, are included in the consolidated income statements since the date of acquisition. During fiscal years 2010, 2009 and 2008 we also paid $0.2 million, $1.9 million and $3.6 million, respectively, for contingent payments on prior acquisitions.

NOTE 3: EARNINGS PER SHARE

Basic and diluted earnings per share is computed using the two-class method. See note 1 for additional information on our adoption of the two-class method. The two-class method is an earnings allocation formula that determines net income per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. Per share amounts are computed by dividing net income from continuing operations attributable to common shareholders by the weighted average shares outstanding during each period. The computations of basic and diluted earnings per share from continuing operations are as follows:

(in 000s, except per share amounts)

Year Ended April 30,	**2010**	2009	2008
Net income from continuing operations attributable to shareholders	**$ 488,946**	$ 513,055	$ 445,947
Amounts allocated to participating securities (nonvested shares)	**(1,888)**	(2,042)	(2,453)
Net income from continuing operations attributable to common shareholders	**$ 487,058**	$ 511,013	$ 443,494
Basic weighted average common shares	**332,283**	332,787	324,810
Potential dilutive shares	**953**	1,752	2,658
Dilutive weighted average common shares	**333,236**	334,539	327,468
Earnings per share from continuing operations attributable to common shareholders:			
Basic	**$ 1.47**	$ 1.53	$ 1.37
Diluted	**1.46**	1.53	1.35

Diluted earnings per share excludes the impact of shares of common stock issuable upon the lapse of certain restrictions or the exercise of options to purchase 13.7 million, 15.7 million and 18.2 million shares of stock for fiscal years 2010, 2009 and 2008, respectively, as the effect would be antidilutive.

NOTE 4: MARKETABLE SECURITIES AVAILABLE-FOR-SALE

The amortized cost and fair value of securities classified as available-for-sale held at April 30, 2010 and 2009 are summarized below:

(in 000s)

As of April 30,	2010				2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses[1]	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses[1]	Fair Value
Mortgage-backed securities	$ 23,026	$ 39	$ (49)	$ 23,016	$ 27,466	$ 25	$ (698)	$ 26,793
Municipal bonds	8,442	459	–	8,901	9,560	491	(4)	10,047
Trust preferred security	1,854	–	(1,823)	31	3,454	–	(3,162)	292
	$ 33,322	$ 498	$ (1,872)	$ 31,948	$ 40,480	$ 516	$ (3,864)	$ 37,132

(1) At April 30, 2010, investments with a cost of $15.7 million and gross unrealized losses of $1.9 million had been in continuous loss position for more than twelve months. At April 30, 2009, investments with a cost of $30.3 million and gross unrealized losses of $3.9 million had been in continuous loss position for more than twelve months.

Proceeds from the sales of AFS securities were $2.1 million, $8.3 million and $13.9 million during fiscal years 2010, 2009 and 2008, respectively. We recorded no gross realized gains or losses on those sales during fiscal year 2010. Gross realized gains on those sales during fiscal years 2009 and 2008 were $0.7 million and $0.4 million, respectively; gross realized losses were $1.3 million and $0.1 million, respectively. During fiscal years 2010, 2009 and 2008, we recorded other-than-temporary impairments of AFS securities totaling $1.6 million, $1.5 million and $0.4 million, respectively, as a result of an assessment that it was probable we would not collect all amounts due or an assessment that we would not be able to hold the investments until potential recovery of market value.

Contractual maturities of AFS debt securities at April 30, 2010, occur at varying dates over the next two to 27 years, and are set forth in the table below.

(in 000s)

	Cost Basis	Fair Value
Maturing in:		
Two to five years	$ 4,091	$ 4,311
Five to ten years	4,351	4,590
Beyond	24,880	23,047
	$ 33,322	$ 31,948

HRB Bank is required to maintain a restricted investment in FHLB stock for borrowing availability. The cost of this investment, $6.0 million, represents its redemption value, as these investments do not have a ready market.

NOTE 5: MORTGAGE LOANS HELD FOR INVESTMENT AND RELATED ASSETS

The composition of our mortgage loan portfolio as of April 30, 2010 and 2009 is as follows:

(dollars in 000s)

As of April 30,	2010 Amount	2010 % of Total	2009 Amount	2009 % of Total
Adjustable-rate loans	$411,122	60%	$ 534,943	65%
Fixed-rate loans	272,562	40%	286,894	35%
	683,684	100%	821,837	100%
Unamortized deferred fees and costs	5,256		7,135	
Less: Allowance for loan losses	(93,535)		(84,073)	
	$ 595,405		$ 744,899	

Activity in the allowance for loan losses for the years ended April 30, 2010 and 2009 is as follows:

(in 000s)

Year Ended April 30,	2010	2009	2008
Balance at beginning of the year	$ 84,073	$ 45,401	$ 3,448
Provision	47,750	63,897	42,004
Recoveries	88	54	999
Charge-offs	(38,376)	(25,279)	(1,050)
Balance at end of the year	$ 93,535	$ 84,073	$ 45,401

Our loan loss reserve as a percent of mortgage loans was 13.7% at April 30, 2010, compared to 10.2% at April 30, 2009. The loan loss provision as a percent of mortgage loans increased during the current year as a result of declining collateral values due to declining residential home prices and increasing delinquencies occurring in our portfolio.

Mortgage loans held for investment include loans originated by SCC, which were purchased by HRB Bank. Those loans have experienced higher rates of delinquency than other loans in our portfolio and expose us to a higher risk of potential credit loss. Residential real estate markets have experienced significant declines in property values and mortgage default rates have been severe. If adverse market trends continue, including trends within our portfolio specifically, we may be required to record additional loan loss provisions, and those losses may be significant.

Information related to our non-performing assets as of April 30, 2010 and 2009 is as follows:

(in 000s)

April 30,	2010	2009
Impaired loans:		
30 – 59 days	$ 330	$ –
60 – 89 days	11,851	21,415
90+ days, non-accrual	153,703	121,685
TDR loans, accrual	113,471	60,044
TDR loans, non-accrual	31,506	100,697
	310,861	303,841
Real estate owned(1)	29,252	44,533
Total non-performing assets	$ 340,113	$ 348,374
Average impaired loans	$ 307,351	$ 216,391
Interest income on impaired loans	$ 8,548	$ 5,964
Interest income on impaired loans recognized on a cash basis on non-accrual status	$ 7,452	$ 4,927
Portion of total allowance for loan losses allocated to impaired loans and TDR loans:		
Based on collateral value method	$ 68,696	$ 55,134
Based on discounted cash flow method	8,915	10,139
	$ 77,611	$ 65,273

(1) Includes loans accounted for as in-substance foreclosures of $12.5 million and $27.4 million at April 30, 2010 and 2009, respectively.

As of April 30, 2010 and 2009, accrued interest receivable on mortgage loans held for investment totaled $2.6 million and $3.5 million, respectively. At April 30, 2010, HRB Bank had interest-only mortgage loans in its investment portfolio totaling $4.7 million.

Activity related to our real estate owned is as follows:

(in 000s)

Year Ended April 30,	2010	2009
Balance, beginning of the period	$ 44,533	$ 350
Additions	19,341	65,171
Sales	(24,308)	(9,072)
Impairments	(10,314)	(11,916)
Balance, end of the period	$ 29,252	$ 44,533

NOTE 6: ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

We use the following valuation methodologies for assets and liabilities measured at fair value and the general classification of these instruments pursuant to the fair value hierarchy.

- Available-for-sale securities – Available-for-sale securities are carried at fair value on a recurring basis. When available, fair value is based on quoted prices in an active market and as such, would be classified as Level 1. If quoted market prices are not available, fair values are estimated using quoted prices of securities with similar characteristics, discounted cash flows or other pricing models. Available-for-sale securities that we classify as Level 2 include certain agency and non-agency mortgage-backed securities, U.S. states and political subdivisions debt securities and other debt and equity securities.
- Impaired mortgage loans held for investment – The fair value of impaired mortgage loans held for investment are generally based on the net present value of discounted cash flows for TDR loans or the appraised value of the underlying collateral for all other loans. These loans are classified as Level 3.

The following methods were used to determine the fair values of our other financial instruments:

- Cash equivalents, accounts receivable, demand deposits, accounts payable, accrued liabilities and the current portion of long-term debt – The carrying values reported in the balance sheet for these items approximate fair market value due to the relative short-term nature of the respective instruments.
- Mortgage loans held for investment – The fair value of mortgage loans held for investment is generally determined using a pricing model based on current market information obtained from origination data, and bids received from time to time. The fair value of certain impaired loans held for investment is primarily based on the appraised value of the underlying collateral less estimated selling costs.
- IRAs and other time deposits – The fair value is calculated based on the discounted value of contractual cash flows.
- Long-term debt – The fair value of borrowings is based on rates currently available to us for obligations with similar terms and maturities, including current market rates on our Senior Notes.

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

(dollars in 000s)

	Total	Level 1	Level 2	Level 3
As of April 30, 2010:				
Recurring:				
Available-for-sale securities	**$ 31,948**	**$ –**	**$ 31,948**	**$ –**
Non-recurring:				
Impaired mortgage loans held for investment	**249,549**	**–**	**–**	**249,549**
	$ 281,497	**$ –**	**$ 31,948**	**$ 249,549**
As a percentage of total assets	**5.4%**	**– %**	**0.6%**	**4.8%**
As of April 30, 2009:				
Recurring:				
Available-for-sale securities	$ 43,863	$ –	$ 43,863	$ –
Non-recurring:				
Impaired mortgage loans held for investment	238,568	–	–	238,568
	$ 282,431	$ –	$ 43,863	$ 238,568
As a percentage of total assets	5.3%	– %	0.8%	4.5%

Available-for-sale securities are included in other assets on our consolidated balance sheets. Losses included in earnings are reported in results from operations.

The carrying amounts and estimated fair values of our financial instruments at April 30, 2010 are as follows:

(in 000s)

	Carrying Amount	Estimated Fair Value
Mortgage loans held for investment	**$ 595,405**	**$ 356,389**
IRAs and other time deposits	**442,252**	**441,910**
Long-term debt	**1,038,832**	**1,132,577**
FHLB advances	**75,000**	**75,084**

NOTE 7: PROPERTY AND EQUIPMENT

The components of property and equipment are as follows:

(in 000s)

As of April 30,	2010	2009
Land and other non-depreciable assets	**$ 2,482**	$ 5,353
Buildings	**161,460**	171,785
Computers and other equipment	**488,160**	469,066
Capitalized software	**147,104**	153,771
Leasehold improvements	**199,370**	187,180
Construction in process	**3,902**	6,209
	1,002,478	993,364
Less: Accumulated depreciation and amortization	**(657,008)**	(625,075)
	$ 345,470	$ 368,289

During fiscal year 2010, we received $10.3 million for tax incentives from certain government agencies related to our corporate headquarters building, which was recorded as a reduction of original cost.

Property and equipment included above and subject to capital lease arrangements included the following:

(in 000s)

As of April 30,	2010	2009
Property and equipment under capital lease	**$ 47,844**	$ 47,913
Less accumulated amortization	**(31,418)**	(25,368)
	$ 16,426	$ 22,545

Depreciation and amortization expense of continuing operations for fiscal years 2010, 2009 and 2008 was $96.9 million, $96.6 million and $90.1 million, respectively. Included in depreciation and amortization expense of continuing operations is amortization of capitalized software of $21.8 million, $23.4 million and $19.9 million, respectively.

NOTE 8: GOODWILL AND INTANGIBLE ASSETS

Changes in the carrying amount of goodwill by segment for the years ended April 30, 2010 and 2009 are as follows:

(in 000s)

	Tax Services	Business Services	Total
Balance at May 1, 2008:			
Goodwill	$ 431,981	$ 399,333	$831,314
Accumulated impairment losses	–	–	–
	431,981	399,333	831,314
Changes:			
Acquisitions	22,692	3,306	25,998
Disposals and foreign currency changes	(4,894)	–	(4,894)
Impairments	(2,188)	–	(2,188)
Balance at April 30, 2009:			
Goodwill	449,779	402,639	852,418
Accumulated impairment losses	(2,188)	–	(2,188)
	447,591	402,639	850,230
Changes:			
Acquisitions	**5,136**	**1,112**	**6,248**
Disposals and foreign currency changes	**(1,031)**	**–**	**(1,031)**
Impairments	**–**	**(15,000)**	**(15,000)**
Balance at April 30, 2010:			
Goodwill	**453,884**	**403,751**	**857,635**
Accumulated impairment losses	**(2,188)**	**(15,000)**	**(17,188)**
	$ 451,696	**$ 388,751**	**$ 840,447**

Goodwill and other indefinite-life intangible assets were tested for impairment in the fourth quarter of fiscal year 2010.

RSM EquiCo is a separate reporting unit within our Business Services segment with goodwill totaling $29.3 million. RSM EquiCo assists clients with capital markets transactions and has experienced declining revenues and profitability in the current economic environment. Accordingly, we evaluated RSM EquiCo's goodwill for impairment at January 31, 2010. The measurement of impairment of goodwill consists of two steps. In the first step, we compared the fair value of RSM EquiCo, determined using discounted cash flows, to its carrying value. As the results of the first test indicated that the fair value of RSM EquiCo was less than its carrying value, we then performed the second step, which was to determine the implied fair value of RSM EquiCo's goodwill, and to compare that to its carrying value. The second step included hypothetically valuing all of the tangible and intangible assets of RSM EquiCo. As a result, we recorded an impairment of the reporting unit's goodwill of $15.0 million, leaving a remaining goodwill balance of $14.3 million. The impairment is included in selling, general and administrative expenses on the consolidated statements of operations.

We have a separate reporting unit within our Tax Services segment with a goodwill balance totaling $28.6 million at April 30, 2010. Operating activities of the business consist principally of the development and sale of commercial tax preparation software. The estimated fair value of this reporting unit exceeded its carrying value by approximately 8% at April 30, 2010. If revenues or pretax results of this reporting unit fall below our expectations, we may be required to consider impairment of the carrying value of its goodwill.

We recorded a $2.2 million goodwill impairment in our Tax Services segment in fiscal year 2009, which was a result of the closure of a previously acquired business.

The components of intangible assets are as follows:

(in 000s)

As of April 30,	2010			2009		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Tax Services:						
Customer relationships	**$ 67,705**	**$ (33,096)**	**$ 34,609**	$ 54,655	$ (25,267)	$ 29,388
Noncompete agreements	**23,062**	**(21,278)**	**1,784**	23,263	(20,941)	2,322
Reacquired franchise rights	**223,773**	**(6,096)**	**217,677**	229,438	(1,838)	227,600
Franchise agreements	**19,201**	**(1,813)**	**17,388**	19,201	(533)	18,668
Purchased technology	**14,500**	**(6,266)**	**8,234**	12,500	(4,240)	8,260
Trade name	**1,325**	**(400)**	**925**	1,025	(217)	808
Business Services:						
Customer relationships	**145,149**	**(120,037)**	**25,112**	146,040	(111,017)	35,023
Noncompete agreements	**33,052**	**(22,118)**	**10,934**	33,068	(19,908)	13,160
Trade name – amortizing	**2,600**	**(2,600)**	**–**	2,600	(2,600)	–
Trade name – non-amortizing	**55,637**	**(4,868)**	**50,769**	55,637	(4,868)	50,769
Total intangible assets	**$ 586,004**	**$ (218,572)**	**$ 367,432**	$ 577,427	$ (191,429)	$ 385,998

Amortization of intangible assets of continuing operations for the years ended April 30, 2010, 2009 and 2008 was $30.0 million, $24.9 million and $23.7 million, respectively. Estimated amortization of intangible assets for fiscal years 2011, 2012, 2013, 2014 and 2015 is $28.4 million, $25.4 million, $21.0 million, $17.5 million and $12.3 million, respectively.

NOTE 9: CUSTOMER BANKING DEPOSITS

The components of customer banking deposits at April 30, 2010 and 2009 are as follows:

(in 000s)

April 30,	2010		2009	
	Outstanding Balance	Interest Expense	Outstanding Balance	Interest Expense
Money-market deposits	**$ 195,220**	**$ 1,871**	$ 144,617	$ 6,148
Savings deposits	**12,460**	**128**	16,943	270
Checking deposits:				
Interest-bearing	**24,190**	**83**	1,728	306
Non-interest-bearing	**200,096**	**–**	196,221	–
	224,286	**83**	197,949	306
IRAs and other time deposits:				
Due in one year	**60,348**		83,164	
Due in two years	**12,479**		7,207	
Due in three years	**6,079**		10,442	
Due in four years	**3,105**		5,670	
Due in five years	**1**		3,028	
IRAs	**360,240**		385,868	
	442,252	**8,092**	495,379	7,345
	$ 874,218	**$ 10,174**	$ 854,888	$ 14,069

At April 30, 2010, customer banking deposits totaling $21.7 million have a maturity of greater than one year and are included in other noncurrent liabilities on our consolidated balance sheet.

Accrued but unpaid interest on deposits totaled $0.2 million at April 30, 2010 and 2009.

Time deposit accounts totaling $9.0 million were in excess of Federal Deposit Insurance Corporation (FDIC) insured limits at April 30, 2010, and mature as follows:

	(in 000s)
Three months or less	$ 509
Three to six months	1,140
Six to twelve months	5,275
Over twelve months	2,087
	$ 9,011

NOTE 10: LONG-TERM DEBT

The components of long-term debt are as follows:

As of April 30,	2010	(in 000s) 2009
Senior Notes, 7.875%, due January 2013	$ 599,664	$ 599,539
Senior Notes, 5.125%, due October 2014	398,941	398,706
Acquisition obligations, due from May 2010 to May 2015	28,701	30,658
Capital lease obligations	11,526	12,001
	1,038,832	1,040,904
Less: Current portion	(3,688)	(8,782)
	$ 1,035,144	$ 1,032,122

On March 4, 2010, we entered into a new committed line of credit (CLOC) agreement to support commercial paper issuances, general corporate purposes or for working capital needs, and terminated the previous CLOCs. The new facility provides funding up to $1.7 billion and matures July 31, 2013. The new facility bears interest at an annual rate of LIBOR plus 1.30% to 2.80% or PRIME plus .30% to 1.80% (depending on the type of borrowing) and includes an annual facility fee of .20% to .70% of the committed amounts, based on our credit ratings. Covenants in the new facility are substantially similar to those in the previous CLOCs including: (1) maintenance of a minimum net worth of $650.0 million on the last day of any fiscal quarter; and (2) reduction of the aggregate outstanding principal amount of short-term debt, as defined in the agreement, to $200.0 million or less for thirty consecutive days during the period March 1 to June 30 of each year ("Clean-down requirement"). At April 30, 2010, we were in compliance with these covenants and had net worth of $1.4 billion. We had no balance outstanding under the CLOCs at April 30, 2010 or 2009.

On January 11, 2008, we issued $600.0 million of 7.875% Senior Notes under our shelf registration. The Senior Notes are due January 15, 2013 and are not redeemable by the bondholders prior to maturity. The net proceeds of this transaction were used to repay a $500.0 million facility, with the remaining proceeds used for working capital and general corporate purposes.

On October 26, 2004, we issued $400.0 million of 5.125% Senior Notes under our shelf registration. The Senior Notes are due October 30, 2014 and are not redeemable by the bondholders prior to maturity. The net proceeds of this transaction were used to repay $250.0 million in 6 3/4% Senior Notes that were due in November 2004. The remaining proceeds were used for working capital, capital expenditures, repayment of other debt and other general corporate purposes.

As of April 30, 2010, we had $250.0 million remaining under our shelf registration for additional debt issuances.

We have obligations related to various acquisitions of $28.7 million and $30.7 million at April 30, 2010 and 2009, respectively, which are due from May 2010 to May 2015.

We have a capitalized lease obligation of $11.5 million at April 30, 2010, that is collateralized by land and buildings. The obligation is due in 11 years.

Effective January 12, 2010, we entered into a $2.5 billion committed line of credit agreement with HSBC Bank USA, National Association (HSBC) for the purchase of RAL participations. This line was available up to its facility limit through March 30, 2010 and then only up to $120.0 million thereafter through June 30, 2010. The line is subject to covenants similar to those in the CLOC, but secured by RAL participation interests. All borrowings on this facility were repaid as of April 30, 2010 and the facility is now closed.

The aggregate payments required to retire long-term debt are $3.7 million, $26.0 million, $0.7 million, $600.4 million, $399.8 million and $8.2 million in fiscal years 2011, 2012, 2013, 2014, 2015 and beyond, respectively.

HRB Bank is a member of the FHLB of Des Moines, which extends credit to member banks based on eligible collateral. At April 30, 2010, HRB Bank had FHLB advance capacity of $266.4 million. At April 30, 2010, we had $75.0 million outstanding on this facility, leaving remaining availability of $191.4 million. Mortgage loans held for investment of $461.1 million serve as eligible collateral and are used to determine total capacity. The maturities and related interest rates related to this borrowing are as follows:

(dollars in 000s)

	Amount Due	Interest Rate
Fiscal year:		
2011	$ 50,000	1.92%
2012	25,000	2.36%
	$ 75,000	

NOTE 11: OTHER NONCURRENT ASSETS AND LIABILITIES

We have deferred compensation plans that permit certain employees to defer portions of their compensation and accrue income on the deferred amounts. Included in other noncurrent liabilities is $135.5 million and $112.6 million at April 30, 2010 and 2009, respectively, reflecting our obligation under these plans. We may purchase whole-life insurance contracts on certain employee participants to recover distributions made or to be made under the plans. The cash surrender value of the policies and other assets held by the Deferred Compensation Trust is recorded in other noncurrent assets and totaled $112.4 million and $104.0 million at April 30, 2010 and 2009, respectively. These assets are restricted, as they are only available to fund the related liability.

NOTE 12: STOCKHOLDERS' EQUITY

During fiscal year 2010, we purchased and immediately retired 12.8 million shares of our common stock at a cost of $250.0 million. We may continue to repurchase and retire common stock or retire shares held in treasury in the future.

On October 27, 2008, we sold 8.3 million shares of our common stock, without par value, at a price of $17.50 per share in a registered direct offering through subscription agreements with selected institutional investors. We received net proceeds of $141.4 million, after deducting placement agent fees and other offering expenses. Proceeds were used for general corporate purposes.

We are authorized to issue 6.0 million shares of Preferred Stock without par value. At April 30, 2010, we had 5.6 million shares of authorized but unissued Preferred Stock. Of the unissued shares, 0.6 million shares have been designated as Participating Preferred Stock.

On March 8, 1995, our Board of Directors authorized the issuance of a series of 0.5 million shares of non-voting Preferred Stock designated as Convertible Preferred Stock without par value. At April 30, 2010, we had 0.5 million shares of authorized but unissued Convertible Preferred Stock. The holders of the Convertible Preferred Stock are not entitled to receive dividends paid in cash, property or securities and, in the event of any dissolution, liquidation or wind-up of the Company, will share ratably with the holders of Common Stock then outstanding in the assets of the Company after any distribution or payments are made to the holders of Participating Preferred stock or the holders of any other class or series of stock of the Company with preference over the Common Stock.

NOTE 13: STOCK-BASED COMPENSATION

We utilize the fair value method to account for stock-based awards. Stock-based compensation expense of $29.4 million, $32.6 million and $50.4 million was recorded in fiscal years 2010, 2009 and 2008, respectively, net of related tax benefits of $10.5 million, $12.2 million and $17.3 million, respectively. Stock-based compensation expense of our continuing operations totaled $29.3 million, $26.6 million and $40.4 million in fiscal years 2010, 2009 and 2008, respectively.

Accounting standards require excess tax benefits from stock-based compensation to be included as a financing activity in the statements of cash flows. As a result, we classified $1.6 million, $8.6 million and $3.2 million as cash inflows from financing activities for fiscal years 2010, 2009 and 2008, respectively. We realized tax benefits of $6.6 million, $20.2 million and $12.6 million in fiscal years 2010, 2009 and 2008, respectively.

We have four stock-based compensation plans which have been approved by our shareholders. As of April 30, 2010, we had 0.8 million shares reserved for future awards under stock-based compensation plans. We issue shares from our treasury stock to satisfy the exercise or release of stock-based awards. We believe we have adequate treasury stock to issue for the exercise or release of stock-based awards.

Our 2003 Long-Term Executive Compensation Plan provides for awards of options (both incentive and nonqualified), nonvested shares, performance nonvested share units and other stock-based awards to

employees. These awards entitle the holder to shares or the right to purchase shares of common stock as the award vests, typically over a three-year period with one-third vesting each year. Nonvested shares receive dividends during the vesting period and performance nonvested share units receive cumulative dividends at the end of the vesting period. We measure the fair value of options on the grant date or modification date using the Black-Scholes option valuation model. We measure the fair value of nonvested shares and performance nonvested share units based on the closing price of our common stock on the grant date. Generally, we expense the grant-date fair value, net of estimated forfeitures, over the vesting period on a straight-line basis. Awards granted to employees who are of retirement age or reach retirement age at least one year after the grant date, but prior to the end of the service period of the awards, are expensed over the shorter of the two periods. Options are generally granted at a price equal to the fair market value of our common stock on the grant date and have a contractual term of ten years.

Our 1999 Stock Option Plan for Seasonal Employees, which provided for awards of nonqualified options to certain employees, was terminated effective December 31, 2009, except for outstanding awards thereunder. These awards were granted to seasonal employees in our Tax Services segment and entitled the holder to the right to purchase shares of common stock as the award vests, typically over a two-year period. We measure the fair value of options on the grant date using the Black-Scholes option valuation model. We expense the grant-date fair value, net of estimated forfeitures, over the seasonal service period. Options were granted at a price equal to the fair market value of our common stock on the grant date, are exercisable during September through November in each of the two years following the calendar year of the grant, and have a contractual term of 29 months.

Our 1989 Stock Option Plan for Outside Directors, which provided for awards of nonqualified options to outside directors, was terminated effective June 11, 2008, except for outstanding awards thereunder. The plan was replaced by the 2008 Deferred Stock Unit Plan for Outside Directors. The number of deferred stock units credited to an outside director's account pursuant to an award is determined by dividing the dollar amount of the award by the average current market value per share of common stock for the ten consecutive trading dates ending on the date the deferred stock units are granted to the outside directors. Each deferred stock unit granted is vested upon award and the settlement of shares occurs six months after separation of service from the Board of Directors. The vested shares receive dividends prior to settlement, which are reinvested and settled in shares at the time of settlement.

Our 2000 Employee Stock Purchase Plan (ESPP) provides employees the option to purchase shares of our common stock through payroll deductions. The purchase price of the stock is 90% of the lower of either the fair market value of our common stock on the first trading day within the Option Period or on the last trading day of the Option Period. The Option Periods are six-month periods beginning on January 1 and July 1 each year. We measure the fair value of options on the grant date utilizing the Black-Scholes option valuation model. The fair value of the option includes the value of the 10% discount and the look-back feature. We expense the grant-date fair value over the six-month vesting period.

A summary of options for the year ended April 30, 2010, is as follows:

(in 000s, except per share amounts)

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of the year	**16,401**	**$ 21.85**		
Granted	**4,634**	**17.37**		
Exercised	**(1,293)**	**14.44**		
Forfeited or expired	**(4,660)**	**23.51**		
Outstanding, end of the year	**15,082**	**$ 20.58**	**4 years**	**$ 9,324**
Exercisable, end of the year	**8,973**	**$ 21.60**	**3 years**	**$ 4,647**
Exercisable and expected to vest	**14,866**	**20.60**	**4 years**	**9,205**

The total intrinsic value of options exercised during fiscal years 2010, 2009 and 2008 was $5.4 milllion, $33.0 million and $12.9 million, respectively. As of April 30, 2010, we had $7.5 million of total unrecognized compensation cost related to these options. The cost is expected to be recognized over a weighted-average period of two years.

We utilize the Black-Scholes option valuation model to value our options on the grant date. We typically estimate the expected volatility using our historical stock price data, unless historical volatility is not representative of expected volatility. We also use historical exercise and forfeiture behaviors to estimate the options expected term and our forfeiture rate. The dividend yield is calculated based on the current dividend and the market price of our common stock on the grant date. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve

in effect on the grant date. Both expected volatility and the risk-free interest rate are based on a period that approximates the expected term.

The following assumptions were used to value options during the periods:

Year Ended April 30,	2010	2009	2008
Options – management and director:			
Expected volatility	**27.11% - 27.27%**	23.41% - 25.20%	21.92% - 25.74%
Expected term	**5 years**	4 years	4-7 years
Dividend yield	**3.24% - 3.55%**	2.35% - 3.04%	2.36% - 3.12%
Risk-free interest rate	**2.38% - 2.75%**	2.54% - 3.26%	2.35% - 5.01%
Weighted-average fair value	**$ 3.27**	$ 3.80	$ 4.44
Options – seasonal:			
Expected volatility	**33.81%**	25.35%	20.75%
Expected term	**2 years**	2 years	2 years
Dividend yield	**3.48%**	2.80%	2.44%
Risk-free interest rate	**0.85%**	2.54%	4.81%
Weighted-average fair value	**$ 2.70**	$ 2.83	$ 3.07
ESPP options:			
Expected volatility	**23.68% - 43.20%**	29.13% - 43.82%	29.96% - 31.10%
Expected term	**0.5 years**	0.5 years	0.5 years
Dividend yield	**2.65% - 3.46%**	2.67% - 2.78%	2.46% - 3.06%
Risk-free interest rate	**0.20% - 0.33%**	0.27% - 2.13%	3.32% - 4.98%
Weighted-average fair value	**$ 3.66**	$ 4.38	$ 3.87

A summary of nonvested shares and performance nonvested share units for the year ended April 30, 2010, is as follows:

(shares in 000s)

	Shares	Weighted-Average Grant Date Fair Value
Outstanding, beginning of the year	**1,457**	**$ 22.73**
Granted	**953**	**17.04**
Released	**(677)**	**22.94**
Forfeited	**(114)**	**20.52**
Outstanding, end of the year	**1,619**	**$ 19.55**

The total fair value of shares vesting during fiscal years 2010, 2009 and 2008 was $15.5 million, $21.1 million and $21.4 million, respectively. Upon the grant of nonvested shares and performance nonvested share units, unearned compensation cost is recorded as an offset to additional paid-in capital and is amortized as compensation expense over the vesting period. As of April 30, 2010, we had $16.4 million of total unrecognized compensation cost related to these shares. This cost is expected to be recognized over a weighted-average period of two years.

NOTE 14: INCOME TAXES

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

(in 000s)

Year Ended April 30,	2010	2009	2008
Domestic	**$ 745,912**	$ 815,614	$ 700,162
Foreign	**38,223**	23,756	34,909
	$ 784,135	$ 839,370	$ 735,071

The components of income tax expense (benefit) for continuing operations are as follows:

Year Ended April 30,	2010	2009	2008
			(in 000s)
Current:			
Federal	**$ 92,992**	$ 243,085	$ 196,676
State	**23,625**	38,418	54,096
Foreign	**16,052**	1,393	16,901
	132,669	282,896	267,673
Deferred:			
Federal	**128,900**	36,739	48,788
State	**33,448**	6,582	(27,471)
Foreign	**172**	98	134
	162,520	43,419	21,451
Total income taxes for continuing operations	**$ 295,189**	$ 326,315	$ 289,124

The reconciliation between the income tax provision and the amount computed by applying the statutory federal tax rate of 35% to income taxes of continuing operations is as follows:

Year Ended April 30,	2010	2009	2008
U.S. statutory tax rate	**35.0%**	35.0%	35.0%
Change in tax rate resulting from:			
State income taxes, net of federal income tax benefit	**3.8%**	4.2%	5.0%
Permanent differences	**(0.5)%**	1.6%	0.7%
Uncertain tax position liabilities	**0.9%**	0.5%	2.9%
Net decrease in valuation allowance	**(1.0)%**	(1.2)%	(3.7)%
Other	**(0.6)%**	(1.2)%	(0.6)%
Effective tax rate	**37.6%**	38.9%	39.3%

The significant components of deferred tax assets and liabilities of continuing operations are reflected in the following table:

As of April 30,	2010	2009
		(in 000s)
Gross deferred tax assets:		
Accrued expenses	**$ 17,554**	$ 49,239
Allowance for credit losses and related reserves	**164,783**	179,508
Net operating loss carryovers	**200**	5,495
Other	**237**	2,119
Valuation allowance	**(1,745)**	(4,773)
Current	**181,029**	231,588
Deferred and stock-based compensation	**71,970**	65,493
Property and equipment	**9,071**	5,743
Deferred revenue	**25,595**	39,489
Net operating loss carryovers	**26,292**	27,315
Accrued expenses	**31,892**	42,291
Capital loss carryover	**144,507**	145,572
Other	**15,991**	6,480
Valuation allowance	**(151,838)**	(160,642)
Noncurrent	**173,480**	171,741
	354,509	403,329
Gross deferred tax liabilities:		
Prepaid expenses	**(6,337)**	(5,607)
Current	**(6,337)**	(5,607)
Basis difference in mortgage-related investment	**(81,118)**	18,288
Intangibles	**(124,918)**	(105,366)
Noncurrent	**(206,036)**	(87,078)
Net deferred tax assets	**$ 142,136**	$ 310,644

The loss from discontinued operations for fiscal years 2010, 2009 and 2008 of $9.7 million, $27.4 million and $754.6 million, respectively are net of tax benefits of $8.0 million, $20.3 million and $411.1 million, respectively. Our effective tax rate for discontinued operations was 45.1%, 42.5% and 35.3% for fiscal years 2010, 2009 and 2008, respectively.

As of April 30, 2010, we have recorded a deferred tax asset of $142.1 million, representing the tax effects of the difference between the tax and book basis in the stock of our brokerage business sold to Ameriprise in November 2008. For tax purposes, we incurred a capital loss upon disposition of that business, which generally can only be utilized to the extent we realize capital gains within five years subsequent to the date of the loss. We do not currently expect to be able to realize a tax benefit for substantially all of this loss and, therefore, recorded a valuation allowance of $122.6 million. We have capital loss carryover of approximately $362 million which will expire if not used to offset future capital gains before December 31, 2013.

Our current tax expense has been reduced and our deferred tax expense increased by offsetting amounts due to the tax effects of a tax accounting change impacting the timing of taxable income from certain mortgage related assets. Because of this treatment we have recorded a noncurrent deferred tax liability of $81.1 million and a long term receivable of the same amount as a result of this change.

Certain of our subsidiaries file stand-alone returns in various states and foreign jurisdictions, and others join in filing consolidated or combined returns in such jurisdictions. At April 30, 2010, we had net operating losses (NOLs) in various states and foreign jurisdictions. The amount of state NOLs vary by taxing jurisdiction. We recorded deferred tax assets of $26.5 million for the tax effects of such losses and a valuation allowance of $19.8 million for the portion of such losses that, more likely than not, will not be realized. If not used, the NOLs will expire in varying amounts during fiscal years 2011 through 2030.

We intend to indefinitely reinvest foreign earnings, therefore, a provision has not been made for income taxes that might be payable upon remittance of such earnings. Determination of the amount of unrecognized deferred tax liability on unremitted foreign earnings is not practicable.

As a result of the initial adoption of accounting guidance effective fiscal year 2008, we recognized an additional reserve for uncertain tax positions of $9.7 million and a corresponding decrease to retained earnings.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for fiscal years 2010 and 2009 is as follows:

		(in 000s)	
Year Ended April 30,	**2010**	2009	2008
Balance, beginning of the year	**$ 124,605**	$ 137,608	$ 133,263
Additions based on tax positions related to prior years	**12,957**	14,541	26,283
Reductions based on tax positions related to prior years	**(2,427)**	(6,096)	(16,500)
Additions based on tax positions related to the current year	**3,314**	4,110	17,736
Reductions related to settlements with tax authorities	**(8,545)**	(18,189)	(18,633)
Expiration of statute of limitations	**(1,061)**	(5,007)	(5,692)
Foreign currency translation	**924**	(2,362)	1,151
Balance, end of the year	**$ 129,767**	$ 124,605	$ 137,608

Of the $129.8 million, $124.6 million and $137.6 million ending gross unrecognized tax benefit balance, as of April 30, 2010, 2009 and 2008, respectively, $106.8 million, $107.0 million and $119.6 million, respectively, if recognized, would impact the effective rate. This difference results from adjusting the gross balances for such items as federal, state and foreign deferred items, interest and deductible taxes. We believe it is reasonably possible that the balance of unrecognized tax benefits could decrease by approximately $74.5 million within the next twelve months due to anticipated settlements of audit issues and expiring statutes of limitations. This amount is included in accrued income taxes in our consolidated balance sheet. The remaining amount is classified as long-term and is included in other noncurrent liabilities in the consolidated balance sheet.

Interest and penalties, if any, accrued on the unrecognized tax benefits are reflected in income tax expense. The amount of gross interest and penalties accrued on uncertain tax positions during fiscal years 2010, 2009 and 2008 totaled $4.1 million, $15.4 million and $18.6 million, respectively. The total gross interest and penalties accrued as of April 30, 2010, 2009 and 2008 totaled $39.7 million, $42.4 million and $47.5 million, respectively.

We file a consolidated federal income tax return in the U.S. and file tax returns in various state and foreign jurisdictions. The consolidated tax returns for the years 2006 and 2007 are currently under examination by the IRS. The consolidated tax returns for the years 1999 — 2005 are at the appellate level. Tax years prior to 1999 are closed by statute. Historically, tax returns in various foreign and state jurisdictions are examined and settled upon completion of the examination.

NOTE 15:INTEREST INCOME AND INTEREST EXPENSE

The following table shows the components of interest income and expense of our continuing operations. Interest expense is included in cost of other revenues on our consolidated statements of operations.

			(in 000s)
Year Ended April 30,	**2010**	2009	2008
Interest income:			
Mortgage loans, net	**$ 31,877**	$ 46,396	$ 74,895
Emerald Advance lines of credit	**77,891**	91,019	45,339
Investment securities	**2,318**	4,896	12,143
Other	**10,319**	12,205	19,181
	$ 122,405	$ 154,516	$ 151,558
Interest expense:			
Borrowings	**$ 78,398**	$ 83,193	$ 56,482
Deposits	**10,174**	14,069	42,878
FHLB advances	**1,997**	5,113	6,008
	$ 90,569	$ 102,375	$ 105,368

NOTE 16: COMMITMENTS AND CONTINGENCIES

We offer guarantees under our POM program to tax clients whereby we will assume the cost of additional tax assessments, up to a cumulative per client limit of $5,000, attributable to tax return preparation error for which we are responsible. We defer all revenues and direct costs associated with these guarantees, recognizing these amounts over the term of the guarantee based on historical and actual payment of claims. The related current asset is included in prepaid expenses and other current assets. The related liability is included in accounts payable, accrued expenses and other current liabilities in the consolidated balance sheets. The related noncurrent asset and liability are included in other assets and other noncurrent liabilities, respectively, in the consolidated balance sheets. A loss on these POM guarantees would be recognized if the sum of expected costs for services exceeded unearned revenue. The changes in the deferred revenue liability for fiscal years 2010 and 2009 are as follows:

		(in 000s)
Year Ended April 30,	**2010**	2009
Balance, beginning of the year	**$ 146,807**	$ 140,583
Amounts deferred for new guarantees issued	**74,889**	84,429
Revenue recognized on previous deferrals	**(80,154)**	(78,205)
Balance, end of the year	**$ 141,542**	$ 146,807

During fiscal year 2009, we entered into an agreement to purchase $45.8 million in media advertising between July 1, 2009 and June 30, 2013. At April 30, 2010, our remaining obligation totaled $26.5 million. We expect to make payments totaling $13.3 million during fiscal years 2011 and 2012.

We have various contingent purchase price obligations in connection with prior acquisitions. In many cases, contingent payments to be made in connection with these acquisitions are not subject to a stated limit. We estimate the potential payments (undiscounted) total $20.7 million as of April 30, 2010. Our estimate is based on current financial conditions. Should actual results differ materially from our assumptions, the potential payments will differ from the above estimate.

We have contractual commitments to fund certain franchises requesting Franchise Equity Lines of Credit (FELCs). Our total obligation under these lines of credit was $82.4 million at April 30, 2010, and net of amounts drawn and outstanding, our remaining commitment to fund totaled $36.8 million.

We are self-insured for certain risks, including, workers' compensation, property and casualty, professional liability and claims related to our POM program. These programs maintain various self-insured retentions. In all but POM, commercial insurance is purchased in excess of the self-insured retentions. We accrue estimated losses for self-insured retentions using actuarial models and assumptions based on historical loss experience. The nature of our business may subject us to error and omissions, casualty and professional liability lawsuits. To the extent that we are subject to claims exceeding our insurance coverage, such suits could have a material adverse effect on our financial position, results of operations or liquidity.

We issued three standby letters of credit to servicers paying claims related to our POM, errors and omissions, and property and casualty insurance policies. These letters of credit are for amounts not to exceed $6.7 million in the aggregate. At April 30, 2010, there were no balances outstanding on these letters of credit.

Our self-insured health benefits plan provides medical benefits to employees electing coverage under the plan. We maintain a reserve for incurred but not reported medical claims and claim development. The reserve is an estimate based on historical experience and other assumptions, some of which are subjective. We adjust our self-insured medical benefits reserve as our loss experience changes due to medical inflation, changes in the number of plan participants and an aging employee base.

During fiscal year 2006, we entered into a transaction with the City of Kansas City, Missouri, to provide us with sales and property tax savings on the furniture, fixtures and equipment for our corporate headquarters facility. Under the transaction, the City purchased equipment by issuing $31.0 million in Industrial Revenue Bonds due in December 2015, and leased the furniture, fixtures and equipment to us for an identical term under a capital lease. The City's bonds were purchased by us. Because the City has assigned the lease to the bond trustee for our benefit as the sole bondholder, we, in effect, control enforcement of the lease against ourselves. As a result of the capital lease treatment, the furniture, fixtures and equipment will remain a component of property, plant and equipment in our consolidated balance sheets. As a result of the legal right of offset, the capital lease obligation and the corresponding bond investments have been eliminated in consolidation. The transaction provides us with property tax exemptions for the leased furniture, fixtures and equipment. As of April 30, 2010, we have purchased $31.0 million in bonds in connection with this arrangement.

Substantially all of the operations of our subsidiaries are conducted in leased premises. Most of the operating leases are for periods ranging from three years to five years, with renewal options and provide for fixed monthly rentals. Future minimum operating lease commitments of our continuing operations at April 30, 2010, are as follows:

	(in 000s)
2011	**$ 246,061**
2012	**196,343**
2013	**135,776**
2014	**87,138**
2015	**57,140**
2016 and beyond	**68,748**
	$ 791,206

Rent expense of our continuing operations for fiscal years 2010, 2009 and 2008 totaled $289.6 million, $308.1 million and $299.6 million, respectively.

In the regular course of business, we are subject to routine examinations by federal, state and local taxing authorities. In management's opinion, the disposition of matters raised by such taxing authorities, if any, would not have a material adverse impact on our consolidated financial statements.

We routinely enter into contracts that include embedded indemnifications that have characteristics similar to guarantees. Other guarantees and indemnifications of the Company and its subsidiaries include obligations to protect counterparties from losses arising from the following: (1) tax, legal and other risks related to the purchase or disposition of businesses; (2) penalties and interest assessed by federal and state taxing authorities in connection with tax returns prepared for clients; (3) indemnification of our directors and officers; and (4) third-party claims relating to various arrangements in the normal course of business. Typically, there is no stated maximum payment related to these indemnifications, and the terms of the indemnities may vary and in many cases is limited only by the applicable statute of limitations. The likelihood of any claims being asserted against us and the ultimate liability related to any such claims, if any, is difficult to predict. While we cannot provide assurance we will ultimately prevail in the event any such claims are asserted, we believe the fair value of these guarantees and indemnifications is not material as of April 30, 2010.

DISCONTINUED OPERATIONS – SCC maintains recourse with respect to loans previously sold or securitized under indemnification of loss provisions relating to breach of representations and warranties made to purchasers or insurers. As a result, SCC may be required to repurchase loans or otherwise indemnify third-parties for losses. These representations and warranties and corresponding repurchase obligations generally are not subject to stated limits or a stated term and, therefore, may continue. SCC has established a liability related to potential losses under these indemnifications and monitors the adequacy of the repurchase liability on an ongoing basis. To the extent that future claim volumes differ from current estimates, or the value of mortgage loans and residential home prices change, future losses may be different than these estimates and those differences may be significant.

At April 30, 2010 and 2009, our loan repurchase liability totaled $188.2 million and $206.6 million, respectively. This liability is included in accounts payable, accrued expenses and other current liabilities on our consolidated balance sheets. Actual losses charged against this reserve during fiscal year 2010 totaled $18.4 million.

NOTE 17: ALTERNATIVE PRACTICE STRUCTURE WITH McGLADREY & PULLEN LLP

McGladrey & Pullen LLP (M&P) is a limited liability partnership, owned 100% by certified public accountants (CPAs), which provides attest services to middle market clients.

Under state accountancy regulations, a firm cannot provide attest services unless it is majority owned and controlled by licensed CPAs. As such, RSM McGladrey, Inc. (RSM) is unable to provide attest services. Since 1999, RSM and M&P have operated in what is known as an "alternative practice structure" (APS). Through the APS, RSM and M&P are able to offer clients a full-range of attest and non-attest services in full compliance with applicable accountancy regulations.

An administrative services agreement between RSM and M&P obligates RSM to provide M&P with administrative services, information technology, office space, non-professional staff, and other infrastructure in exchange for market rate fees from M&P. During fiscal year 2010, we received $22.6 million in management fee revenues from M&P.

On July 21, 2009, M&P provided 210 days notice of its intent to terminate the administrative services agreement, resulting in termination of the APS unless revoked or modified prior to the expiration of the notice period. As a protective measure, on September 15, 2009, RSM also provided notice of its intent to terminate the administrative services agreement. Effective February 3, 2010, RSM and M&P entered into new agreements, withdrawing their prior notices of termination.

Pursuant to a Governance and Operations Agreement effective February 3, 2010, RSM and M&P agreed to be bound by a final award of an arbitration panel, dated as of November 24, 2009, regarding the applicability and enforceability of certain restrictive covenants between the parties. In the event the APS were ever terminated, M&P would generally be prohibited as a result of these restrictive covenants, from (1) engaging in businesses in which RSM operates in for 17 months, (2) soliciting any business with clients or potential clients of RSM or any of its subsidiaries or affiliates for 29 months, and (3) soliciting employees of RSM or any of its subsidiaries or affiliates for 24 months.

Although not required by the Governance and Operations Agreement, all partners of M&P, with the exception of M&P's Managing Partner, are also managing directors employed by RSM. Approximately 86% of RSM's managing directors are also partners in M&P. Certain other personnel are also employed by both M&P and RSM. M&P partners receive distributions from M&P in their capacity as partners, as well as compensation from RSM in their capacity as managing directors. Distributions to M&P partners are based on the profitability of M&P and are not capped by this arrangement. Pursuant to the Governance and Operations Agreement, effective May 1, 2010, the aggregate compensation payable to RSM managing directors by RSM in any given year shall generally equal 67 percent of the combined profits of M&P and RSM less any amounts paid in their capacity as M&P partners. RSM followed a similar practice historically, except that the compensation pool for managing directors was based on 65 percent of combined profits. In practice, this means that variability in the amounts paid to RSM managing directors under these contracts can cause variability in RSM's operating results. RSM is not entitled to any profits or residual interests of M&P, nor is it obligated to fund losses or capital deficiencies of M&P. Managing directors of RSM have historically participated in stock-based compensation plans of H&R Block. Beginning in fiscal 2011, participation in those plans will cease and be replaced by a non-qualified retirement plan. RSM is required to pay $60.0 million during fiscal year 2011 to fund contributions to the retirement plan through 2015.

The administrative services agreement and compensation arrangements described above all represent variable interests of RSM in M&P. Our determination of primary beneficiary of M&P was based on an assessment of which party was most closely associated with M&P. We have concluded that RSM is not the primary beneficiary of M&P and, therefore, the financial results of M&P have not been included in the accompanying consolidated financial statements. RSM does not have an equity interest in M&P, nor does it have the power to direct any activities of M&P.

The carrying amounts included in our consolidated balance sheet, and our exposure to economic loss, resulting from our interests in the various agreements with M&P is as follows at April 30, 2010:

(in 000s)

	Carrying Amount	Maximum Exposure to Loss
Compensation arrangements	N/A	(1)
Administrative Services Agreement	N/A	$ 94,200(2)

(1) As described above, operating results of RSM are exposed to variability caused by compensation arrangements.

(2) Under this agreement, M&P shares costs with RSM for office space under RSM's operating leases. RSM could be exposed to loss in the event of default by M&P.

NOTE 18: LITIGATION AND RELATED CONTINGENCIES

We are party to investigations, legal claims and lawsuits arising out of our business operations. As required, we accrue our best estimate of loss contingencies when we believe a loss is probable and we can reasonably estimate the amount of any such loss. Amounts accrued, including obligations under indemnifications, totaled $35.5 million and $27.9 million at April 30, 2010 and 2009, respectively. Litigation is inherently unpredictable and it is difficult to predict the outcome of particular matters with reasonable certainty and, therefore, the actual amount of any loss may prove to be larger or smaller than the amounts reflected in our consolidated financial statements.

RAL LITIGATION – We have been named in multiple lawsuits as defendants in litigation regarding our refund anticipation loan program in past years. All of those lawsuits have been settled or otherwise resolved, except for one.

The sole remaining case is a putative class action styled *Sandra J. Basile, et al. v. H&R Block, Inc., et al.*, April Term 1992 Civil Action No. 3246 in the Court of Common Pleas, First Judicial District Court of Pennsylvania, Philadelphia County, instituted on April 23, 1993. The plaintiffs allege inadequate disclosures with respect to the RAL product and assert claims for violation of consumer protection statutes, negligent misrepresentation, breach of fiduciary duty, common law fraud, usury, and violation of the Truth In Lending Act. Plaintiffs seek unspecified actual and punitive damages, injunctive relief, attorneys' fees and costs. A Pennsylvania class was certified, but later decertified by the trial court in December 2003. The trial court's decertification decision is currently on appeal. We believe we have meritorious defenses to this case and intend to defend it vigorously. There can be no assurances, however, as to the outcome of this case or its impact on our consolidated results of operations.

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

Lorie J. Marshall, et al. v. H&R Block Tax Services, Inc., et al., Case No. 08-CV-591 in the U.S. District Court for the Southern District of Illinois, is a putative class action case originally filed in the Circuit Court of Madison County, Illinois on January 18, 2002. The plaintiffs allege that the sale of POM guarantees constitutes (1) statutory fraud by selling insurance without a license, (2) an unfair trade practice, by omission and by "cramming" (i.e., charging customers for the guarantee even though they did not request it or want it), and (3) a breach of fiduciary duty. The plaintiffs seek unspecified damages, injunctive relief, attorneys' fees and costs. The Madison County court ultimately certified a class consisting of all persons residing in 13 states who paid a separate fee for POM from January 1, 1997 to the date of a final judgment from the court. We subsequently removed the case to federal court in the Southern District of Illinois, where it is now pending. In November 2009, the federal court issued an order effectively vacating the state court's class certification ruling and allowing plaintiffs time to file a renewed motion for class certification under the federal rules. Plaintiffs filed a new motion for class certification seeking certification of an 11-state class. Oral argument on plaintiffs' motion occurred in April 2010 and the parties are awaiting a ruling. A trial date has been set for November 2010.

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

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

EXPRESS IRA LITIGATION – On March 15, 2006, the New York Attorney General filed a lawsuit in the Supreme Court of the State of New York, County of New York (Index No. 06/401110) styled *The People of New York v. H&R Block, Inc. and H&R Block Financial Advisors, Inc. et al*. The complaint asserts nationwide jurisdiction and alleges fraudulent business practices, deceptive acts and practices, common law fraud and breach of fiduciary duty with respect to the Express IRA product and seeks equitable relief, disgorgement of profits, damages and restitution, civil penalties and punitive damages. To avoid the cost and inherent risk associated with litigation, we reached an agreement to settle this case and the civil actions described below. Details regarding the settlement are below.

Subsequent to the filing of the New York Attorney General action, a number of civil actions were filed against HRBFA and us concerning the Express IRA product, the first of which was filed on March 15, 2006. Except for two cases pending in state court, all of the civil actions were consolidated by the panel for Multi-District Litigation into

a single action styled *In re H&R Block, Inc. Express IRA Marketing Litigation* (Case No. 06-1786-MD-RED) in the United States District Court for the Western District of Missouri. To avoid the cost and inherent risk associated with litigation, we reached an agreement to settle these cases and the New York Attorney General action. The federal court presiding over the Multi-District Litigation approved the settlement in a final fairness hearing and dismissed its underlying actions with prejudice on May 17, 2010. Stipulations of dismissal were subsequently filed in the two cases pending in state court. The settlement requires a minimum payment of $11.4 million and a maximum payment of $25.4 million. The actual cost of the settlement will depend on the number of claims submitted by class members, which are due no later than July 30, 2010. We previously recorded a liability for our best estimate of the expected loss.

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

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

SECURITIES AND SHAREHOLDER LITIGATION – On April 6, 2007, a putative class action styled *In re H&R Block Securities Litigation* (Case No. 06-0236-CV-W-ODS) was filed against the Company and certain of its officers in the United States District Court for the Western District of Missouri. The complaint alleged, among other things, deceptive, material and misleading financial statements and failure to prepare financial statements in accordance with generally accepted accounting principles. The complaint sought unspecified damages and equitable relief. The court dismissed the complaint in February 2008, and the plaintiffs appealed the dismissal in March 2008. In addition, plaintiffs in a shareholder derivative action that was consolidated into the securities litigation filed a separate appeal in March 2008, contending that the derivative action was improperly consolidated. The derivative action is *Iron Workers Local 16 Pension Fund v. H&R Block, et al.*, in the United States District Court for the Western District of Missouri, Case No. 06-cv-00466-ODS (instituted on June 8, 2006) and was brought against certain of our directors and officers purportedly on behalf of the Company. The derivative action alleged breach of fiduciary duty, abuse of control, gross mismanagement, waste, and unjust enrichment. In September 2009, the appellate court affirmed the dismissal of the securities fraud class action, but reversed the dismissal of the shareholder derivative action. The plaintiffs in the shareholder derivative action subsequently agreed to voluntarily dismiss their complaint; an order dismissing their complaint was entered on April 19, 2010, thereby ending this litigation.

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

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

As more fully described in note 17, RSM and M&P operate in an alternative practice structure. Accordingly, certain claims and lawsuits against M&P could have an impact on RSM. More specifically, any judgments or settlements arising from claims and lawsuits against M&P which exceed its insurance coverage could have a direct adverse effect on M&P's operations. Although RSM is not responsible for the liabilities of M&P, significant M&P litigation and claims could impair the profitability of the APS and impair the ability to attract and retain clients and quality professionals. This could, in turn, have a material adverse effect on RSM's operations and impair the value of our investment in RSM. There is no assurance regarding the outcome of any claims or litigation involving M&P.

On December 7, 2009, a lawsuit was filed in the Circuit Court of Cook County, Illinois (2009-L-014920) against M&P, RSM and H&R Block styled *Ronald R. Peterson ex rel. Lancelot Investors Fund, L.P., et al. v. McGladrey & Pullen LLP, et al.* The case was removed to the United States District Court for the Northern District of Illinois on December 28, 2009, where it remains pending (Case No. 08-28225). The complaint, which was filed by the trustee for certain bankrupt investment funds, seeks unspecified damages and asserts claims against RSM for vicarious liability and alter ego liability and against H&R Block for equitable restitution relating to audit work performed by M&P. The amount claimed in this case is substantial. We believe we have meritorious defenses to the claims against RSM and H&R Block in this case and intend to defend it vigorously, but there can be no assurances as to its outcome or its impact on our consolidated results of operations.

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

On June 3, 2008, the Massachusetts Attorney General filed a lawsuit in the Superior Court of Suffolk County, Massachusetts (Case No. 08-2474-BLS) styled *Commonwealth of Massachusetts v. H&R Block, Inc., et al.,* alleging unfair, deceptive and discriminatory origination and servicing of mortgage loans and seeking equitable relief, disgorgement of profits, restitution and statutory penalties. In November 2008, the court granted a preliminary injunction limiting the ability of the owner of SCC's former loan servicing business to initiate or advance foreclosure actions against certain loans originated by SCC or its subsidiaries without (1) advance notice to the Massachusetts Attorney General and (2) if the Attorney General objects to foreclosure, approval by the court. An appeal of the preliminary injunction was denied. A trial date has been set for June 2011. We believe the claims in this case are without merit, and we intend to defend this case vigorously. There can be no assurances, however, as to its outcome or its impact on our consolidated results of operations.

OTHER CLAIMS AND LITIGATION – We have been named in several wage and hour class action lawsuits throughout the country, respectively styled *Alice Williams v. H&R Block Enterprises LLC*, Case No.RG08366506 (Superior Court of California, County of Alameda, filed January 17, 2008); *Arabella Lemus v. H&R Block Enterprises LLC, et al.,* Case No. CGC-09-489251 (United States District Court, Northern District of California, filed June 9, 2009); *Delana Ugas v. H&R Block Enterprises LLC, et al.,* Case No. BC417700 (United States District Court, Central District of California, filed July 13, 2009); *Joaquin Llano v. H&R Block Eastern Enterprises, Inc.,* Case No. 09-CV-22531 (United States District Court, Southern District of Florida, filed August 27, 2009); *Barbara Petroski v. H&R Block Eastern Enterprises, Inc., et al.,* Case No. 10-CV-00075 (United States District Court, Western District of Missouri, filed January 25, 2010); *Lance Hom v. H&R Block Enterprises LLC, et al.,* Case No. 10CV0476 H (United States District Court, Southern District of California, filed March 4, 2010); *Stacy Oyer v. H&R Block Eastern Enterprises, Inc., et al.,* Case No. 10-CV-00387-WMS (United States District Court, Western District of New York, filed May, 10 2010); *Rita Greene v. H&R Block Eastern Enterprises, Inc., et al.,* Case No. 10-CV-21663-FAM (United States District Court, Southern District of Florida, filed May 21, 2010); and *Li Dong Ma v. RSM McGladrey TBS, LLC, et al.,* Case No. C-08-01729 JF (United States District Court, Northern District of California, filed February 28, 2008). These cases involve a variety of legal theories and allegations including, among other things, failure to compensate employees for all hours worked; failure to provide employees with meal periods; failure to provide itemized wage statements; failure to pay wages due upon termination; failure to compensate for mandatory off-season training; and/or misclassification of non-exempt employees. The plaintiffs seek actual damages, in addition to statutory penalties, pre-judgment interest and attorneys' fees. The Company has moved to consolidate certain of these cases into a single action because they allege substantially identical claims. We believe we have meritorious defenses to the claims in these cases and intend to defend them vigorously. The amounts claimed in these matters are substantial in some instances, however, and the ultimate liability with respect to these matters is difficult to predict. There can be no assurances

as to the outcome of these cases or their impact on our consolidated results of operations, individually or in the aggregate.

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

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

NOTE 19: REGULATORY REQUIREMENTS

HRB Bank and the Company are subject to various regulatory requirements, including capital guidelines for HRB Bank, administered by federal banking agencies. Failure to meet minimum capital requirements can trigger certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on HRB Bank and our consolidated financial statements. All savings associations are subject to the capital adequacy guidelines and the regulatory framework for prompt corrective action. HRB Bank must meet specific capital guidelines that involve quantitative measures of HRB Bank's assets, liabilities and certain off-balance sheet items, as calculated under regulatory accounting practices. HRB Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. HRB Bank files its regulatory Thrift Financial Report (TFR) on a calendar quarter basis.

Quantitative measures established by regulation to ensure capital adequacy require HRB Bank to maintain minimum amounts and ratios of tangible equity, total risk-based capital and Tier 1 capital, as set forth in the table below. In addition to these minimum ratio requirements, HRB Bank is required to continually maintain a 12.0% minimum leverage ratio. As of April 30, 2010, HRB Bank's leverage ratio was 28.8%.

As of March 31, 2010, our most recent TFR filing with the Office of Thrift Supervision (OTS), HRB Bank was a "well capitalized" institution under the prompt corrective action provisions of the FDIC. The five capital categories are: (1) "well capitalized" (total risk-based capital ratio of 10%, Tier 1 Risk-based capital ratio of 6% and leverage ratio of 5%); (2) "adequately capitalized;" (3) "undercapitalized;" (4) "significantly undercapitalized;" and (5) "critically undercapitalized." There are no conditions or events since March 31, 2010 that management believes have changed HRB Bank's category.

The following table sets forth HRB Bank's regulatory capital requirements at March 31, 2010, as calculated in the most recently filed TFR:

(dollars in 000s)

	Actual		For Capital Adequacy Under Purposes		To Be Well Capitalized Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio (1)	**$ 420,401**	**75.7%**	**$ 44,436**	**8.0%**	**$ 55,545**	**10.0%**
Tier 1 risk-based capital ratio (2)	**$ 413,074**	**74.4%**	**N/A**	**N/A**	**$ 33,327**	**6.0%**
Tier 1 capital ratio (leverage) (3)	**$ 413,074**	**24.9%**	**$ 199,272**	**12.0%**	**$ 83,030**	**5.0%**
Tangible equity ratio (4)	**$ 413,074**	**24.9%**	**$ 24,909**	**1.5%**	**N/A**	**N/A**

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

Block Financial LLC (BFC) typically makes capital contributions to HRB Bank to help it meet its capital requirements. BFC made capital contributions to HRB Bank of $235.0 million during fiscal year 2010, and $245.0 million during fiscal year 2009.

NOTE 20: DISCONTINUED OPERATIONS

Discontinued operations for the year ended April 30, 2010, consist primarily of the continued wind-down of our mortgage operations. Fiscal year 2009 and 2008 include the results of operations of H&R Block Financial Advisors, Inc. (HRBFA) and its direct corporate parent, as well as our mortgage operations and three smaller lines of business related to our Business Services segment.

The financial results of discontinued operations are as follows:

(in 000s)

Year Ended April 30,	2010	2009	2008
Net revenue	**$ 372**	$ 129,863	$ (105,964)
Pretax loss from operations	**$ (23,872)**	$ (37,015)	$ (1,120,216)
Gain (loss) on sale and estimated impairments	**6,194**	(10,626)	(45,510)
Pretax loss	**(17,678)**	(47,641)	(1,165,726)
Income tax benefit	**(7,974)**	(20,259)	(411,132)
Net loss from discontinued operations	**$ (9,704)**	$ (27,382)	$ (754,594)

NOTE 21: SEGMENT INFORMATION

Management has determined the reportable segments identified below according to types of services offered and the manner in which operational decisions are made. Operating results of our reportable segments are all seasonal. Effective May 1, 2009, we realigned certain segments of our business to reflect a new management reporting structure. The operations of HRB Bank, which was previously reported as the Consumer Financial Services segment, have now been reclassified, with activities that support our retail tax network included in the Tax Services segment, and the net interest margin and gains and losses relating to our portfolio of mortgage loans held for investment and related assets included in corporate. Presentation of prior period results reflects the new segment reporting structure.

TAX SERVICES – Our Tax Services segment is primarily engaged in providing tax return preparation and related services and products in the U.S. and its territories, Canada and Australia. Major revenue sources include fees earned for tax preparation services performed at company-owned retail tax offices, royalties from franchise retail tax offices, fees for tax-related services, sales of tax preparation and other software, online tax preparation fees, participation in RALs, fees from activities related to H&R Block Prepaid Emerald MasterCard®, and interest and fees from Emerald Advance lines of credit. HRB Bank also offers traditional banking services including checking and savings accounts, individual retirement accounts and certificates of deposit.

Our international operations contributed $190.9 million, $160.7 million and $170.2 million in revenues for fiscal years 2010, 2009 and 2008, respectively, and $46.7 million, $31.6 million and $32.1 million of pretax income, respectively.

BUSINESS SERVICES – This segment offers tax and consulting services, wealth management, and capital markets services to middle-market companies in offices located throughout the U.S.

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

IDENTIFIABLE ASSETS – Identifiable assets are those assets, including goodwill and intangible assets, associated with each reportable segment. The remaining assets are classified as Corporate assets, which consist primarily of cash and marketable securities. The carrying value of assets held outside the U.S. totaled $166.8 million, $126.8 million and $124.8 million at April 30, 2010, 2009 and 2008, respectively.

Information concerning the Company's operations by reportable segment is as follows:

(in 000s)

Year Ended April 30,	2010	2009	2008
REVENUES :			
Tax Services	**$ 2,975,252**	$3,132,077	$ 3,060,661
Business Services	**860,349**	897,809	941,686
Corporate	**38,731**	53,691	84,283
	$ 3,874,332	$ 4,083,577	$ 4,086,630
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES :			
Tax Services	**$ 867,362**	$ 927,048	$ 825,721
Business Services	**58,714**	96,097	88,797
Corporate	**(141,941)**	(183,775)	(179,447)
	$ 784,135	$ 839,370	$ 735,071
DEPRECIATION AND AMORTIZATION :			
Tax Services	**$ 88,523**	$ 79,415	$ 77,207
Business Services	**33,064**	36,748	36,523
Corporate	**5,314**	7,468	5,784
	$ 126,901	$ 123,631	$ 119,514
CAPITAL EXPENDITURES :			
Tax Services	**$ 78,108**	$ 76,305	$ 59,474
Business Services	**12,318**	21,185	32,918
Corporate	**89**	390	9,162
	$ 90,515	$ 97,880	$ 101,554
IDENTIFIABLE ASSETS :			
Tax Services	**$2,279,161**	$2,117,475	$ 1,303,749
Business Services	**806,688**	897,250	920,945
Corporate	**2,148,469**	2,344,997	2,411,139
Assets of discontinued operations	**–**	–	987,592
	$ 5,234,318	$5,359,722	$ 5,623,425

NOTE 22: QUARTERLY FINANCIAL DATA (UNAUDITED)

(in 000s, except per share amounts)

	Fiscal Year 2010	Apr 30, 2010	Jan 31, 2010	Oct 31, 2009	Jul 31, 2009
Revenues	$ 3,874,332	$ 2,337,894	$ 934,852	$ 326,081	$ 275,505
Income (loss) from continuing operations before taxes (benefit)	$ 784,135	$ 1,110,410	$ 97,451	$ (212,853)	$ (210,873)
Income taxes (benefit)	295,189	417,978	43,848	(86,381)	(80,256)
Net income (loss) from continuing operations	488,946	692,432	53,603	(126,472)	(130,617)
Net loss from discontinued operations	(9,704)	(1,604)	(2,968)	(2,115)	(3,017)
Net income (loss)	$ 479,242	$ 690,828	$ 50,635	$ (128,587)	$ (133,634)
Basic earnings (loss) per share:					
Net income (loss) from continuing operations	$ 1.47	$ 2.11	$ 0.16	$ (0.38)	$ (0.39)
Net loss from discontinued operations	(0.03)	–	(0.01)	–	(0.01)
Net income (loss)	$ 1.44	$ 2.11	$ 0.15	$ (0.38)	$ (0.40)
Diluted earnings (loss) per share:					
Net income (loss) from continuing operations	$ 1.46	$ 2.11	$ 0.16	$ (0.38)	$ (0.39)
Net loss from discontinued operations	(0.03)	(0.01)	(0.01)	–	(0.01)
Net income (loss)	1.43	$ 2.10	$ 0.15	$ (0.38)	$ (0.40)

	Fiscal Year 2009	Apr 30, 2009	Jan 31, 2009	Oct 31, 2008	Jul 31, 2008
Revenues	$ 4,083,577	$ 2,466,753	$ 993,446	$ 351,469	$ 271,909
Income (loss) from continuing operations before taxes (benefit)	$ 839,370	$ 1,178,054	$ 101,739	$ (227,453)	$ (212,970)
Income taxes (benefit)	326,315	470,245	34,909	(94,292)	(84,547)
Net income (loss) from continuing operations	513,055	707,809	66,830	(133,161)	(128,423)
Net loss from discontinued operations	(27,382)	(906)	(19,467)	(2,713)	(4,296)
Net income (loss)	$ 485,673	$ 706,903	$ 47,363	$ (135,874)	$ (132,719)
Basic earnings (loss) per share:					
Net income (loss) from continuing operations	$ 1.53	$ 2.09	$ 0.20	$ (0.40)	$ (0.39)
Net loss from discontinued operations	(0.08)	–	(0.06)	(0.01)	(0.02)
Net income (loss)	$ 1.45	$ 2.09	$ 0.14	$ (0.41)	$ (0.41)
Diluted earnings (loss) per share:					
Net income (loss) from continuing operations	$ 1.53	$ 2.08	$ 0.20	$ (0.40)	$ (0.39)
Net loss from discontinued operations	(0.08)	–	(0.06)	(0.01)	(0.02)
Net income (loss)	$ 1.45	$ 2.08	$ 0.14	$ (0.41)	$ (0.41)

The accumulation of four quarters in fiscal years 2010 and 2009 for earnings per share may not equal the related per share amounts for the years ended April 30, 2010 and 2009 due to the timing of the exercise of stock options and

lapse of certain restrictions on nonvested shares and the antidilutive effect of stock options and nonvested shares in the first two quarters for those years, as well as the retirement of treasury shares for fiscal year 2010.

	Fiscal Year	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Fiscal Year 2010:					
Dividends paid per share	$ 0.60	$ 0.15	$ 0.15	$ 0.15	$ 0.15
Stock price range:					
High	$ 23.23	$ 21.84	$ 23.23	$ 20.00	$ 17.85
Low	13.73	15.90	18.10	16.41	13.73
Fiscal Year 2009:					
Dividends paid per share	$ 0.59	$ 0.15	$ 0.15	$ 0.15	$ 0.14
Stock price range:					
High	$ 27.97	$ 22.98	$ 23.27	$ 27.97	$ 24.65
Low	14.69	14.69	15.37	15.00	20.40

NOTE 23: CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

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

CONDENSED CONSOLIDATING INCOME STATEMENTS

(in 000s)

Year Ended April 30, 2010	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ –	$ 271,704	$ 3,602,721	$ (93)	$ 3,874,332
Cost of revenues	–	257,245	2,210,868	(117)	2,467,996
Selling, general and administrative	–	36,946	594,646	(93)	631,499
Total expenses	–	294,191	2,805,514	(210)	3,099,495
Operating income (loss)	–	(22,487)	797,207	117	774,837
Other income, net	784,135	5,644	3,771	(784,252)	9,298
Income (loss) from continuing operations before taxes (benefit)	784,135	(16,843)	800,978	(784,135)	784,135
Income taxes (benefit)	295,189	(6,368)	301,557	(295,189)	295,189
Net income (loss) from continuing operations	488,946	(10,475)	499,421	(488,946)	488,946
Net loss from discontinued operations	(9,704)	(5,276)	(4,428)	9,704	(9,704)
Net income (loss)	$ 479,242	$ (15,751)	$ 494,993	$ (479,242)	$ 479,242

Year Ended April 30, 2009	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ –	$ 251,758	$ 3,834,880	$ (3,061)	$ 4,083,577
Cost of revenues	–	278,789	2,317,439	(10)	2,596,218
Selling, general and administrative	–	66,230	582,812	(552)	648,490
Total expenses	–	345,019	2,900,251	(562)	3,244,708
Operating income (loss)	–	(93,261)	934,629	(2,499)	838,869
Other income (expense), net	839,370	(5,992)	6,461	(839,338)	501
Income (loss) from continuing operations before taxes (benefit)	839,370	(99,253)	941,090	(841,837)	839,370
Income taxes (benefit)	326,315	(40,386)	367,660	(327,274)	326,315
Net income (loss) from continuing operations	513,055	(58,867)	573,430	(514,563)	513,055
Net loss from discontinued operations	(27,382)	(29,176)	–	29,176	(27,382)
Net income (loss)	$ 485,673	$ (88,043)	$ 573,430	$ (485,387)	$ 485,673

Year Ended April 30, 2008	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ –	$ 338,688	$ 3,755,118	$ (7,176)	$ 4,086,630
Cost of revenues	–	231,025	2,357,577	(409)	2,588,193
Selling, general and administrative	–	148,218	639,986	694	788,898
Total expenses	–	379,243	2,997,563	285	3,377,091
Operating income (loss)	–	(40,555)	757,555	(7,461)	709,539
Other income, net	735,071	–	25,532	(735,071)	25,532
Income (loss) from continuing operations before taxes (benefit)	735,071	(40,555)	783,087	(742,532)	735,071
Income taxes (benefit)	289,124	(10,351)	302,873	(292,522)	289,124
Net income (loss) from continuing operations	445,947	(30,204)	480,214	(450,010)	445,947
Net loss from discontinued operations	(754,594)	(752,386)	(6,288)	758,674	(754,594)
Net income (loss)	$ (308,647)	$ (782,590)	$ 473,926	$ 308,664	$ (308,647)

CONDENSED CONSOLIDATING BALANCE SHEETS

(in 000s)

April 30, 2010	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Cash & cash equivalents	$ –	$ 702,021	$ 1,102,135	$ (111)	$ 1,804,045
Cash & cash equivalents — restricted	–	6,160	28,190	–	34,350
Receivables, net	57	105,192	412,737	–	517,986
Mortgage loans held for investment, net	–	595,405	–	–	595,405
Intangible assets and goodwill, net	–	–	1,207,879	–	1,207,879
Investments in subsidiaries	3,276,597	–	231	(3,276,597)	231
Other assets	19,014	332,782	722,626	–	1,074,422
Total assets	$ 3,295,668	$ 1,741,560	$ 3,473,798	$ (3,276,708)	$ 5,234,318
Customer deposits	$ –	$ 852,666	$ –	$ (111)	$ 852,555
Long-term debt	–	998,605	36,539	–	1,035,144
FHLB borrowings	–	75,000	–	–	75,000
Other liabilities	48,775	153,154	1,629,060	–	1,830,989
Net intercompany advances	1,806,263	(431,696)	(1,374,567)	–	–
Stockholders' equity	1,440,630	93,831	3,182,766	(3,276,597)	1,440,630
Total liabilities and stockholders' equity	$ 3,295,668	$ 1,741,560	$ 3,473,798	$ (3,276,708)	$ 5,234,318

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

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

(in 000s)

Year Ended April 30, 2010	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Net cash provided by operating activities:	**$ 21,252**	**$ 16,698**	**$ 549,519**	**$ –**	**$ 587,469**
Cash flows from investing:					
Mortgage loans held for investment, net	**–**	**72,832**	**–**	**–**	**72,832**
Purchases of property & equipment	**–**	**–**	**(90,515)**	**–**	**(90,515)**
Payments for business acquisitions	**–**	**–**	**(10,539)**	**–**	**(10,539)**
Net intercompany advances	**415,591**	**–**	**–**	**(415,591)**	**–**
Other, net	**–**	**38,813**	**20,762**	**–**	**59,575**
Net cash provided by (used in) investing activities	**415,591**	**111,645**	**(80,292)**	**(415,591)**	**31,353**
Cash flows from financing:					
Repayments of commercial paper	**–**	**(1,406,013)**	**–**	**–**	**(1,406,013)**
Proceeds from commercial paper	**–**	**1,406,013**	**–**	**–**	**1,406,013**
Repayments of other borrowings	**–**	**(4,267,727)**	**(46)**	**–**	**(4,267,773)**
Proceeds from other borrowings	**–**	**4,242,727**	**–**	**–**	**4,242,727**
Customer banking deposits, net	**–**	**11,428**	**–**	**6,111**	**17,539**
Dividends paid	**(200,899)**	**–**	**–**	**–**	**(200,899)**
Repurchase of common stock	**(254,250)**	**–**	**–**	**–**	**(254,250)**
Proceeds from stock options	**16,682**	**–**	**–**	**–**	**16,682**
Net intercompany advances	**–**	**354,617**	**(770,208)**	**415,591**	**–**
Other, net	**1,624**	**(8,717)**	**(28,051)**	**–**	**(35,144)**
Net cash provided by (used in) financing activities	**(436,843)**	**332,328**	**(798,305)**	**421,702**	**(481,118)**
Effects of exchange rates on cash	**–**	**–**	**11,678**	**–**	**11,678**
Net increase (decrease) in cash	**–**	**460,671**	**(317,400)**	**6,111**	**149,382**
Cash – beginning of the year	**–**	**241,350**	**1,419,535**	**(6,222)**	**1,654,663**
Cash – end of the year	**$ –**	**$ 702,021**	**$ 1,102,135**	**$ (111)**	**$ 1,804,045**

Year Ended April 30, 2009	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Net cash provided by (used in) operating activities:	$ 3,835	$ (13,225)	$ 1,033,829	$ –	$ 1,024,439
Cash flows from investing:					
Mortgage loans held for investment, net	–	91,329	–	–	91,329
Purchases of property & equipment	–	(43)	(97,837)	–	(97,880)
Payments for business acquisitions	–	–	(293,805)	–	(293,805)
Net intercompany advances	73,820	–	–	(73,820)	–
Investing cash flows of discontinued operations	–	255,066	–	–	255,066
Other, net	–	17,598	33,252	–	50,850
Net cash provided by (used in) investing activities	73,820	363,950	(358,390)	(73,820)	5,560
Cash flows from financing:					
Repayments of short-term borrowings	–	(4,762,294)	–	–	(4,762,294)
Proceeds from short-term borrowings	–	4,733,294	–	–	4,733,294
Customer banking deposits, net	–	69,932	–	(5,575)	64,357
Dividends paid	(198,685)	–	–	–	(198,685)
Acquisition of treasury shares	(106,189)	–	–	–	(106,189)
Proceeds from issuance of common stock	141,415	–	–	–	141,415
Proceeds from stock options	71,594	–	–	–	71,594
Net intercompany advances	–	(199,032)	125,212	73,820	–
Financing cash flows of discontinued operations	–	4,783	–	–	4,783
Other, net	14,210	9,331	(12,049)	–	11,492
Net cash provided by (used in) financing activities	(77,655)	(143,986)	113,163	68,245	(40,233)
Net increase in cash	–	206,739	788,602	(5,575)	989,766
Cash – beginning of the year	–	34,611	630,933	(647)	664,897
Cash – end of the year	$ –	$ 241,350	$ 1,419,535	$ (6,222)	$ 1,654,663

Year Ended April 30, 2008	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Net cash provided by (used in) operating activities:	$ 47,521	$ (686,591)	$ 897,830	$ –	$ 258,760
Cash flows from investing:					
Mortgage loans held for investment, net	–	207,606	–	–	207,606
Purchases of property & equipment	–	(17)	(101,537)	–	(101,554)
Payments for business acquisitions	–	–	(24,872)	–	(24,872)
Net intercompany advances	112,027	–	–	(112,027)	–
Investing cash flows of discontinued operations	–	1,041,260	3,730	–	1,044,990
Other, net	–	13,410	7,709	–	21,119
Net cash provided by (used in) investing activities	112,027	1,262,259	(114,970)	(112,027)	1,147,289
Cash flows from financing:					
Repayments of commercial paper	–	(5,125,279)	–	–	(5,125,279)
Proceeds from commercial paper	–	4,133,197	–	–	4,133,197
Proceeds from issuance of Senior Notes	–	599,376	–	–	599,376
Repayments of other borrowings	–	(9,055,426)	–	–	(9,055,426)
Proceeds from other borrowings	–	8,505,426	–	–	8,505,426
Customer banking deposits, net	–	(344,744)	–	(647)	(345,391)
Dividends paid	(183,628)	–	–	–	(183,628)
Acquisition of treasury shares	(7,280)	–	–	–	(7,280)
Proceeds from stock options	23,322	–	–	–	23,322
Net intercompany advances	–	753,873	(865,900)	112,027	–
Financing cash flows of discontinued operations	–	(63,249)	(1,190)	–	(64,439)
Other, net	8,038	(4,428)	(41,557)	–	(37,947)
Net cash used in financing activities	(159,548)	(601,254)	(908,647)	111,380	(1,558,069)
Net decrease in cash	–	(25,586)	(125,787)	(647)	(152,020)
Cash – beginning of the year	–	60,197	756,720	–	816,917
Cash – end of the year	$ –	$ 34,611	$ 630,933	$ (647)	$ 664,897

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no disagreements or reportable events requiring disclosure pursuant to Item 304(b) of Regulation S-K.

ITEM 9A.CONTROLS AND PROCEDURES

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES – We have established disclosure controls and procedures (Disclosure Controls) to ensure that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms. Disclosure Controls are also designed to ensure that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our Disclosure Controls were designed to provide reasonable assurance that the controls and procedures would meet their objectives. Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our Disclosure Controls will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable assurance of achieving the designed control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusions of two or more people or by management override of the control. Because of the inherent limitations in a cost-effective, maturing control system, misstatements due to error or fraud may occur and not be detected.

As of the end of the period covered by this Form 10-K, we evaluated the effectiveness of the design and operations of our Disclosure Controls. The controls evaluation was done under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded our Disclosure Controls were effective as of the end of the period covered by this Annual Report on Form 10-K.

(b) MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING – Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as of April 30, 2010.

Based on our assessment, management concluded that, as of April 30, 2010, the Company's internal control over financial reporting was effective based on the criteria set forth by COSO.

The Company's external auditors who audited the consolidated financial statements included in Item 8, Deloitte & Touche LLP, an independent registered public accounting firm, have issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears near the beginning of Item 8.

(c) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING – During the quarter ended April 30, 2010, there were no changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B.OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following information appearing in our definitive proxy statement, to be filed no later than 120 days after April 30, 2010, is incorporated herein by reference:

- Information appearing under the heading "Election of Directors,"
- Information appearing under the heading "Section 16(a) Beneficial Ownership Reporting Compliance,"
- Information appearing under the heading "Board of Directors' Meetings and Committees" regarding identification of the Audit Committee and Audit Committee financial experts.

We have adopted a code of business ethics and conduct that applies to our directors, officers and employees, including our chief executive officer, chief financial officer, principal accounting officer and persons performing similar functions. A copy of the code of business ethics and conduct is available on our website at *www.hrblock.com*. We intend to provide information on our website regarding amendments to or waivers from the code of business ethics and conduct.

Information about our executive officers as of May 15, 2010, is as follows:

Name, age	Current position	Business experience since May 1, 2005
Russell P. Smyth, age 53	President and Chief Executive Officer	President and Chief Executive Officer since August 2008; Consultant, equity owner and active board member for several private equity firms and served on the boards of several privately held companies from January 2005 to July 2008; President – McDonald's Europe from January 2003 to January 2005.
Jeffrey T. Brown, age 51	Vice President, Interim Chief Financial Officer and Corporate Controller	Interim Chief Financial Officer since May 1, 2010; Vice President and Corporate Controller since March 2008; Assistant Vice President and Assistant Controller from August 2005 until March 2008; Director of Corporate Accounting, from September 2002 to August 2005.
C.E. Andrews, age 58	President and Chief Operating Officer, RSM McGladrey, Inc.	President and Chief Operating Officer, RSM McGladrey since June 2009; President of SLM Corporation (Sallie Mae) from May 2007 until September 2008; Chief Financial Officer of Sallie Mae from 2006 until 2007; Executive Vice President of Accounting and Risk of Sallie Mae from 2003 until 2005.
Robert J. Turtledove, age 50	Senior Vice President and Chief Marketing Officer	Senior Vice President and Chief Marketing Officer since August 2009; Chief Marketing Officer of TheLadders.com from June 2007 until June 2009; Chief Concept Officer of Metromedia Restaurant Group from January 2003 until February 2007.
Brian J. Woram, age 49	Senior Vice President and Chief Legal Officer	Senior Vice President and Chief Legal Officer since September 2009; Senior Vice President, Chief Legal Officer and Chief Compliance Officer of Centex Corporation from 2005 until September 2009.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by this item is contained in our definitive proxy statement filed pursuant to Regulation 14A not later than 120 days after April 30, 2010, in the sections entitled "Director Compensation" and "Executive Compensation" and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by this item is contained in our definitive proxy statement filed pursuant to Regulation 14A not later than 120 days after April 30, 2010, in the section titled "Equity Compensation Plans" and in the section titled "Information Regarding Security Holders" and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information called for by this item is contained in our definitive proxy statement filed pursuant to Regulation 14A not later than 120 days after April 30, 2010, in the section titled "Employee Agreements, Change-of-Control and Other Arrangements" and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information called for by this item is contained in our definitive proxy statement filed pursuant to Regulation 14A not later than 120 days after April 30, 2010, in the section titled "Audit Fees" and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

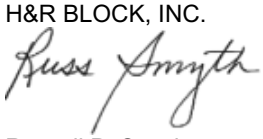
(a) Documents filed as part of this Report:

1. The following financial statements appearing in Item 8: "Consolidated Statements of Operations and Comprehensive Income (Loss)," "Consolidated Balance Sheets," "Consolidated Statements of Cash Flows" and "Consolidated Statements of Stockholders' Equity."
2. "Financial Statement Schedule II – Valuation and Qualifying Accounts" with the related Reports of Independent Registered Public Accounting Firms. These will be filed with the SEC but will not be included in the printed version of the Annual Report to Shareholders.
3. Exhibits – The list of exhibits in the Exhibit Index to this Report is incorporated herein by reference.

SIGNATURES

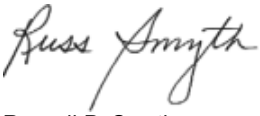
Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

H&R BLOCK, INC.

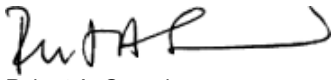


Russell P. Smyth
President and Chief Executive Officer
June 28, 2010

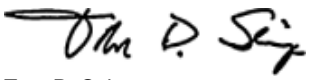
Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated on June 28, 2010.



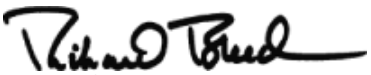
Russell P. Smyth
President, Chief Executive Officer and Director
(principal executive officer)



Robert A. Gerard
Director



Tom D. Seip
Director



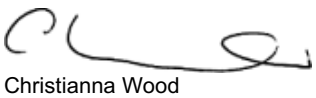
Richard C. Breeden
Director, Chairman of the Board

Jeffrey T. Brown
Vice President, Interim Chief Financial Officer and Corporate Controller
(principal financial officer and principal accounting officer)

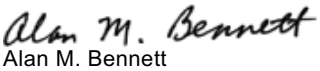
L. Edward Shaw, Jr.
Director

Thomas M. Bloch
Director

Len J. Lauer
Director



Christianna Wood
Director



Alan M. Bennett
Director

David B. Lewis
Director

EXHIBIT INDEX

The following exhibits are numbered in accordance with the Exhibit Table of Item 601 of Regulation S-K:

3.1	Amended and Restated Articles of Incorporation of H&R Block, Inc., filed as Exhibit 3.1 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2008, file number 1-6089, is incorporated herein by reference.
3.2	Amended and Restated Bylaws of H&R Block, Inc., as amended through May 5, 2009, filed as Exhibit 3.1 to the Company's current report on Form 8-K dated May 5, 2009, file number 1-6089, is incorporated herein by reference.
4.1	Indenture dated as of October 20, 1997, among H&R Block, Inc., Block Financial Corporation and Bankers Trust Company, as Trustee, filed as Exhibit 4(a) to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1997, file number 1-6089, is incorporated herein by reference.
4.2	First Supplemental Indenture, dated as of April 18, 2000, among H&R Block, Inc., Block Financial Corporation, Bankers Trust Company and the Bank of New York, filed as Exhibit 4(a) to the Company's current report on Form 8-K dated April 13, 2000, file number 1-6089, is incorporated herein by reference.
4.3	Officer's Certificate, dated October 26, 2004, in respect of 5.125% Notes due 2014 of Block Financial Corporation, filed as Exhibit 4.1 to the Company's current report on Form 8-K dated October 21, 2004, file number 1-6089, is incorporated herein by reference.
4.4	Officer's Certificate, dated January 11, 2008, in respect of 7.875% Notes due 2013 of Block Financial LLC, filed as Exhibit 4.1 to the Company's current report on Form 8-K dated January 8, 2008, file number 1-6089, is incorporated herein by reference.
4.5	Form of 5.125% Note due 2014 of Block Financial Corporation, filed as Exhibit 4.2 to the Company's current report on Form 8-K dated October 21, 2004, file number 1-6089, is incorporated herein by reference.
4.6	Form of 7.875% Note due 2013 of Block Financial LLC, filed as Exhibit 4.2 to the Company's current report on Form 8-K dated January 8, 2008, file number 1-6089, is incorporated herein by reference.
4.7	Form of Certificate of Designation, Preferences and Rights of Participating Preferred Stock of H&R Block, Inc., filed as Exhibit 4(e) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, file number 1-6089, is incorporated herein by reference.
4.8	Form of Certificate of Amendment of Certificate of Designation, Preferences and Rights of Participating Preferred Stock of H&R Block, Inc., filed as Exhibit 4(j) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1998, file number 1-6089, is incorporated herein by reference.
4.9	Form of Certificate of Designation, Preferences and Rights of Delayed Convertible Preferred Stock of H&R Block, Inc., filed as Exhibit 4(f) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, file number 1-6089, is incorporated herein by reference.
10.1*	The Company's 2003 Long-Term Executive Compensation Plan, as amended and restated as of September 24, 2009.
10.2*	Form of 2003 Long-Term Executive Compensation Plan Award Agreement for Restricted Shares.
10.3*	Form of 2003 Long-Term Executive Compensation Plan Award Agreement for Stock Options.
10.4*	H&R Block Deferred Compensation Plan for Executives (amended and restated effective December 31, 2008), filed as Exhibit 10.4 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2009, file number 1-6089, is incorporated herein by reference.
10.5*	Amendment No. 1 to the H&R Block Deferred Compensation Plan for Executives, as Amended and Restated, effective as of March 12, 2003, filed as Exhibit 10.5 to the Company's annual report on Form 10-K for the fiscal year ended April 30, 2003, file number 1-6089, is incorporated herein by reference.
10.6*	The H&R Block Executive Performance Plan (as amended), filed as Exhibit 10.6 to the company's annual report on Form 10-K for the fiscal year ended April 30, 2006, file number 1-6089, is incorporated herein by reference.
10.7*	The H&R Block, Inc. 2000 Employee Stock Purchase Plan, as amended August 1, 2001, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2001, file number 1-6089, is incorporated herein by reference.
10.8*	The H&R Block, Inc. Executive Survivor Plan (as Amended and Restated) filed as Exhibit 10.4 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2000, file number 1-6089, is incorporated herein by reference.
10.9*	First Amendment to the H&R Block, Inc. Executive Survivor Plan (as Amended and Restated), filed as Exhibit 10.9 to the Company's annual report on Form 10-K for the fiscal year ended April 30, 2002, file number 1-6089, is incorporated herein by reference.
10.10*	Second Amendment to the H&R Block, Inc. Executive Survivor Plan (as Amended and Restated), effective as of March 12, 2003, filed as Exhibit 10.12 to the company's annual report on Form 10-K for the fiscal year ended April 30, 2003, file number 1-6089, is incorporated herein by reference.
10.11*	H&R Block Severance Plan, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2008, file number 1-6089, is incorporated herein by reference.
10.12*	H&R Block Inc. Executive Severance Plan, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 2009, file number 1-6089, is incorporated herein by reference.
10.13*	Employment Agreement dated July 19, 2008 between H&R Block Management LLC and Russell P. Smyth, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 2008, file number 1-6089, is incorporated herein by reference.

10.14* Employment Agreement dated December 3, 2007 between HRB Management, Inc. and Alan M. Bennett, filed as Exhibit 10.5 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2008, file number 1-6089, is incorporated herein by reference.

10.15* Employment Agreement dated as of June 28, 2004 between H&R Block Services, Inc. and Timothy C. Gokey, filed as Exhibit 10.4 to the quarterly report on Form 10-Q for the quarter ended July 31, 2004, file number 1-6089, is incorporated herein by reference.

10.16* Separation and Release Agreement dated July 28, 2009 between HRB Tax Group, Inc. and Timothy C. Gokey, filed as Exhibit 10.1 to the quarterly report on Form 10-Q for the quarter ended July 31, 2009, file number 1-6089, is incorporated herein by reference.

10.17* Separation and Release Agreement dated May 4, 2010, between H&R Block Management, LLC and Becky S. Shulman.

10.18* Form of Indemnification Agreement for directors, filed as Exhibit 10.1 to the Company's current report on Form 8-K dated December 14, 2005, file number 1-6089, is incorporated herein by reference.

10.19* 2008 Deferred Stock Unit Plan for Outside Directors, as amended and restated as of September 24, 2009.

10.20 HSBC Retail Settlement Products Distribution Agreement dated as of September 23, 2005, among HSBC Bank USA, National Association, HSBC Taxpayer Financial Services Inc., Beneficial Franchise Company Inc., Household Tax Masters Acquisition Corporation, H&R Block Services, Inc., H&R Block Tax Services, Inc., H&R Block Enterprises, Inc., H&R Block Eastern Enterprises, Inc., H&R Block Digital Tax Solutions, LLC, H&R Block Associates, L.P., HRB Royalty, Inc., HSBC Finance Corporation and H&R Block, Inc., filed as Exhibit 10.14 to the quarterly report on Form 10-Q for the quarter ended October 31, 2005, file number 1-6089, is incorporated herein by reference.**

10.21 HSBC Digital Settlement Products Distribution Agreement dated as of September 23, 2005, among HSBC Bank USA, National Association, HSBC Taxpayer Financial Services Inc., H&R Block Digital Tax Solutions, LLC, and H&R Block Services, Inc., filed as Exhibit 10.15 to the quarterly report on Form 10-Q for the quarter ended October 31, 2005, file number 1-6089, is incorporated herein by reference.**

10.22 HSBC Program Appendix of Defined Terms and Rules of Construction, filed as Exhibit 10.18 to the quarterly report on Form 10-Q for the quarter ended October 31, 2005, file number 1-6089, is incorporated herein by reference.**

10.23 Joinder and First Amendment to Program Contracts dated as of November 10, 2006, among HSBC Bank USA, National Association, HSBC Trust Company (Delaware), N.A., HSBC Taxpayer Financial Services Inc., Beneficial Franchise Company Inc., Household Tax Masters Acquisition Corporation, H&R Block Services, Inc., H&R Block Tax Services, Inc., H&R Block Enterprises, Inc., H&R Block Eastern Enterprises, Inc., H&R Block Digital Solutions, LLC,, H&R Block and Associates, L.P., HRB Royalty, Inc., HSBC Finance Corporation, H&R Block, Inc. and Block Financial Corporation, filed as Exhibit 10.25 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2007, file number 1-6089, is incorporated herein by reference.**

10.24 Second Amendment to Program Contracts dated as of November 13, 2006, among HSBC Bank USA, National Association, HSBC Trust Company (Delaware), N.A., HSBC Taxpayer Financial Services, Inc., Beneficial Franchise Company Inc., H&R Block Services, Inc., H&R Block Tax Service, Inc., H&R Block Enterprises, Inc., H&R Block Eastern Enterprises, Inc., H&R Block Digital Solutions,, LLC, H&R Block and Associates, L.P., HRB Royalty, Inc., HSBC Finance Corporation, and H&R Block, Inc., filed as Exhibit 10.26 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2007, file number 1-6089, is incorporated herein by reference.**

10.25 Third Amendment to Program Contracts dated as of December 5, 2008, by and among HSBC Bank USA, HSBC Trust Company (Delaware), N.A., HSBC Taxpayer Financial Services Inc., Beneficial Franchise Company Inc., HRB Tax Group, Inc., H&R Block Tax Services LLC, H&R Block Enterprises LLC, H&R Block Eastern enterprises, Inc., HRB Digital LLC, Block Financial LLC, HRB Innovations, Inc., HSBC Finance Corporation, and H&R Block, Inc., filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2009, file number 1-6089, is incorporated herein by reference.**

10.26 Second Amended and Restated HSBC Refund Anticipation Loan Participation Agreement dated as of January 12, 2010 among Block Financial LLC, HSBC Bank USA, National Association, HSBC Trust Company (Delaware), National Association, and HSBC Taxpayer Financial Services Inc., filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2010, file number 1-6089, is incorporated herein by reference.**

10.27 First Amended and Restated HSBC Settlements Products Servicing Agreement dated as of November 13, 2006 among Block Financial Corporation, HSBC Bank USA, National Association, HSBC Trust Company (Delaware), National Association, and HSBC Taxpayer Financial Services, Inc., filed as Exhibit 10.28 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2007, file number 1-6089, is incorporated herein by reference.**

10.28 Amended and Restated Five-Year Credit and Guarantee Agreement dated as of August 10, 2005 among Block Financial Corporation, H&R Block, Inc., the lenders party thereto, Bank of America, N.A., HSBC Bank USA, National Association, Royal Bank of Scotland PLC, JPMorgan Chase Bank, N.A., and J.P. Morgan Securities Inc., filed as Exhibit 10.3 to the quarterly report on Form 10-Q for the quarter ended October 31, 2005, file number 1-6089, is incorporated herein by reference.

10.29 First Amendment dated as of November 28, 2006 to Amended and Restated Five-Year Credit and Guarantee Agreement among Block Financial Corporation, H&R Block, Inc., JP Morgan Chase Bank and various financial institutions, filed as Exhibit 10.31 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2007, file number 1-6089, is incorporated herein by reference.

10.30 Second Amendment dated as of November 19, 2007, to the Amended and Restated Five-Year Credit and Guarantee Agreement dated as of August 10, 2005, filed as Exhibit 10.4 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2008, file number 1-6089, is incorporated herein by reference.

10.31	Consent dated January 4, 2010, concerning the Amended and Restated Five-Year Credit and Guarantee Agreement dated as of August 10, 2005. as amended, by and among Block Financial LLC, H&R Block, Inc., the Lenders as parties thereto, and JPMorgan Chase Bank, N.A., approving the Aurora Bank Commitment Termination, filed as Exhibit 10.4 to the quarterly report on Form 10-Q for the quarter ended January 31, 2010, file number 1-6089, is incorporated herein by reference.
10.32	Five-Year Credit and Guarantee Agreement dated as of August 10, 2005 among Block Financial Corporation, H&R Block, Inc., the lenders party thereto, Bank of America, N.A., HSBC Bank USA, National Association, The Royal Bank of Scotland PLC, JPMorgan Chase Bank, N.A. and J.P. Morgan Securities, Inc., filed as Exhibit 10.4 to the quarterly report on Form 10-Q for the quarter ended October 31, 2005, file number 1-6089, is incorporated herein by reference.
10.33	First Amendment dated as of November 28, 2006 to Five-Year Credit and Guarantee Agreement among Block Financial Corporation, H&R Block, Inc., JP Morgan Chase Bank and various financial institutions, filed as Exhibit 10.30 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2007, file number 1-6089, is incorporated by reference.
10.34	Second Amendment dated as of November 19, 2007, to the Five-Year Credit and Guarantee Agreement dated as of August 10, 2005, filed as Exhibit 10.3 to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2008, file number 1-6089, is incorporated herein by reference.
10.35	Consent dated January 4, 2010, concerning the Five-Year Credit and Guarantee Agreement dated as of August 10, 2005. as amended, by and among Block Financial LLC, H&R Block, Inc., the Lenders as parties thereto, and JPMorgan Chase Bank, N.A., approving the Aurora Bank Commitment Termination, filed as Exhibit 10.3 to the quarterly report on Form 10-Q for the quarter ended January 31, 2010, file number 1-6089, is incorporated herein by reference.
10.36	Credit and Guarantee Agreement dated as of March 4, 2010, among Block Financial LLC, H&R Block, Inc., each lender from time to time party thereto, and Bank of America, N.A.
10.37	License Agreement effective August 1, 2007 between H&R Block Services, Inc. and Sears, Roebuck and Co., filed as Exhibit 10.1 to the quarterly report on Form 10-Q for the quarter ended July 31, 2007, file number 1-6089, is incorporated herein by reference.**
10.38	Advances, Pledge and Security Agreement dated April 17, 2006, between H&R Block Bank and the Federal Home Loan Bank of Des Moines, filed as Exhibit 10.11 to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2007, file number 1-6089, is incorporated herein by reference.**
10.39	Administrative Services Agreement dated January 30, 2006, by and among RSM McGladrey, Inc. and McGladrey & Pullen, LLP, filed as Exhibit 10.35 to the company's annual report on Form 10-K for the fiscal year ended April 30, 2009, file number 1-6089, is incorporated herein by reference.
10.40	Amendment Number One, dated June 1, 2008, to the Administrative Services Agreement dated January 30, 2006, by and among RSM McGladrey, Inc. and McGladrey & Pullen, LLP, filed as Exhibit 10.36 to the company's annual report on Form 10-K for the fiscal year ended April 30, 2009, file number 1-6089, is incorporated herein by reference
10.41	Operations Agreement, dated as of August 2, 1999, by and among McGladrey & Pullen, LLP, MP Active Partners Trust, Mark W. Scally, Thomas G. Rotherham, RSM McGladrey, Inc., HRB Business Services, Inc., and H&R Block, Inc., filed as Exhibit 10.37 to the company's annual report on Form 10-K for the fiscal year ended April 30, 2009, file number 1-6089, is incorporated herein by reference.
10.42	Amended and Restated Administrative Services Agreement dated as of February 3, 2010 among RSM McGladrey, Inc., H&R Block, Inc. and McGladrey & Pullen, LLP.
10.43	Governance and Operations Agreement dated as of February 3, 2010 among RSM McGladrey, Inc., H&R Block, Inc. and McGladrey & Pullen LLP.
12	Computation of Ratio of Earnings to Fixed Charges for the five years ended April 30, 2010.
21	Subsidiaries of the Company.
23	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.
31.1	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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* Indicates management contracts, compensatory plans or arrangements.

** Confidential Information has been omitted from this exhibit and filed separately with the Commission pursuant to a confidential treatment request under Rule 24b-2.

H&R BLOCK, INC.
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED APRIL 30, 2010, 2009 AND 2008

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions (1)	Balance at End of Period
Allowance for Doubtful Accounts — deducted from accounts receivable in the balance sheet				
2010	$ 128,541,000	$ 111,754,000	$ 127,820,000	$ 112,475,000
2009	$ 120,155,000	$ 181,829,000	$ 173,443,000	$ 128,541,000
2008	$ 95,161,000	$ 174,813,000	$ 149,819,000	$ 120,155,000
Liability related to Mortgage Services restructuring charge				
2010	$ 7,533,000	$ —	$ 5,764,000	$ 1,769,000
2009	$ 27,920,000	$ —	$ 20,387,000	$ 7,533,000
2008	$ 14,607,000	$ 76,388,000	$ 63,075,000	$ 27,920,000

(1) Deductions from the Allowance for Doubtful Accounts reflect recoveries and charge-offs.
Deductions from the restructuring charge liability represent payments made.

Exhibit 10.1

H&R BLOCK, INC.

2003 LONG-TERM EXECUTIVE COMPENSATION PLAN (AS AMENDED)

1. Purposes. The purposes of this 2003 Long-Term Executive Compensation Plan are to provide incentives and rewards to those employees and persons largely responsible for the success and growth of H&R Block, Inc. and its subsidiary corporations, and to assist all such corporations in attracting and retaining executives and other key employees and persons with experience and ability.

2. Definitions.

(a) ***Award*** means one or more of the following: shares of Common Stock, Restricted Shares, Stock Options, Incentive Stock Options, Stock Appreciation Rights, Performance Shares, Performance Units and any other rights which may be granted to a Recipient under the Plan.

(b) ***Committee*** means the Compensation Committee described in Section 3.

(c) ***Common Stock*** means the Common Stock, without par value, of the Company.

(d) ***Company*** means H&R Block, Inc., a Missouri corporation, and, unless the context otherwise requires, includes its "subsidiary corporations" (as defined in Section 424(f) of the Internal Revenue Code) and their respective divisions, departments and subsidiaries and the respective divisions, departments and subsidiaries of such subsidiaries.

(e) ***Incentive Stock Option*** means a Stock Option which meets all of the requirements of an "incentive stock option" as defined in Section 422(b) of the Internal Revenue Code.

(f) ***Internal Revenue Code*** means the Internal Revenue Code of 1986, as now in effect or hereafter amended.

(g) ***Performance Period*** means that period of time specified by the Committee during which a Recipient must satisfy any designated performance goals in order to receive an Award.

(h) ***Performance Share*** means the right to receive, upon satisfying designated performance goals within a Performance Period, shares of Common Stock, cash, or a combination of cash and shares of Common Stock, based on the market value of shares of Common Stock covered by such Performance Shares at the close of the Performance Period.

(i) ***Performance Unit*** means the right to receive, upon satisfying designated performance goals within a Performance Period, shares of Common Stock, cash, or a combination of cash and shares of Common Stock.

(j) ***Plan*** means this 2003 Long-Term Executive Compensation Plan, as the same may be amended from time to time.

(k) ***Recipient*** means an employee of the Company or other person who has been granted an Award under the Plan.

(l) ***Restricted Share*** means a share of Common Stock issued to a Recipient hereunder subject to such terms and conditions, including, without limitation, forfeiture or resale to the Company, and to such restrictions against sale, transfer or other disposition, as the Committee may determine at the time of issuance.

(m) ***Stock Appreciation Right*** means the right to receive, upon exercise of a stock appreciation right granted under this Plan, shares of Common Stock, cash, or a combination of cash and shares of Common

Stock, based on the increase in the market value of the shares of Common Stock covered by such stock appreciation right from the initial day of the Performance Period for such stock appreciation right to the date of exercise.

(n) ***Stock Option*** means the right to purchase, upon exercise of a stock option granted under this Plan, shares of the Company's Common Stock.

3. Administration of the Plan. The Plan shall be administered by the Committee which shall consist of directors of the Company, to be appointed by and to serve at the pleasure of the Board of Directors of the Company. A majority of the Committee members shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by a majority of the Committee, shall be valid acts of the Committee, however designated, or the Board of Directors of the Company if the Board has not appointed a Committee.

The Committee shall have full power and authority to construe, interpret and administer the Plan and, subject to the powers herein specifically reserved to the Board of Directors and subject to the other provisions of this Plan, to make determinations which shall be final, conclusive and binding upon all persons including, without limitation, the Company, the shareholders of the Company, the Board of Directors, the Recipients and any persons having any interest in any Awards which may be granted under the Plan. The Committee shall impose such additional conditions upon the grant and exercise of Awards under this Plan as may from time to time be deemed necessary or advisable, in the opinion of counsel to the Company, to comply with applicable laws and regulations. The Committee from time to time may adopt rules and regulations for carrying out the Plan and written policies for implementation of the Plan. Such policies may include, but need not be limited to, the type, size and terms of Awards to be made to Recipients and the conditions for payment of such Awards.

4. Absolute Discretion. The Committee may, in its sole and absolute discretion (subject to the Committee's power to delegate certain authority in accordance with the second paragraph of this Section 4), at any time and from time to time during the continuance of the Plan, (i) determine which Recipients shall be granted Awards under the Plan, (ii) grant to any Recipient so selected such an Award, (iii) determine the type, size and terms of Awards to be granted (subject to Sections 6, 10 and 11 hereof), (iv) establish objectives and conditions for receipt of Awards, (v) place conditions or restrictions on the payment or exercise of Awards, and (vi) do all other things necessary and proper to carry out the intentions of this Plan; provided, however, that, in each and every case, those Awards which are Incentive Stock Options shall contain and be subject to those requirements specified in Section 422 of the Internal Revenue Code and shall be granted only to those persons eligible thereunder to receive the same.

The Committee may at any time and from time to time delegate to the Chief Executive Officer of the Company authority to take any or all of the actions that may be taken by the Committee as specified in this Section 4 or in other sections of the Plan in connection with the determination of Recipients, types, sizes, terms and conditions of Awards under the Plan and the grant of any such Awards, provided that any authority so delegated (a) shall apply only to Awards to employees of the Company that are not officers of Company under Regulation Section 240.16a-1(f) promulgated pursuant to Section 16 of the Securities Exchange Act of 1934, and (b) shall be exercised only in accordance with the Plan and such rules, regulations, guidelines, and limitations as the Committee shall prescribe.

5. Eligibility. Awards may be granted to any employee of the Company or to the non-executive Chairman of the Board of the Company. No member of the Committee (other than any *ex officio* member or the non-executive Chairman of the Board of the Company) shall be eligible for grants of Awards under the Plan. A Recipient may be granted multiple forms of Awards under the Plan. Incentive Stock Options may be granted under the Plan to a Recipient during any calendar year only if the aggregate fair market value (determined as of the date the Incentive Stock Option is granted) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by such Recipient during any calendar year under the Plan and any other "incentive stock option plans" (as defined in the Internal Revenue Code) maintained by the Company does not exceed the sum of $100,000.

6. Stock Subject to the Plan. The total number of shares of Common Stock issuable under this Plan may not at any time exceed 14,000,000 shares, subject to adjustment as provided herein. All of such shares may be issued or issuable in connection with the exercise of Incentive Stock Options. Shares of Common Stock not actually issued pursuant to an Award shall be available for future Awards. Shares of common Stock to be delivered or purchased under the Plan may be either authorized but unissued Common Stock or treasury shares. The total number of shares of Common Stock that may be subject to one or more Awards granted to any one Recipient during a calendar year may not exceed 1,000,000, subject to adjustment as provided in Section 16 of the Plan.

7. Awards.

(a) Awards under the Plan may include, but need not be limited to, shares of Common Stock, Restricted Shares, Stock Options, Incentive Stock Options, Stock Appreciation Rights, Performance Shares and Performance Units. The amount of each Award may be based upon the market value of a share of Common Stock. The Committee may make any other type of Award which it shall determine is consistent with the objectives and limitations of the Plan.

(b) The Committee may establish performance goals to be achieved within such Performance Periods as may be selected by it using such measures of the performance of the Company as it may select as a condition to the receipt of any Award.

8. Vesting Requirements. The Committee may determine that all or a portion of an Award or a payment to a Recipient pursuant to an Award, in any form whatsoever, shall be vested at such times and upon such terms as may be selected by it.

9. Deferred Payments and Dividend and Interest Equivalents.

(a) The Committee may determine that the receipt of all or a portion of an Award or a payment to a Recipient pursuant to an Award, in any form whatsoever, shall be deferred. Deferrals shall be for such periods and upon such terms as the Committee may determine.

(b) The Committee may provide, in its sole and absolute discretion, that a Recipient to whom an Award is payable in whole or in part at a future time in shares of Common Stock shall be entitled to receive an amount per share equal in value to the cash dividends paid per share on issued and outstanding shares as of the dividend record dates occurring during the period from the date of the Award to the date of delivery of such share to the Recipient. The Committee may also authorize, in its sole and absolute discretion, payment of an amount which a Recipient would have received in interest on (i) any Award payable at a future time in cash during the period from the date of the Award to the date of payment, and (ii) any cash dividends paid on issued and outstanding shares as of the dividend record dates occurring during the period from the date of an Award to the date of delivery of shares pursuant to the Award. Any amounts provided under this subsection shall be payable in such manner, at such time or times, and subject to such terms and conditions as the Committee may determine in its sole and absolute discretion.

10. Stock Option Price. The purchase price per share of Common Stock under each Stock Option shall be determined by the Committee, but shall not be less than market value (as determined by the Committee) of one share of Common Stock on the date the Stock Option or Incentive Stock Option is granted. Payment for exercise of any Stock Option granted hereunder shall be made (a) in cash, or (b) by delivery of Common Stock having a market value equal to the aggregate option price, or (c) by a combination of payment of cash and delivery of Common Stock in amounts such that the amount of cash plus the market value of the Common Stock equals the aggregate option price.

11. Stock Appreciation Right Value. The base value per share of Common Stock covered by an Award in the form of a Stock Appreciation Right shall be the market value of one share of Common Stock on the date the Award is granted.

12. Continuation of Employment. The Committee shall require that a Recipient be an employee or director of the Company at the time an Award is paid or exercised. The Committee may provide for the termination of an outstanding Award if a Recipient ceases to be an employee or director of the Company and may establish such other provisions with respect to the termination or disposition of an Award on the death or retirement of a Recipient (or not being re-elected to the Board of Directors) as it, in its sole discretion, deems advisable. The Committee shall have the sole power to determine the date of any circumstances which shall constitute a cessation of employment or term as a director and to determine whether such cessation is the result of retirement, death or any other reason.

13. Registration of Stock. Each Award shall be subject to the requirement that if at any time the Committee shall determine that qualification or registration under any state or federal law of the shares of Common Stock, Restricted Shares, Stock Options, Incentive Stock Options, or other securities thereby covered or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of or in connection with the granting of such Award or the purchase of shares thereunder, the Award may not be paid or exercised in whole or in part unless and until such qualification, registration, consent or approval shall have been effected or obtained free of any conditions the Committee, in its discretion, deems unacceptable.

14. Employment Status. No Award shall be construed as imposing upon the Company the obligation to continue the employment or term of a Recipient. No employee or other person shall have any claim or right to be granted an Award under the Plan.

15. Assignability. No Award granted pursuant to the Plan shall be transferable or assignable by the Recipient other than by will or the laws of descent and distribution and during the lifetime of the Recipient shall be exercisable or payable only by or to him or her; *provided, however,* that a Recipient who was granted an Award in consideration for serving as the Company's non-executive Chairman of the Board may transfer or assign an Award to an entity that is or was a shareholder of the Company at any time during which the Recipient served as the Company's non-executive Chairman of the Board (a "Shareholder Entity") if (i) the Recipient is affiliated with the manager of the investments made by such Shareholder Entity or otherwise serves on the Company's Board of Directors at the Shareholder Entity's direction or request, and (ii) pursuant to the Shareholder Entity's governance documents or any regulatory, contractual or other requirement, any consideration the Recipient may receive as compensation for serving as a director of the Company must be transferred, assigned, surrendered or otherwise paid to the Shareholder Entity.

16. Dilution or Other Adjustments. In the event of any changes in the capital structure of the Company, including but not limited to a change resulting from a stock dividend or split-up, or combination or reclassification of shares, the Board of Directors shall make such equitable adjustments with respect to Awards or any provisions of this Plan as it deems necessary and appropriate, including, if necessary, any adjustment in the maximum number of shares of Common Stock subject to the Plan, the maximum number of shares that may be subject to one or more Awards granted to any one Recipient during a calendar year, or the number of shares of Common Stock subject to an outstanding Award.

17. Merger, Consolidation, Reorganization, Liquidation, Etc. If the Company shall become a party to any corporate merger, consolidation, major acquisition of property for stock, reorganization, or liquidation, the Board of Directors shall make such arrangements it deems advisable with respect to outstanding Awards, which shall be binding upon the Recipients of outstanding Awards, including, but not limited to, the substitution of new Awards for any Awards then outstanding, the assumption of any such Awards and the termination of or payment for such Awards.

18. Withholding Taxes. The Company shall have the right to deduct from all Awards hereunder paid in cash any federal, state, local or foreign taxes required by law to be withheld with respect to such Awards and, with respect to Awards paid in other than cash, to require the payment (through withholding from the Recipient's salary or otherwise) of any such taxes. Subject to such conditions as the Committee

may establish, Awards payable in shares of Common Stock, or in the form of an Incentive Stock Option or Stock Option, may provide that the Recipients thereof may elect, in accordance with any applicable regulations, to satisfy all or any part of the tax required to be withheld by the Company in connection with such Award, or the exercise of such Incentive Stock Option or Stock Option, by electing to have the Company withhold a number of shares of Common Stock awarded, or purchased pursuant to such exercise, having a fair market value on the date the tax withholding is required to be made equal to or less than the amount required to be withheld.

19. Costs and Expenses. The cost and expenses of administering the Plan shall be borne by the Company and not charged to any Award or to any Recipient.

20. Funding of Plan. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Award under the Plan.

21. Award Contracts. The Committee shall have the power to specify the form of Award contracts to be granted from time to time pursuant to and in accordance with the provisions of the Plan and such contracts shall be final, conclusive and binding upon the Company, the shareholders of the Company and the Recipients. No Recipient shall have or acquire any rights under the Plan except such as are evidenced by a duly executed contract in the form thus specified. No Recipient shall have any rights as a holder of Common Stock with respect to Awards hereunder unless and until certificates for shares of Common Stock or Restricted Shares are issued to the Recipient.

22. Guidelines. The Board of Directors of the Company shall have the power to provide guidelines for administration of the Plan by the Committee and to make any changes in such guidelines as from time to time the Board deems necessary.

23. Amendment and Discontinuance. The Board of Directors of the Company shall have the right at any time during the continuance of the Plan to amend, modify, supplement, suspend or terminate the Plan, provided that in the absence of the approval of the holders of a majority of the shares of Common Stock of the Company present in person or by proxy at a duly constituted meeting of shareholders of the Company, no such amendment, modification or supplement shall (i) increase the aggregate number of shares which may be issued under the Plan, unless such increase is by reason of any change in capital structure referred to in Section 16 hereof, (ii) change the termination date of the Plan provided in Section 24, (iii) delete or amend the market value restrictions contained in Sections 10 and 11 hereof, (iv) materially modify the requirements as to eligibility for participation in the Plan, or (v) materially increase the benefits accruing to participants under the Plan, and provided further, that no amendment, modification or termination of the Plan shall in any manner affect any Award of any kind theretofore granted under the Plan without the consent of the Recipient of the Award, unless such amendment, modification or termination is by reason of any change in capital structure referred to in Section 16 hereof or unless the same is by reason of the matters referred to in Section 17 hereof.

24. Termination. The Committee may grant Awards at any time prior to July 1, 2013, on which date this Plan will terminate except as to Awards then outstanding hereunder, which Awards shall remain in effect until they have expired according to their terms or until July 1, 2023, whichever first occurs. No Incentive Stock Option shall be exercisable later than 10 years following the date it is granted.

25. Approval. This Plan shall take effect July 1, 2003, contingent upon prior approval by the shareholders of the Company.

Exhibit 10.2

H&R BLOCK, INC.
2003 LONG-TERM EXECUTIVE COMPENSATION PLAN
GRANT AGREEMENT

This Grant Agreement is entered into by and between H&R Block, Inc., a Missouri corporation (the " **Company**"), and [Participant Name] ("Participant").

WHEREAS, the Company provides certain incentive awards to key employees of subsidiaries of the Company under the H&R Block, Inc. 2003 Long-Term Executive Compensation Plan (the "Plan");

WHEREAS, receipt of such Awards under the Plan are conditioned upon a Participant's execution of a Grant Agreement within 180 days of [Grant Date], wherein Participant agrees to abide by certain terms and conditions authorized by the Compensation Committee of the Board of Directors;

WHEREAS, the Participant has been selected by the Compensation Committee or the Chief Executive Officer of the Company as a key employee of one of the subsidiaries of the Company and is eligible to receive Awards under the Plan.

NOW THEREFORE, in consideration of the parties promises and agreements set forth in this Grant Agreement, the sufficiency of which the parties hereby acknowledge,

IT IS AGREED AS FOLLOWS:

1. Definitions. Whenever a term is used in this Agreement or an Award Certificate issued under the Plan, the following words and phrases shall have the meanings set forth below unless the context plainly requires a different meaning, and when a defined meaning is intended, the term is capitalized.

1.1 Amount of Gain Realized. The Amount of Gain Realized shall be equal to the number of Shares delivered to the Participant multiplied by the Fair Market Value (FMV) of one Share of the Company's Common Stock on the date the Shares were no longer considered to be held by the Company.

1.2 Change of Control means the occurrence of one or more of the following events:

(a) Any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Company. If any one person, or more than one person acting as a group, is considered to own more than 50 percent of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or persons shall not be considered to cause a change in the ownership of the corporation. An increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which the Company acquires

its stock in exchange for property will be treated as an acquisition of stock for purposes of this Section 1.2(a).

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

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

(d) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50 percent of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. Notwithstanding the foregoing, there is no Change in Control event under this Section 1.2(d) when there is a transfer to an entity that is controlled by the shareholders of the Company immediately after the transfer. A transfer of assets by the Company is not treated as a change in the ownership of such assets if the assets are transferred to: (i) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock; (ii) an entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by the Company; (iii) a person, or more than one person acting as a group, that owns, directly or indirectly, 50 percent or more of the total value or voting power of all the outstanding stock of the Company; or (iv) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person described in (iii) above.

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

1.3 Code. Code means the Internal Revenue Code of 1986, as amended.

1.4 Committee. Committee means the Compensation Committee of the Board of Directors for H&R Block, Inc.

1.5 Common Stock. Common Stock means the common stock, without par value, of the Company.

1.6 Company. Company means H&R Block, Inc., a Missouri corporation, and, unless the context otherwise requires, includes its "subsidiary corporations" (as defined in Section 424(f) of the Internal Revenue Code) and their respective divisions, departments and subsidiaries and the respective divisions, departments and subsidiaries of such subsidiaries.

1.7 Closing Price. Closing Price shall mean the last reported market price for one share of Common Stock, regular way, on the New York Stock Exchange (or any successor exchange or stock market on which such last reported market price is reported) on the day in question. In the event the exchange is closed on the day on which Closing Price is to be determined or if there were no sales reported on such date, Closing Price shall be computed as of the last date preceding such date on which the exchange was open and a sale was reported.

1.8 Disability. Disability or disabled shall be as defined in the employment practices or policies of the applicable subsidiary of the Company in effect from time to time during the term hereof or, absent such definition, then as defined in the H&R Block Retirement Savings Plan or any successor plan thereto.

1.9 Fair Market Value. Fair Market Value ("FMV") means the Closing Price for one share of H&R Block, Inc. Stock.

1.10 Last Day of Employment. Last Day of Employment means the date the Participant ceases for whatever reason to be an employee and is not immediately thereafter and continuously employed as a regular active employee by any other direct or indirect subsidiary of the Company

1.11 Line of Business. Line of Business of the Company means any line of business of the subsidiary of the Company by which Participant was employed as of the Last Day of Employment, as well as any one or more lines of business of any other subsidiary of the Company by which Participant was employed during the two-year period preceding the Last Day of Employment, *provided that*, if Participant's employment was, as of the Last Day of Employment or during the two-year period immediately prior to the Last Day of Employment, with H&R Block Management, LLC or any successor entity thereto, "Line of Business of the Company" shall mean any lines of business of the Company and all of its subsidiaries.

1.12 Qualifying Termination. Qualifying Termination shall mean Participant's termination of employment which meets the definition of a "Qualifying Termination" under a severance plan sponsored by the Company or a subsidiary of the Company. In the event that no formal severance plan exists for the Participant's subsidiary, the definition of "Qualifying Termination" contained in any applicable severance plan for the Company will govern.

1.13 Restricted Shares. Restricted Share ("Shares") means a share of Common Stock issued to a Participant under the Plan subject to such terms and conditions, including without limitation, forfeiture or resale to the Company, and to

such restrictions against sale, transfer or other disposition, as the Committee may determine at the time of issuance.

1.14 Retirement. Retirement means the Participant's voluntary termination of employment with the Company and each of its subsidiaries, at or after attaining age 65.

2. Restricted Shares.

2.1 Issuance of Shares. As of [Grant Date] (the "Award Date"), the Company shall issue [Number of Shares Granted] [Grant Type] (the "Shares") evidenced by this Grant Agreement to the Participant which shall be held by the Company and subject to the substantial risk of forfeiture.

2.2 Substantial Risk of Forfeiture. Each grant of an Award shall provide that the Shares covered thereby shall be subject to a "substantial risk of forfeiture" within the meaning of Code Section 83 for a period time as designated by Section 2.7, and any such Award may provide for the earlier termination of such risk of forfeiture in the event of change of control of the Company or other similar transaction or event.

2.3 Restrictions on Transfer. During for period the Shares are subject to substantial risk of forfeiture, the Shares shall be held by the Company, or its transfer agent or other designee and shall be subject to restrictions on transfer.

2.4 Dividends and Voting Rights. During the time that the Company, or its transfer agent or other designee, continues to hold any Shares subject to substantial risk of forfeiture, the Participant shall be entitled to receive any dividends paid with respect to such Shares and to vote such Shares on any matters submitted by the Company to its shareholders. Dividends paid with respect to such Shares may not be reinvested under the H&R Block, Inc. Dividend Reinvestment Plan, as amended.

2.5 Requirement of Employment. The Participant must remain in continuous employment of the Company during the period any Shares are subject to substantial risk of forfeiture. Absent an agreement to the contrary, if Participant's employment with the Company should terminate for any reason, other than Retirement, all Shares then held by the Company or its transfer agent or other designee, if any, shall be forfeited by the Participant and Participant authorizes the Company and its stock transfer agent to cause delivery, transfer and conveyance of the Shares to the Company.

2.6 Delivery of Shares. Any Shares to be delivered to the Participant by the Company in accordance with the following Schedule:

Vesting Date	Percent of Shares Subject to Vesting on Such Vesting Date
First Anniversary of the Award Date	25%
Second Anniversary of the Award Date	25%
Third Anniversary of the Award Date	25%
Fourth Anniversary of the Award Date	25%

Upon the vesting date, Shares shall be transferred directly into a brokerage account established for the Participant at a financial institution the Committee shall select at its sole discretion (the "Financial Institution") or delivered in certificate form free of restrictions, such method to be selected by the Committee in its sole discretion. The Participant agrees to complete any documentation with the Company or the financial institution that is necessary to affect the transfer of Shares to the financial institution before the delivery will occur.

2.7 *Acceleration of Vesting.* Notwithstanding Section 2.6, the Participant shall become vested in all or a portion of the Shares awarded under this Grant Agreement on the occurrence of any of the following events:

(a) Change of Control. In the event the Participant incurs a Qualifying Termination in the 24 months immediately following a Change of Control, as defined in Section 1.2, such Participant shall become 100% vested in all outstanding Shares granted under this Grant Agreement. Receipt of this award may be conditioned upon Participant's execution of a separation agreement.

(b) Qualifying Termination. The Participant experiences a Qualifying Termination, all or a portion of the then outstanding Shares granted under this Grant Agreement shall vest according to the terms of the applicable severance plan. Receipt of this award may be conditioned upon Participant's execution of a separation agreement.

(c) Retirement. If a Participant retires from employment with any subsidiary of the Company at least one year after the anniversary of the Grant Date, all Shares issued on such Grant Date shall no longer be considered to be held by the Company. Receipt of this retirement award may be conditioned upon Participant's execution of a separation agreement.

3. Covenants.

3.1 Consideration for Award under the Plan Participant acknowledges that Participant's agreement to this Section 3 is a key consideration for any Award under the Plan. Participant hereby agrees to abide by the Covenants set forth in Sections 3.2, 3.3, and 3.4.

3.2 Covenant Against Competition. During the period of Participant's employment and for two (2) years after his/her Last Day of Employment, Participant acknowledges and agrees he/she will not engage in, or own or control any interest in, or act as an officer, director or employee of, or consultant, advisor or lender to, any entity that engages in any business that is competitive with the primary business

activities of the Company's Tax Services business which are tax preparation, accounting, and small business services.

3.3 Covenant Against Hiring. Participant acknowledges and agrees the he/she will not directly or indirectly recruit, solicit, or hire any Company employee or otherwise induce any such employee to leave the Company's employment during the period of Participant's employment and for one (1) year after his/her Last Day of Employment.

3.4 Covenant Against Solicitation. During the period of Participant's employment and for two (2) years after his/her Last Day of Employment, Participant acknowledges and agrees that he/she will not directly or indirectly solicit or enter into any business transaction of the nature performed by the Company with any Company client for which Participant personally performed services or acquired material information.

3.5 Forfeiture of Rights. Notwithstanding anything herein to the contrary, if Participant violates any provisions of this Section 3, Participant shall forfeit all rights to payments or benefits under the Plan. All Shares held by the Company and subject to forfeiture on such date shall terminate.

3.6 Remedies. Notwithstanding anything herein to the contrary, if Participant violates any provisions of this Section 3, whether prior to, on or after any Settlement of an Award under the Plan, then Participant shall promptly pay to Company an amount equal to the aggregate Amount of Gain Realized by the Participant on all Shares received after a date commencing one year prior to Participant's Last Day of Employment. The Participant shall pay Company within three (3) business days after the date of any written demand by the Company to the Participant.

3.7 Remedies payable in Company's Common Stock or Cash. The Participant shall pay the amounts described in Section 3.6 in the Company's Common Stock or cash.

3.8 Remedies without Prejudice. The remedies provided in this Section 3 shall be without prejudice to the rights of the Company and/or the rights of any one or more of its subsidiaries to recover any losses resulting from the applicable conduct of the Participant and shall be in addition to any other remedies the Company and/or any one or more subsidiaries may have, at law or in equity, resulting from such conduct.

3.9 Survival. Participant's obligations in this Section 3 shall survive and continue beyond settlement of all Awards under the Plan and any termination or expiration of this Agreement for any reason.

4. Transfer Restrictions.

4.1 Transfer Restrictions on Shares. During the period that Shares are held by the Company hereunder for delivery to the Participant, such Shares and the rights

and privileges conferred hereby shall not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt, contrary to the terms hereof, to transfer, assign, pledge, hypothecate, or otherwise so dispose of such Shares or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment, or similar process upon such Shares or the rights and privileges hereby granted, then and in any such event this Agreement and the rights and privileges hereby granted shall immediately terminate. Immediately after such termination, such Shares shall be forfeited by the Participant and the Participant hereby authorizes the Company and its stock transfer agent to cause the delivery, transfer and conveyance of such Shares to the Company.

4.2 Non-Transferability of Awards Generally. Any Award (including all rights, privileges and benefits conferred under such Award) shall not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate, or otherwise dispose of any Award, or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon any attempted sale under any execution, attachment, or similar process upon the rights and privileges hereby granted, then and in any such event such Award and the rights and privileges hereby granted shall immediately become null and void.

5. Miscellaneous.

5.1 No Employment Contract. This Agreement does not confer on the Participant any right to continued employment for any period of time, is not an employment contract, and shall not in any manner modify any effective contract of employment between the Participant and any subsidiary of the Company.

5.2 Clawback for Negligence or Misconduct . If the Committee determines that the Participant has engaged in negligence or intentional misconduct that results in a significant restatement of the Company's financial results and a resulting overpayment in compensation or Awards under this Plan, the Committee may seek reimbursement of any portion of the Amount of Gain Realized from such Awards where such Awards were greater than the Awards would have been if calculated on the restated financial results.

5.3 Adjustment of Shares. If there shall be any change in the capital structure of the Company, including but not limited to a change in the number or kind of the outstanding shares of the Common Stock resulting from a stock dividend or split-up, or combination or reclassification of such shares (or of any stock or other securities into which shares shall have been changed, or for which they shall have been exchanged), then the Board of Directors of the Company shall make such equitable adjustments with respect to the Shares, or any other provisions of the Plan, as it deems necessary or appropriate to prevent dilution or enlargement of the Stock Option rights hereunder or of the shares subject to this Grant Agreement.

5.4 Merger, Consolidation, Reorganization, Liquidation, etc. If the Company shall become a party to any corporate merger, consolidation, major acquisition of property for stock, reorganization, or liquidation, the Board of Directors shall, acting in its absolute and sole discretion, make such arrangements, which shall be binding upon the Participant of outstanding Awards, including but not limited to, the substitution of new Awards or for any Awards then outstanding, the assumption of any such Awards and the termination of or payment for such Awards.

5.5 Interpretation and Regulations. The Board of Directors of the Company shall have the power to provide regulations for administration of the Plan by the Committee and to make any changes in such guidelines as from time to time the Board may deem necessary. The Committee shall have the sole power to determine, solely for purposes of the Plan and this Agreement, the date of and circumstances which shall constitute a cessation or termination of employment and whether such cessation or termination is the result of retirement, death, disability or termination without cause or any other reason, and further to determine, solely for purposes of the Plan and this Agreement, what constitutes continuous employment with respect to the delivery of Shares under the Grant Agreement (except that leaves of absence approved by the Committee or transfers of employment among the subsidiaries of the Company shall not be considered an interruption of continuous employment for any purpose under the Plan).

5.6 Reservation of Rights. If at any time counsel for the Company determines that qualification of the Shares under any state or federal securities law, or the consent or approval of any governmental regulatory authority, is necessary or desirable as a condition of the executing an Award or benefit under the Plan, then such action may not be taken, in whole or in part, unless and until such qualification, registration, consent or approval shall have been effected or obtained free of any conditions such counsel deems unacceptable.

5.7 Reasonableness of Restrictions, Severability and Court Modification. Participant and the Company agree that, the restrictions contained in this Agreement are reasonable, but, should any provision of this Agreement be determined by a court of competent jurisdiction to be invalid, illegal or otherwise unenforceable or unreasonable in scope, the validity, legality and enforceability of the other provisions of this Agreement will not be affected thereby, and the provision found invalid, illegal, or otherwise unenforceable or unreasonable will be considered by the Company and Participant to be amended as to scope of protection, time or geographic area (or any one of them, as the case may be) in whatever manner is considered reasonable by that court, and, as so amended will be enforced.

5.8 Withholding of Taxes. To the extent that the Company is required to withhold taxes in compliance with any federal, state, local or foreign law in connection with any payment made or benefit realized by a Participant or other person under this Plan, it shall be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for the payment of all such taxes required to be withheld. At the discretion of the Committee, such arrangements may include relinquishment of a

portion of such benefit. In the event the Participant has not made arrangements, the Company shall withhold the amount of such tax obligations from such dividend payment or instruct the Participant's employer to withhold such amount from the Participant's next payment(s) of wages. The Participant authorizes the Company to so instruct the Participant's employer and authorizes the Participant's employer to make such withholdings from payment(s) of wages.

5.9 Waiver. The failure of the Company to enforce at any time any terms, covenants or conditions of this Agreement shall not be construed to be a waiver of such terms, covenants or conditions or of any other provision. Any waiver or modification of the terms, covenants or conditions of this Agreement shall only be effective if reduced to writing and signed by both Participant and an officer of the Company.

5.10 Notices. Any notice to be given to the Company or election to be made under the terms of this Agreement shall be addressed to the Company (Attention: Long-Term Incentive Department) at One H&R Block Way, Kansas City Missouri 64105 or at such other address as the Company may hereafter designate in writing to the Participant. Any notice to be given to the Participant shall be addressed to the Participant at the last address of record with the Company or at such other address as the Participant may hereafter designate in writing to the Company. Any such notice shall be deemed to have been duly given when deposited in the United States mail via regular or certified mail, addressed as aforesaid, postage prepaid.

5.11 Choice of Law. This Grant Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Missouri without reference to principles of conflicts of laws.

5.12 Choice of Forum and Jurisdiction. Participant and Company agree that any proceedings to enforce the obligations and rights under this Grant Agreement must be brought in Missouri District Court located in Jackson County, Missouri, or in the United States District Court for the Western District of Missouri in Kansas City, Missouri. Participant agrees and submits to personal jurisdiction in either court. Participant and Company further agree that this Choice of Forum and Jurisdiction is binding on all matters related to Awards under the Plan and may not be altered or amended by any other arrangement or agreement (including an employment agreement) without the express written consent of Participant and H&R Block, Inc.

5.13 Attorneys Fees. Participant and Company agree that in the event of litigation to enforce the terms and obligations under this Grant Agreement, the party prevailing in any such cause of action will be entitled to reimbursement of reasonable attorney fees.

5.14 Relationship of the Parties. Participant acknowledges that this Grant Agreement is between H&R Block, Inc. and Participant. Participant further acknowledges that H&R Block, Inc. is a holding company and that Participant is not an employee of H&R Block, Inc.

5.15 Headings. The section headings herein are for convenience only and shall not be considered in construing this Agreement.

5.16 Amendment. No amendment, supplement, or waiver to this Agreement is valid or binding unless in writing and signed by both parties.

5.17 Execution of Agreement. This Agreement shall not be enforceable by either party, and Participant shall have no rights with respect to the Long Term Incentive Award, unless and until it has been (1) signed by Participant and on behalf of the Company by an officer of the Company, *provided that* the signature by such officer of the Company on behalf of the Company may be a facsimile or stamped signature, and (2) returned to the Company.

In consideration of said Award and the mutual covenants contained herein, the parties agree to the terms set forth above.

The parties hereto have executed this Grant Agreement.

Associate Name: [Participant Name]

Date Signed: [Acceptance Date]

H&R BLOCK, INC.
By:

Russ Smyth,
President and Chief Executive Officer

Exhibit 10.3

H&R BLOCK, INC.
2003 LONG-TERM EXECUTIVE COMPENSATION PLAN
GRANT AGREEMENT

This Grant Agreement is entered into by and between H&R Block, Inc., a Missouri corporation (the " **Company**"), and [Participant Name] ("Participant").

WHEREAS, the Company provides certain incentive awards to key employees of subsidiaries of the Company under the H&R Block, Inc. 2003 Long-Term Executive Compensation Plan (the "Plan");

WHEREAS, receipt of such Awards under the Plan are conditioned upon a Participant's execution of a Grant Agreement within 180 days of [Grant Date], wherein Participant agrees to abide by certain terms and conditions authorized by the Compensation Committee of the Board of Directors;

WHEREAS, the Participant has been selected by the Compensation Committee or the Chief Executive Officer of the Company as a key employee of one of the subsidiaries of the Company and is eligible to receive Awards under the Plan.

NOW THEREFORE, in consideration of the parties promises and agreements set forth in this Grant Agreement, the sufficiency of which the parties hereby acknowledge,

IT IS AGREED AS FOLLOWS:

1. Definitions. Whenever a term is used in this Grant Agreement ("Agreement"), the following words and phrases shall have the meanings set forth below unless the context plainly requires a different meaning, and when a defined meaning is intended, the term is capitalized.

1.1 Amount of Gain Realized. The Amount of Gain Realized shall be equal to the number of shares of Common Stock purchased pursuant to such exercise multiplied by the difference between the FMV of one Share of the Company's Common Stock on the date of exercise and the Option Price.

1.2 Change of Control means the occurrence of one or more of the following events:

(a) Any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Company. If any one person, or more than one person acting as a group, is considered to own more than 50 percent of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or persons shall not be considered to cause a change in the ownership of the corporation. An increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which the Company acquires

its stock in exchange for property will be treated as an acquisition of stock for purposes of this Section 1.2(a).

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

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

(d) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50 percent of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. Notwithstanding the foregoing, there is no Change in Control event under this Section 1.2(d) when there is a transfer to an entity that is controlled by the shareholders of the Company immediately after the transfer. A transfer of assets by the Company is not treated as a change in the ownership of such assets if the assets are transferred to: (i) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock; (ii) an entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by the Company; (iii) a person, or more than one person acting as a group, that owns, directly or indirectly, 50 percent or more of the total value or voting power of all the outstanding stock of the Company; or (iv) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person described in (iii) above.

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

1.3 Code. Code means the Internal Revenue Code of 1986, as amended.

1.4 Committee. Committee means the Compensation Committee of the Board of Directors for H&R Block, Inc.

1.5 Common Stock. Common Stock means the common stock, without par value, of the Company.

1.6 Company. Company means H&R Block, Inc., a Missouri corporation, and, unless the context otherwise requires, includes its "subsidiary corporations" (as defined in Section 424(f) of the Internal Revenue Code) and their respective divisions, departments and subsidiaries and the respective divisions, departments and subsidiaries of such subsidiaries.

1.7 Closing Price. Closing Price shall mean the last reported market price for one share of Common Stock, regular way, on the New York Stock Exchange (or any successor exchange or stock market on which such last reported market price is reported) on the day in question. In the event the exchange is closed on the day on which Closing Price is to be determined or if there were no sales reported on such date, Closing Price shall be computed as of the last date preceding such date on which the exchange was open and a sale was reported.

1.8 Disability. Disability or disabled shall be as defined in the employment practices or policies of the applicable subsidiary of the Company in effect from time to time during the term hereof or, absent such definition, then as defined in the H&R Block Retirement Savings Plan or any successor plan thereto.

1.9 Fair Market Value. Fair Market Value ("FMV") means the Closing Price for one share of H&R Block, Inc. Stock.

1.10 Last Day of Employment. Last Day of Employment means the date the Participant ceases for whatever reason to be an employee and is not immediately thereafter and continuously employed as a regular active employee by any other direct or indirect subsidiary of the Company

1.11 Line of Business. Line of Business of the Company means any line of business of the subsidiary of the Company by which Participant was employed as of the Last Day of Employment, as well as any one or more lines of business of any other subsidiary of the Company by which Participant was employed during the two-year period preceding the Last Day of Employment, *provided that*, if Participant's employment was, as of the Last Day of Employment or during the two-year period immediately prior to the Last Day of Employment, with H&R Block Management, LLC or any successor entity thereto, "Line of Business of the Company" shall mean any lines of business of the Company and all of its subsidiaries.

1.12 Qualifying Termination. Qualifying Termination shall mean Participant's termination of employment which meets the definition of a "Qualifying Termination" under a severance plan sponsored by the Company or a subsidiary of the Company. In the event that no formal severance plan exists for the Participant's subsidiary, the definition of "Qualifying Termination" contained in any applicable severance plan for the Company will govern.

1.13 Retirement. Retirement means the Participant's voluntary termination of employment with the Company and each of its subsidiaries, at or after attaining age 65.

1.14 Stock Option. Stock Option means the right to purchase, upon exercise of a stock option granted under the Plan, shares of the Company's Common Stock. A Stock Option may be an Incentive Stock Option which meets the requirements of Code Section 422(b) or a Nonqualified Stock Option. The right and option to purchase shares of Common Stock identified as subject to Nonqualified Stock Option shall not constitute and shall not be treated for any purpose as an "incentive stock option," as such term is defined in the Code.

2. Stock Option.

2.1 Grant of Stock Option. As of [Grant Date] (the "Grant Date"), the Company grants the Participant the right and option to purchase [Number of Shares Granted] shares of Common Stock (this "Stock Option") identified as [Grant Type].

2.2 Option Price. The Price per share of Common Stock subject to this Stock Option is [Grant Price], which is the Closing Price on [Grant Date].

2.3 Vesting. This Stock Option shall vest and become exercisable in installments, which shall be cumulative, with regard to the percentage of the number of shares of Common Stock subject to this Stock Option indicated next to each vesting date set forth in the table below provided that the Participant remains continuously employed by the Company through such date:

Vesting Date	Percent of Shares Subject to this Stock Option Vesting on Such Vesting Date
First Anniversary of the Grant Date	25%
Second Anniversary of the Grant Date	25%
Third Anniversary of the Grant Date	25%
Fourth Anniversary of the Grant Date	25%

(Note: If the percentage of the aggregate number of shares of Common Stock subject to this Stock Option scheduled to vest on a vesting date is not a whole number of shares, then the amount vesting shall be rounded down to the nearest whole number of shares for each vesting date, except that the amount vesting on the final vesting date shall be such that 100% of the aggregate number of shares of Common Stock subject to this Stock Option shall be cumulatively vested as of the final vesting date.)

2.4 Acceleration of Vesting. Notwithstanding Section 2.3, the Participant shall become vested in all or a portion of the Stock Options awarded under this Grant Agreement on the occurrence of any of the following events:

(a) Change of Control. In the event the Participant incurs a Qualifying Termination in the 24 months immediately following a Change of Control,

as defined in Section 1.2, such Participant shall become 100% vested in all outstanding stock options granted under this Grant Agreement. The Participant may exercise such options until the earlier of: (i) ninety (90) days following the Participant's Last Day of Employment unless the Participant elects in writing to extend this time period through the severance period as defined by the applicable severance plan or (ii) the last day the stock options would have been exercisable if the Participant had not incurred a termination of employment. Receipt of this award may be conditioned on the execution of a separation agreement.

(b) Retirement. The Participant may purchase 100% of the total Stock Options granted under this Stock Option provided that the Participant retires more than one year after the Grant Date. Receipt of this award may be conditioned upon Participant's execution of a separation agreement.

(c) Qualifying Termination. The Participant experiences a Qualifying Termination, all or a portion of the then outstanding Stock Options granted under this Stock Option shall vest according to any applicable severance plan and Participant may purchase 100% of such vested Stock Options. Receipt of this award may be conditioned upon Participant's execution of a separation agreement.

(d) Employment Agreement. The Participant may purchase all or a portion of the total vested Stock Options granted under this Stock Option upon the occurrence of certain events specified in the Participant's employment agreement.

If application of this Section 2.4 results in the acceleration of vesting of all or any portion of the Stock Options, shares of Common Stock then subject to Stock Options shall be allocated such that the number of shares subject to Incentive Stock Option shall be the maximum number of shares that may be subject to Incentive Stock Option under Section 422 of the Code for the calendar year in which the acceleration of vesting results.

2.5 *Term of Option.* No Stock Option granted under this Grant Agreement may be exercised after [Expiration Date]. Except as provided in this Section 2.5 and Section 2.6, all Stock Options shall terminate when the Participant ceases, for whatever reason, to be an employee of any of the subsidiaries of the Company. In the event the Participant ceases to be an employee of any of the subsidiaries of the Company because of Retirement, Disability or Termination without Cause, Participant may exercise any vested Stock Options up to three months after employment ceases. In the event the Participant experiences a Qualifying Termination, this Stock Option may be eligible for an extension of the exercise period up to three months after the severance period as defined under the applicable severance plan.

2.6 Participant's Death. In the event the Participant ceases to be an employee of any of the subsidiaries of the Company because of Death, the person or persons to whom the Participant's rights under the Stock Option shall pass by the Participant's will or laws of descent and distribution may exercise any vested Stock Options for a period up to twelve months after the date of death.

2.7 Exercise of Stock Option. The Stock Option granted under the Plan shall be exercisable from time to time by the Participant by giving notice of exercise to the Company, in the manner specified by the Company, specifying the number of whole shares to be purchased, and accompanied by full payment of the purchase price. The right to purchase shall be cumulative, so that the full number of shares of Common Stock that become purchasable at any time need not be purchased at such time, but may be purchased at any time or from time to time thereafter (but prior to the termination of the Stock Option).

2.8 Payment of the Option Price. Full payment of the Option Price for shares purchased shall be made at the time the Participant exercises the Stock Option. Payment of the aggregate Option Price may be made in (a) cash, (b) by delivery of Common Stock (with a value equal to the Closing Price of Common Stock on the last trading date preceding the date on which the Stock Option is exercised), or (c) a combination thereof. Payment shall be made only in cash unless at least six months have elapsed between the date of Participant's acquisition of each share of Common Stock delivered by Participant in full or partial payment of the aggregate Option Price and the date on which the Stock Option is exercised.

2.9 No Shareholder Privileges. Neither the Participant nor any person claiming under or through him or her shall be, or have any of the rights or privileges of, a shareholder of the Company with respect to any of the Common Stock issuable upon the exercise of this Stock Option, unless and until certificates evidencing such shares of Common Stock shall have been duly issued and delivered.

3. Covenants.

3.1 Consideration for Award under the Plan. Participant acknowledges that Participant's agreement to this Section 3 is a key consideration for any Award under the Plan. Participant hereby agrees to abide by the Covenants set forth in Sections 3.2, 3.3, and 3.4.

3.2 Covenant Against Competition. During the period of Participant's employment and for two (2) years after his/her Last Day of Employment, Participant acknowledges and agrees he/she will not engage in, or own or control any interest in, or act as an officer, director or employee of, or consultant, advisor or lender to, any entity that engages in any business that is competitive with the primary business activities of the Company's Tax Services business which are tax preparation, accounting, and small business services.

3.3 Covenant Against Hiring. Participant acknowledges and agrees the he/she will not directly or indirectly recruit, solicit, or hire any Company employee or otherwise induce any such employee to leave the Company's employment during the period of Participant's employment and for one (1) year after his/her Last Day of Employment.

3.4 Covenant Against Solicitation. During the period of Participant's employment and for two (2) years after his/her Last Day of Employment, Participant

acknowledges and agrees that he/she will not directly or indirectly solicit or enter into any business transaction of the nature performed by the Company with any Company client for which Participant personally performed services or acquired material information.

3.5 Forfeiture of Rights. Notwithstanding anything herein to the contrary, if Participant violates any provisions of this Section 3, Participant shall forfeit all rights to payments or benefits under the Plan. All Stock Options outstanding on such date shall terminate.

3.6 Remedies. Notwithstanding anything herein to the contrary, if Participant violates any provisions of this Section 3, whether prior to, on or after any Settlement of an Award under the Plan, then Participant shall promptly pay to Company an amount equal to the aggregate Amount of Gain Realized by the Participant on all Stock Options exercised after a date commencing one year prior to Participant's Last Day of Employment. The Participant shall pay Company within three (3) business days after the date of any written demand by the Company to the Participant.

3.7 Remedies payable in Company's Common Stock or Cash. The Participant shall pay the amounts described in Section 3.6 in the Company's Common Stock or cash.

3.8 Remedies without Prejudice. The remedies provided in this Section 3 shall be without prejudice to the rights of the Company and/or the rights of any one or more of its subsidiaries to recover any losses resulting from the applicable conduct of the Participant and shall be in addition to any other remedies the Company and/or any one or more subsidiaries may have, at law or in equity, resulting from such conduct.

3.9 Survival. Participant's obligations in this Section 3 shall survive and continue beyond settlement of all Awards under the Plan and any termination or expiration of this Agreement for any reason.

4. Non-Transferability of Awards. Any Stock Option (including all rights, privileges and benefits conferred under such Award) shall not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate, or otherwise dispose of any Stock Option, or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon any attempted sale under any execution, attachment, or similar process upon the rights and privileges hereby granted, then and in any such event such Award and the rights and privileges hereby granted shall immediately become null and void.

5. Miscellaneous.

5.1 No Employment Contract. This Agreement does not confer on the Participant any right to continued employment for any period of time, is not an

employment contract, and shall not in any manner modify any effective contract of employment between the Participant and any subsidiary of the Company.

5.2 Clawback for Negligence or Misconduct . If the Committee determines that the Participant has engaged in negligence or intentional misconduct that results in a significant restatement of the Company's financial results and a resulting overpayment in compensation or Awards under this Plan, the Committee may seek reimbursement of any portion of the Amount of Gain Realized from such Awards where such Awards were greater than the Awards would have been if calculated on the restated financial results.

5.3 Adjustment of Shares. If there shall be any change in the capital structure of the Company, including but not limited to a change in the number or kind of the outstanding shares of the Common Stock resulting from a stock dividend or split-up, or combination or reclassification of such shares (or of any stock or other securities into which shares shall have been changed, or for which they shall have been exchanged), then the Board of Directors of the Company shall make such equitable adjustments with respect to the Stock Option, or any other provisions of the Plan, as it deems necessary or appropriate to prevent dilution or enlargement of the Stock Option rights hereunder or of the shares subject to this Stock Option.

5.4 Merger, Consolidation, Reorganization, Liquidation, etc. If the Company shall become a party to any corporate merger, consolidation, major acquisition of property for stock, reorganization, or liquidation, the Board of Directors shall, acting in its absolute and sole discretion, make such arrangements, which shall be binding upon the Participant of outstanding Awards, including but not limited to, the substitution of new Awards or for any Awards then outstanding, the assumption of any such Awards and the termination of or payment for such Awards.

5.5 Interpretation and Regulations. The Board of Directors of the Company shall have the power to provide regulations for administration of the Plan by the Committee and to make any changes in such guidelines as from time to time the Board may deem necessary. The Committee shall have the sole power to determine, solely for purposes of the Plan and this Agreement, the date of and circumstances which shall constitute a cessation or termination of employment and whether such cessation or termination is the result of retirement, death, disability or termination without cause or any other reason, and further to determine, solely for purposes of the Plan and this Agreement, what constitutes continuous employment with respect to the exercise of Stock Option or delivery of Shares under the Plan (except that leaves of absence approved by the Committee or transfers of employment among the subsidiaries of the Company shall not be considered an interruption of continuous employment for any purpose under the Plan).

5.6 Reservation of Rights. If at any time counsel for the Company determines that qualification of the Shares under any state or federal securities law, or the consent or approval of any governmental regulatory authority, is necessary or desirable as a condition of the executing an Award or benefit under the Plan, then such action may not be taken, in whole or in part, unless and until such qualification,

registration, consent or approval shall have been effected or obtained free of any conditions such counsel deems unacceptable.

5.7 Reasonableness of Restrictions, Severability and Court Modification. Participant and the Company agree that, the restrictions contained in this Agreement are reasonable, but, should any provision of this Agreement be determined by a court of competent jurisdiction to be invalid, illegal or otherwise unenforceable or unreasonable in scope, the validity, legality and enforceability of the other provisions of this Agreement will not be affected thereby, and the provision found invalid, illegal, or otherwise unenforceable or unreasonable will be considered by the Company and Participant to be amended as to scope of protection, time or geographic area (or any one of them, as the case may be) in whatever manner is considered reasonable by that court, and, as so amended will be enforced.

5.8 Withholding of Taxes. To the extent that the Company is required to withhold taxes in compliance with any federal, state, local or foreign law in connection with any payment made or benefit realized by a Participant or other person under this Plan, it shall be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for the payment of all such taxes required to be withheld. At the discretion of the Committee, such arrangements may include relinquishment of a portion of such benefit. In the event the Participant has not made arrangements, the Company shall withhold the amount of such tax obligations from such dividend payment or instruct the Participant's employer to withhold such amount from the Participant's next payment(s) of wages. The Participant authorizes the Company to so instruct the Participant's employer and authorizes the Participant's employer to make such withholdings from payment(s) of wages.

5.9 Waiver. The failure of the Company to enforce at any time any terms, covenants or conditions of this Agreement shall not be construed to be a waiver of such terms, covenants or conditions or of any other provision. Any waiver or modification of the terms, covenants or conditions of this Agreement shall only be effective if reduced to writing and signed by both Participant and an officer of the Company.

5.10 Incorporation. The terms and conditions of this Grant Agreement are authorized by the Compensation Committee of the Board of Directors of H&R Block, Inc. The terms and conditions of this Grant Agreement are deemed to be incorporated into and form a part of every Award under the H&R Block, Inc. 1993 Long-Term Executive Compensation Plan and H&R Block, Inc. 2003 Long-Term Executive Compensation Plan unless the Award Certificate relating to a specific grant or award provides otherwise. If the Participant has previously executed a Grant Agreement, such Grant Agreement shall only cover those Awards subject to such specific Grant Agreement.

5.11 Notices. Any notice to be given to the Company or election to be made under the terms of this Agreement shall be addressed to the Company (Attention: Long-Term Incentive Department) at One H&R Block Way, Kansas City Missouri 64105 or at such other address as the Company may hereafter designate in writing to

the Participant. Any notice to be given to the Participant shall be addressed to the Participant at the last address of record with the Company or at such other address as the Participant may hereafter designate in writing to the Company. Any such notice shall be deemed to have been duly given when deposited in the United States mail via regular or certified mail, addressed as aforesaid, postage prepaid.

5.12 Choice of Law. This Grant Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Missouri without reference to principles of conflicts of laws.

5.13 Choice of Forum and Jurisdiction. Participant and Company agree that any proceedings to enforce the obligations and rights under this Grant Agreement must be brought in Missouri District Court located in Jackson County, Missouri, or in the United States District Court for the Western District of Missouri in Kansas City, Missouri. Participant agrees and submits to personal jurisdiction in either court. Participant and Company further agree that this Choice of Forum and Jurisdiction is binding on all matters related to Awards under the Plan and may not be altered or amended by any other arrangement or agreement (including an employment agreement) without the express written consent of Participant and H&R Block, Inc.

5.14 Attorneys Fees. Participant and Company agree that in the event of litigation to enforce the terms and obligations under this Grant Agreement, the party prevailing in any such cause of action will be entitled to reimbursement of reasonable attorney fees.

5.15 Relationship of the Parties. Participant acknowledges that this Grant Agreement is between H&R Block, Inc. and Participant. Participant further acknowledges that H&R Block, Inc. is a holding company and that Participant is not an employee of H&R Block, Inc.

5.16 Headings. The section headings herein are for convenience only and shall not be considered in construing this Agreement.

5.17 Amendment. No amendment, supplement, or waiver to this Agreement is valid or binding unless in writing and signed by both parties.

5.18 Execution of Agreement. This Agreement shall not be enforceable by either party, and Participant shall have no rights with respect to the Long Term Incentive Award, unless and until it has been (1) signed by Participant and on behalf of the Company by an officer of the Company, *provided that* the signature by such officer of the Company on behalf of the Company may be a facsimile or stamped signature, and (2) returned to the Company.

In consideration of said Award and the mutual covenants contained herein, the parties agree to the terms set forth above.

The parties hereto have executed this Grant Agreement.

Associate Name: [Participant Name]

Date Signed: [Acceptance Date]

H&R BLOCK, INC.
By:

Russ Smyth,
President and Chief Executive Officer

SEPARATION AND RELEASE AGREEMENT

This SEPARATION AND RELEASE AGREEMENT (the "Agreement") is entered into as of the 4th day of May, 2010, by and between, H&R Block Management, LLC, a Delaware Limited Liability Company ("Block"), and Becky Shulman ("Executive").

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

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

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

1. Termination of Employment. The parties agree that Executive's employment with Block will terminate on April 30, 2010 ("Termination Date"). Until the Termination Date, Executive will remain on active payroll and be paid her current salary in accordance with Block's regular payroll practices. Until the Termination Date, Executive agrees that she will continue to perform her role and other transition work as specifically agreed by Block Chief Executive Officer ("CEO") Russ Smyth. Executive further agrees that she will timely respond to questions and provide guidance as requested by Mr. Smyth. On or after the Termination Date, Executive acknowledges and agrees that she will not represent herself as being an employee, officer, director, trustee, member, partner, agent, or representative of Block for any purpose, and will not make any public statements on behalf of Block.

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

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

a. Severance Pay. Subject to the terms of the Severance Plan, Block will pay to Executive $610,560.00, less required tax withholdings, in a lump sum payment within 30 days from the later of the Termination Date or the Effective Date of this Agreement.

b. Employee Benefits. Executive will remain eligible to participate in the various health and welfare benefit plans maintained by Block until the Termination Date. After the Termination Date, Block will pay Executive a lump sum payment of $10,219.00, less applicable tax withholdings, which represents Executive's monthly post-employment

premium for health and welfare benefits under COBRA for 12 months less the amount Executive paid for such benefits as an active employee. To be eligible for the payment described in this subsection, Executive must be enrolled in Block's health and welfare plans on the Terminate Date. If Executive qualifies for this payment, Block will pay Executive this payment within 30 days from the later of the Termination Date or the Effective Date of this Agreement. Conversion privileges may also be available for other benefit plans.

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

d. Restricted Shares. All restrictions on any shares of Block's common stock Block awarded to Executive ("Restricted Shares") that would have lapsed absent a termination of employment in accordance with their terms by reason of time between the Termination Date and six (6) months thereafter shall terminate (and shall be fully vested) as of the Termination Date. Executive shall forfeit on the Termination Date any shares unaffected by the operation of this Section. A list of the Restricted Shares outstanding as of the date of this Agreement and to become vested pursuant to this Section is attached as Exhibit C.

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

f. Outplacement Services. Block will pay directly to Right Management Services for standard executive outplacement services to be provided to Executive. Executive must elect these outplacement services on or before April 30, 2010 in writing to the

Block Senior Vice-President, Human Resources. Executive waives these outplacement services if she fails to provide such written notification on or before April 30, 2010.

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

h. Forfeiture. Executive agrees that the compensation and benefits described in this Section will cease, and no further compensation and benefits will be provided to her if she violates any of the post-employment obligations under Section 7 of this Agreement.

4. Vacation. Block will pay Executive for her accrued, unused paid time off which includes vacation, floating holidays, and personal days (but excludes sick leave as set forth in the Company's policies) within 30 days of the Termination Date. Executive will not receive any other payment for vacation or holidays.

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

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

7. Post-Employment Obligations. Executive agrees to the following post-employment covenants and restrictions:

a. Covenant Against Hiring. Executive acknowledges and agrees that she will not directly or indirectly recruit, solicit, or hire any Block employee or otherwise induce any such employee to leave Block's employment during the period of Executive's employment and for one (1) year after the Termination Date. The running of the one (1) year period will be suspended during any period of violation and/or any period of time required to enforce this covenant by litigation or threat of litigation.

b. Covenant Against Solicitation. During the period of Executive's employment and for two (2) years after the Termination Date, Executive acknowledges and

agrees that she will not directly or indirectly solicit or enter into any business transaction of the nature performed by Block with any Block client for which Executive personally performed services or acquired material information. The running of the two (2) year period will be suspended during any period of violation and/or any period of time required to enforce this covenant by litigation or threat of litigation.

c. Covenant Against Competition. During the period of Executive's employment and for two (2) years after the Termination Date, Executive acknowledges and agrees she will not engage in, or own or control any interest in, or act as an officer, director or employee of, or consultant, advisor or lender to, any entity that engages in any business that is competitive with the primary business activity of Block's Tax Services business which is tax preparation. The running of the two (2) year period will be suspended during any period of violation and/or any period of time required to enforce this covenant by litigation or threat of litigation.

d. Reasonableness of Covenants. Executive acknowledges and agrees that the covenants contained in this Agreement are reasonable and enforceable. However, should a court determine that any provision of this Agreement is invalid or otherwise unenforceable, the court shall amend such provision so that it is enforceable and so enforce it.

e. Waiver. Block may agree to waive any of Executive's surviving post-employment obligations. Any such waiver must be in writing and signed by Executive and the Block Chief Executive Officer. Unless otherwise agreed by the parties in writing, any payments made to and/or benefits received by Executive under this Agreement will immediately cease upon any such waiver.

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

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

a. The foregoing release includes, but is not limited to, (1) any claim of retaliation or discrimination on the basis of race, sex, pregnancy, religion, marital status, sexual orientation, national origin, handicap or disability, age, veteran status, special disabled veteran status, or citizenship status or any other category protected by law; (2) any other claim based on a statutory prohibition or requirement such as the Age Discrimination in Employment Act, Title VII of the Civil Rights Act, the Americans With Disabilities Act, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, the Missouri Human Rights Act, the Missouri Service Letter Statute, and the Civil Rights Ordinance of Kansas City, Missouri; (3) any claim arising out of or related to an express or implied employment contract, any other contract affecting terms and conditions of employment, or a covenant of good faith and fair dealing; (4) any tort claims such as

wrongful discharge, detrimental reliance, defamation, emotional distress, or compensatory or punitive damages; (5) any personal gain with respect to any claim arising under the qui tam provisions of the False Claims Act, 31 U.S.C. 3730, and (6) any claims to attorney fees, expenses, costs, disbursements, and the like.

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

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

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

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

11. Executive Availability. Executive agrees to make herself reasonably available to Block and/or Affiliates to respond to requests for information pertaining to or relating to Block and/or its Affiliates, agents, officers, directors, or employees. Executive will cooperate fully with Block and/or Affiliates in connection with any and all existing or future litigation or investigations brought by or against Block or any of its Affiliates, agents, officers, directors or employees, whether administrative, civil or criminal in nature, in which and to the extent Block and/or Affiliates deem Executive's cooperation necessary. Block will reimburse Executive for reasonable out-of pocket expenses incurred as a result of such cooperation. Block and Executive further agree that if Block requires Executive's cooperation for more than five (5) days during any calendar year, Block will pay Executive a per diem of $1500 per day for each day of Executive's cooperation which exceeds five (5) days during such calendar year. Nothing herein shall prevent Executive from communicating with or participating in any government investigation.

12. Non-Disparagement. Executive agrees, subject to any obligations she may have under applicable law, that she will not make or cause to be made any statements that disparage, are inimical to, or damage the reputation of Block or any of its Affiliates, agents, officers, directors, or employees. In the event such a communication is made to anyone, including but not limited to the media, public interest groups, and publishing companies, it will be considered a material breach of the terms of this Agreement and Executive will be required to reimburse Block for any and all compensation and benefits (other than those already vested) paid under the terms of this Agreement and all commitments to make additional payments to Executive will be null and void.

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

14. Severability of Provisions. In the event that any provision in this Agreement is determined to be legally invalid or unenforceable by any court of competent jurisdiction, and cannot be modified to be enforceable, the affected provision shall be stricken from the Agreement, and the remaining terms of the Agreement and its enforceability shall remain unaffected.

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

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

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

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

19. Indemnification. To the fullest extent permitted by law and Block's Bylaws, Block will indemnify Executive during and after the period of her employment from and against all loss, costs, damages, and expenses including, without limitation, legal expenses of counsel selected by Block to represent the interests of Executive (which expenses Block will, to the extent so permitted,

advance to executive as the same are incurred) arising out of or in connection with the fact that Executive is or was a director, officer, employee, or agent of the Block or serving in such capacity for another corporation at the request of Block.

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

21. 409A Representations. Executive and Block agree that this Agreement shall be interpreted to comply with Section 409A of the Internal Revenue Code and that Block has made a good faith effort to comply with current guidance under Section 409A. Notwithstanding the foregoing or any provision in this Agreement to the contrary, Block does not warrant or promise compliance with Section 409A, and Executive understands and agrees that she shall not have any claim against Block or any Affiliate for any good faith effort taken by them to comply with Section 409A.

22. Confidentiality. Executive agrees to keep strictly confidential all terms and conditions, including amounts, in this Agreement and shall not disclose them to any person other than his immediate family, legal or financial advisor, or U.S. government officials who seek such information in the course of their official duties, unless compelled to do so by law. If a person not a party to this Agreement requests or demands, by subpoena or otherwise, that Executive disclose or produce this Agreement or any terms or conditions of it, Executive shall immediately notify Block and shall give Block an opportunity to respond to such notice before taking any action or making any decision in connection with such request or subpoena.

EXECUTIVE:

_____

Becky Shulman

Dated: _____

Accepted and Agreed:
H&R Block Management, LLC

By: _____

Russell P. Smyth
President

Dated: _____

EXHIBIT A

RESIGNATION

To Whom It May Concern:

Effective April 30, 2010, I hereby resign from the following director and officer positions:

Business Entity	Title
H&R Block, Inc.	Senior Vice President and Chief Financial Officer
BFC Transactions, Inc.	Treasurer
Block Financial LLC	President and Chief Financial Officer
Block Financial LLC	Manager
Cityfront, Inc.	Treasurer
Companion Insurance, Ltd.	Director
Companion Insurance, Ltd.	Vice President
Financial Marketing Services, Inc.	Treasurer
Financial Stop Inc.	Treasurer
FM Business Services, Inc.	Treasurer
Franchise Partner, Inc.	Director
Franchise Partner, Inc.	President and Treasurer
H&R Block Bank	Director
H&R Block Canada, Inc.	Senior Vice President and Treasurer
H&R Block Management, LLC	Senior Vice President and Chief Financial Officer
HRB Digital LLC	Senior Vice President and Treasurer
OOMC Holdings LLC	Senior Vice President and Treasurer
RSM McGladrey Business Services, Inc.	Senior Vice President and Treasurer
RSM McGladrey Insurance Services, Inc.	Treasurer
TaxNet Inc.	Senior Vice President and Treasurer

Dated: _____

_____

Becky Shulman

EXHIBIT B

STOCK OPTION SUMMARY

Grant Date	Grant Price	Shares Granted	Vested	Accelerated
8/7/2001	$ 17.529	20,000	20,000	0
6/30/2002	$ 23.075	20,000	20,000	0
6/30/2003	$ 21.625	16,000	16,000	0
6/30/2004	$ 23.84	16,000	16,000	0
6/30/2005	$ 29.175	20,000	20,000	0
6/30/2006	$ 23.86	31,405	31,405	0
6/30/2007	$ 23.37	41,945	27,963	13,982
7/3/2008	$ 21.81	96,401	32,133	64,268
7/2/2009	$ 16.89	105,714	0	70,475*
		Total	183,501	148,725

* Executive forfeits 35,239 stock options from the July 2, 2009 grant.

EXHIBIT C

RESTRICTED SHARES SUMMARY

Grant Date	Grant Price	Shares Granted	Vested	Accelerated
7/2/2007	$ 23.37	1,440	720	720*
7/2/2009	$ 16.89	5,895	0	0*
		Total	720	720

* Executive forfeits 5,895 shares from the July 2, 2009 grant.

EXHIBIT D

PERFORMANCE SHARES SUMMARY

Grant Date	Grant Price	Shares Granted	Vested	Accelerated
6/30/2007	$ 0.00	2,675	*	
7/3/2008	$ 0.00	5,463		*

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

Exhibit 10.19

H&R BLOCK, INC.
2008 DEFERRED STOCK UNIT PLAN FOR OUTSIDE DIRECTORS
(as amended September 24, 2009)

1. ***Purposes***. The purposes of this 2008 Deferred Stock Unit Plan for Outside Directors are to attract, retain and reward experienced and qualified directors who are not employees of the Company or any Subsidiary of the Company, and to secure for the Company and its shareholders the benefits of stock ownership in the Company by those directors.

2. ***Definitions***.

(a) "Account" shall mean a recordkeeping account for each Recipient reflecting the number of Deferred Stock Units credited to such a Recipient.

(b) "Beneficiary" or "Beneficiaries" shall mean the persons or trusts designated by a Recipient in writing pursuant to Section 10(a) of the Plan as being entitled to receive any benefit payable under the Plan by reason of the death of a Recipient, or, in the absence of such designation, the persons specified in Section 10(b) of the Plan.

(c) "Board of Directors" shall mean the board of directors of the Company.

(d) "Closing Price" shall mean the last reported market price for one share of Common Stock, regular way, on the New York Stock Exchange (or any successor exchange or stock market on which such last reported market price is reported) on the day in question. If such exchange or market is closed on the day on which Closing Price is to be determined or if there were no sales reported on such date, Closing Price shall be computed as of the last date preceding such date on which such exchange or market was open and a sale was reported.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(f) "Common Stock" shall mean the common stock, without par value, of the Company.

(g) "Company" shall mean H&R Block, Inc., a Missouri corporation.

(h) "Deferred Stock Unit" shall mean the unit of measurement of a Recipient's interest in the Plan.

(i) "Director" shall mean a member of the Board of Directors of the Company or a member of the Board of Directors of any Subsidiary of the Company, as the case may be. With respect only to awards made within thirty (30) days after initial approval of this Plan by shareholders of the Company, Director shall include an individual who was a Director in June, 2008 and whose term expired at the 2008 annual meeting of shareholders at which this Plan was initially approved.

(j) "Outside Director" shall mean a Director who is not an employee of the Company on the date of grant of the Deferred Stock Unit. As used herein, "employee of the Company" means any full-time employee of the Company, its subsidiaries and their respective

divisions, departments and subsidiaries and the respective divisions, departments and subsidiaries of such subsidiaries who is employed at least thirty-five (35) hours a week; provided, however, it is expressly understood that an employee of the Company does not include independent contractors or other persons not otherwise employed by the Company or any Subsidiary of the Company but who provide legal, accounting, investment banking or other professional services to the Company or any Subsidiary of the Company.

(k) "Plan" shall mean this 2008 Deferred Stock Unit Plan for Outside Directors, as the same may be amended from time to time.

(l) "Recipient" shall mean an Outside Director of the Company or any Subsidiary of the Company who has been granted a Deferred Stock Unit under the Plan or any person who succeeds to the rights of such Outside Director under this Plan by reason of the death of such Outside Director.

(m) "Related Company" shall mean (i) any corporation that is a member of a controlled group of corporations (as defined in Section 414(b) of the Code) that includes that Company; and (ii) any trade or business (whether or not incorporated) that is under common control (as defined in Section 414(c) of the Code) with the Company (for purposes of applying Sections 414(b) and (c) of the Code, twenty-five percent (25%) is substituted for the eighty percent (80%) ownership level).

(n) "Separation from Service" shall mean that a Director ceases to be a Director and it is not anticipated that the individual will thereafter perform services for the Company or a Related Company. For this purpose, services provided as an employee are disregarded if this Plan is not aggregated with any plan in which a Director participates as an employee pursuant to Treasury Regulation section 1.409A-1(c)(2)(ii).

(o) "Subsidiary of the Company" shall mean a subsidiary of the Company, its divisions, departments, and subsidiaries and the respective divisions, departments and subsidiaries of such subsidiaries.

3. ***Administration of the Plan***. The Plan may be administered by the Board of Directors. A majority of the Board of Directors shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by all members of the Board of Directors, shall be valid acts of the Board of Directors.

The Board of Directors shall have full power and authority to construe, interpret and administer the Plan and, subject to the other provisions of this Plan, to make determinations which shall be final, conclusive and binding upon all persons, including, without limitation, the Company, the shareholders of the Company, the Board of Directors, the Recipients and any persons having any interest in any Deferred Stock Units which may be granted under this Plan. The Board of Directors shall impose such additional conditions upon Deferred Stock Units granted under this Plan and the exercise thereof as may from time to time be deemed necessary or advisable, in the opinion of counsel to the Company, to comply with applicable laws and regulations. The Board of Directors from time to time may adopt rules and regulations for carrying out the Plan and written policies for implementation of the Plan. Such policies may

include, but need not be limited to, the type, size and terms of Deferred Stock Units to be granted to Outside Directors.

4. ***Awards***. The Board of Directors may, in its sole and absolute discretion, from time to time during the continuance of the Plan, (i) determine which Outside Directors shall be granted Deferred Stock Units under the Plan, (ii) grant Deferred Stock Units to any Outside Directors so selected, (iii) determine the date of grant, size and terms of Deferred Stock Units to be granted to Outside Directors of any Subsidiary of the Company (subject to Sections 7, 13 and 14 hereof, as the same may be hereafter amended), and (iv) do all other things necessary and proper to carry out the intentions of this Plan.

5. ***Eligibility***. Deferred Stock Units may be granted to any Outside Director; however, no Outside Director or other person shall have any claim or right to be granted a Deferred Stock Unit under the Plan.

6. ***Credits***. The number of Deferred Stock Units credited to a Recipient's Account pursuant to an award shall equal the dollar amount of the award divided by the average Closing Price for the ten consecutive trading dates ending on the date of award. If a cash dividend is paid on Common Stock, a Recipient's Account shall be credited with the number of Deferred Stock Units equal to the amount of dividend that would have been paid with respect to the Deferred Stock Units if they were shares of Common Stock, divided by the Closing Price on the date the dividends were paid. If a stock dividend is paid on Common Stock, a Recipient's Account shall be credited with the same number of Deferred Stock Units as the number of shares of Common Stock the Recipient would have received as a dividend if the Deferred Stock Units credited to his Account were shares of Common Stock.

7. ***Stock Subject to the Plan***. The total number of shares of Common Stock issuable under this Plan may not at any time exceed three hundred thousand (300,000) shares, subject to adjustment as provided in Sections 16 and 17 hereof. Shares of Common Stock not actually issued pursuant to Deferred Stock Units shall be available for future awards of Deferred Stock Units. Shares of Common Stock to be delivered under the Plan may be either authorized but unissued Common Stock or treasury shares.

8. ***Vesting***. All Deferred Stock Units credited to a Recipient's Account shall be fully vested at all times.

9. ***Payment***.

(a) ***Time and Form of Payment Upon Separation from Service***. If a Recipient has a Separation from Service for a reason other than death, payment of his Account shall be made in one lump sum on the six month anniversary of the date the Recipient had a Separation from Service. If the New York Stock Exchange (or any successor exchange or stock market on which shares of the Common Stock are traded) is not open on such day, then payment shall be made on the next day the New York Stock Exchange (or any successor exchange or stock market on which shares of the Common Stock are traded) is open.

(b) ***Payment Following Death***. If a Recipient dies prior to the payment in full of all amounts due him under the Plan, the balance of his Account shall be payable to his

designated Beneficiary in a lump sum as soon as reasonably practical following death, but no later than ninety (90) days following the Recipient's death. The beneficiary designation shall be revocable and must be made in writing in a manner approved by the Company.

(c) ***Medium of Payment***. Payment of a Director's Account shall be made in shares of Common Stock. The number of shares of Common Stock issued shall equal the number, rounded up to the next whole number, of Deferred Stock Units credited to a Director's Account.

10. ***Beneficiary***.

(a) ***Designation by Recipient***. Each Recipient has the right to designate primary and contingent Beneficiaries for death benefits payable under the Plan. Such Beneficiaries may be individuals or trusts for the benefit of individuals. A beneficiary designation by a Recipient shall be in writing on a form acceptable to the Company and shall only be effective upon delivery to the Company. In the event a Recipient is married at the time he or she designates a beneficiary other than his or her spouse, such designation will not be valid unless the Recipient's spouse consents in writing to such designation. A beneficiary designation may be revoked by a Recipient at any time by delivering to the Company either written notice of revocation or a new beneficiary designation form. The beneficiary designation form last delivered to the Company prior to the death of a Recipient shall control.

(b) ***Failure to Designate Beneficiary***. In the event there is no beneficiary designation on file with the Company, or all Beneficiaries designated by a Recipient have predeceased the Recipient, the benefits payable by reason of the death of the Recipient shall be paid to the Recipient's spouse, if living; if the Recipient does not leave a surviving spouse, to the Recipient's issue by right of representation; or, if there are no such issue then living, to the Recipient's estate. In the event there are benefits remaining unpaid at the death of a sole Beneficiary and no successor Beneficiary has been designated, either by the Recipient or the Recipient's spouse pursuant to Section 10(a), the remaining balance of such benefit shall be paid to the deceased Beneficiary's estate; or, if the deceased Beneficiary is one of multiple concurrent Beneficiaries, such remaining benefits shall be paid proportionally to the surviving Beneficiaries.

11. ***Unfunded***. This Plan is unfunded and payable solely from the general assets of the Company. The Recipients shall be unsecured creditors of the Company with respect to their interests in the Plan.

12. ***No Claim on Specific Assets***. No Recipient shall be deemed to have, by virtue of being a Recipient, any claim on any specific assets of the Company such that the Recipient would be subject to income taxation on his or her benefits under the Plan prior to distribution and the rights of Recipients and Beneficiaries to benefits to which they are otherwise entitled under the Plan shall be those of an unsecured general creditor of the Company.

13. ***Continuation as Director***. The Board of Directors shall require that a Recipient be an Outside Director at the time a Deferred Stock Unit is granted. The Board of Directors shall have the sole power to determine the date of any circumstances which shall constitute cessation as a Director and to determine whether such cessation is the result of death or any other reason.

14. ***Registration of Stock***. No shares of Common Stock may be issued at any time when its exercise or the delivery of shares of Common Stock or other securities thereunder would, in the opinion of counsel for the Company, be in violation of any state or federal law, rule or ordinance, including any state or federal securities laws or any regulation or ruling of the Securities and Exchange Commission.

15. ***Non-Assignability***. No Deferred Stock Unit granted pursuant to the Plan shall be transferable or assignable by the Recipient other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder; *provided however,* that a Recipient may transfer or assign a Deferred Stock Unit to an entity that is or was a shareholder of the Company at any time during which the Recipient served as a Director (a "Shareholder Entity") if (i) the Recipient is affiliated with the manager of the investments made by such Shareholder Entity or otherwise serves as a Director at the Shareholder Entity's discretion or request, and (ii) pursuant to the Shareholder Entity's governance documents or any regulatory, contractual or other requirement, any consideration the Recipient may receive as compensation for serving as a Director must be transferred, assigned, surrendered or otherwise paid to the Shareholder Entity.

16. ***Dilution or Other Adjustments***. In the event of any change in the capital structure of the Company, including but not limited to a change resulting from a stock dividend or split, or combination or reclassification of shares, the Board of Directors shall make such equitable adjustments with respect to the Deferred Stock Units or any provisions of this Plan as it deems necessary or appropriate, including, if necessary, any adjustment in the maximum number of shares of Common Stock subject to an outstanding Deferred Stock Unit.

17. ***Merger, Consolidation, Reorganization, Liquidation, Etc***. If the Company shall become a party to any corporate merger, consolidation, major acquisition of property for stock, reorganization or liquidation, the Board of Directors shall make such arrangements it deems advisable with respect to outstanding Deferred Stock Units, which shall be binding upon the Recipients of outstanding Deferred Stock Units, including, but not limited to, the substitution of new Deferred Stock Units for any Deferred Stock Units then outstanding, the assumption of such Deferred Stock Units and the termination of or payment for such Deferred Stock Units.

18. ***Costs and Expenses***. The cost and expenses of administering the Plan shall be borne by the Company and not charged to any Deferred Stock Unit nor to any Recipient.

19. ***Deferred Stock Unit Agreements***. The Board of Directors shall have the power to specify the form of Deferred Stock Unit agreements to be granted from time to time pursuant to and in accordance with the provisions of the Plan and such agreements shall be final, conclusive and binding upon the Company, the shareholders of the Company and the Recipients. No Recipient shall have or acquire any rights under the Plan except such as are evidenced by a duly executed agreement in the form thus specified.

20. ***No Shareholder Privileges***. Neither the Recipient nor any person claiming under or through him or her shall be or have any of the rights or privileges of a shareholder of the Company in respect to any of the Common Stock issuable with respect to any Deferred Stock

Unit, unless and until certificates evidencing such shares of Common Stock shall have been duly issued and delivered.

21. ***Guidelines***. The Board of Directors shall have the power to provide guidelines for administration of the Plan and to make any changes in such guidelines as from time to time the Board deems necessary.

22. ***Amendment and Discontinuance***. The Board of Directors shall have the right at any time during the continuance of the Plan to amend, modify, supplement, suspend or terminate the Plan, provided that (a) no amendment, supplement, modification, suspension or termination of the Plan shall in any material manner affect any Deferred Stock Unit of any kind theretofore granted under the Plan without the consent of the Recipient of the Deferred Stock Unit, unless such amendment, supplement, modification, suspension or termination is by reason of any change in capital structure referred to in Section 16 hereof or unless the same is by reason of the matters referred to in Section 17 hereof; (b) Section 409A of the Code is not violated thereby, and (c) if the Plan is duly approved by the shareholders of the Company, no amendment, modification or supplement to the Plan shall thereafter, in the absence of the approval of the holders of a majority of the shares of Common Stock present in person or by proxy at a duly constituted meeting of shareholders of the Company, (i) increase the aggregate number of shares which may be issued under the Plan, unless such increase is by reason of any change in capital structure referred to in Section 16 hereof, or (ii) change the termination date of the Plan provided in Section 23 hereof.

23. ***Termination***. Deferred Stock Units may be granted in accordance with the terms of the Plan until September 4, 2018, on which date this Plan will terminate except as to Deferred Stock Units then outstanding hereunder, which Deferred Stock Units shall remain in effect until they have been paid out according to their terms.

24. ***Notices***. Any notice permitted or required under the Plan shall be in writing and shall be hand delivered or sent, postage prepaid, by certified mail with return receipt requested, to the principal office of the Company, if to the Company, or to the address last shown on the records of the Company, if to a Recipient or Beneficiary. Any such notice shall be effective as of the date of hand delivery or mailing.

25. ***No Guarantee of Membership***. Neither the adoption and maintenance of the Plan nor the award of Deferred Stock Units by the Company to any Director shall be deemed to be a contract between the Company and any Recipient to retain his or her position as a Director.

26. ***Withholding***. The Company may withhold from any payment of benefits under the Plan such amounts as the Company determines are reasonably necessary to pay any taxes (and interest thereon) required to be withheld or for which the Company may become liable under applicable law. Any amounts withheld pursuant to this Section 26 in excess of the amount of taxes due (and interest thereon) shall be paid to the Recipient or Beneficiary upon final determination, as determined by the Company, of such amount. No interest shall be payable by the Company to any Recipient or Beneficiary by reason of any amounts withheld pursuant to this Section 26.

27. ***409A Compliance***. To the extent provisions of this Plan do not comply with 409A of the Code, the non-compliant provisions shall be interpreted and applied in the manner that complies with 409A of the Code and implements the intent of this Plan as closely as possible.

28. ***Release***. Any payment of benefits to or for the benefit of a Recipient or Beneficiaries that is made in good faith by the Company in accordance with the Company's interpretation of its obligations hereunder, shall be in full satisfaction of all claims against the Company for benefits under this Plan to the extent of such payment.

29. ***Captions***. Article and section headings and captions are provided for purposes of reference and convenience only and shall not be relied upon in any way to construe, define, modify, limit, or extend the scope of any provision of the Plan.

30. ***Approval***. This Plan shall take effect upon due approval by the Board of Directors and the shareholders of the Company.

Exhibit 10.36

EXECUTION COPY

Published CUSIP Number: 09365VAE1

CREDIT AND GUARANTEE AGREEMENT

Dated as of March 4, 2010

among

BLOCK FINANCIAL LLC,
as the Borrower,

H&R BLOCK, INC.,
as the Guarantor,

The Lenders Party Hereto,

WELLS FARGO BANK, N.A.
as Syndication Agent,

BNP PARIBAS,
as Documentation Agent,

and

BANK OF AMERICA, N.A.,
as Administrative Agent and Swingline Lender

BANC OF AMERICA SECURITIES LLC,
WELLS FARGO SECURITIES, LLC and
BNP PARIBAS SECURITIES CORP.

Joint Lead Arrangers and Joint Book Managers

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SCHEDULES

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Form of

CREDIT AND GUARANTEE AGREEMENT

This CREDIT AND GUARANTEE AGREEMENT is entered into as of March 4, 2010, among BLOCK FINANCIAL LLC, a Delaware limited liability company (the "Borrower"), H&R BLOCK, INC., a Missouri corporation (the "Guarantor"), each lender from time to time party hereto (collectively, the "Lenders" and individually, a "Lender"), and BANK OF AMERICA, N.A. **,** as Administrative Agent and Swingline Lender.

The Borrower has requested that the Lenders provide a revolving credit facility, and the Lenders are willing to do so on the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

Section 1.01 Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"Administrative Agent" means Bank of America in its capacity as administrative agent for the Lenders hereunder, or any successor administrative agent.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 10.01, or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

"Administrative Questionnaire" means an Administrative Questionnaire in a form approved by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. For the avoidance of doubt, neither the Guarantor nor any of its Subsidiaries shall be deemed to Control any of its franchisees by virtue of provisions in the relevant franchise agreement regulating the business and operations of such franchisee.

"Aggregate Commitments" means the Commitments of all the Lenders.

"Agreement" means this Credit and Guarantee Agreement.

"Applicable Percentage" means, with respect to any Lender, the percentage of the Aggregate Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for any day, the rate per annum based on the Ratings in effect on such day, as set forth under the relevant column heading below:

Category	Ratings	Applicable Rate for Base Rate Loans	Applicable Rate for Eurodollar Rate Loans	Facility Fees Payable Hereunder
I	Higher than: A- by S&P or A3 by Moody's	0.300%	1.300%	0.200%
II	A- by S&P or A3 by Moody's	0.750%	1.750%	0.250%
III	BBB+ by S&P or Baa1 by Moody's	1.125%	2.125%	0.375%
IV	BBB by S&P or Baa2 by Moody's	1.125%	2.125%	0.500%
V	BBB- by S&P or Baa3 by Moody's	1.400%	2.400%	0.600%
VI	Lower than: BBB- by S&P or Baa3 by Moody's	1.800%	2.800%	0.700%

; provided that (a) if on any day the Ratings of S&P and Moody's do not fall in the same category, then the higher of such Ratings shall be applicable for such day, unless one of the two ratings is two or more Ratings levels lower than the other, in which case the applicable rate shall be determined by reference to the Ratings level next below that of the higher of the two ratings, (b) if on any day the Rating of only S&P or Moody's is available, then such Rating shall be applicable for such day and (c) if on any day a Rating is not available from both S&P and Moody's, then the Ratings in category VI above shall be applicable for such day. Any change in the Applicable Rate resulting from a change in Rating by either S&P or Moody's shall become effective on the date such change is publicly announced by such rating agency.

"Arranger" means any of Banc of America Securities LLC, Wells Fargo Securities, LLC and BNP Paribas Securities Corp. in its capacity as a joint lead arranger and joint book manager.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 10.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit D or any other form approved by the Administrative Agent.

"Availability Period" means the period from the Closing Date to the earlier of the Maturity Date and the date of termination of the Commitments.

"Bank of America" means Bank of America, N.A. and its successors.

"Base Rate" means for any day a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate" and (c) the Eurodollar Rate plus 1.00%. The "prime rate" is a rate set by Bank of America based upon various factors, including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank

of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Committed Loan" means a Committed Loan that is a Base Rate Loan.

"Base Rate Loan" means a Loan that bears interest based on the Base Rate.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" has the meaning assigned to such term in the introductory paragraph hereof.

"Borrower Materials" has the meaning specified in Section 5.01.

"Borrowing" means (a) Committed Loans of the same Type made, converted or continued on the same date and, in the case of Eurodollar Rate Loans, as to which a single Interest Period is in effect or (b) a Swingline Loan.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the laws of, or are in fact closed in, New York City and, if such day relates to any Eurodollar Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Capital Stock" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants or options to purchase any of the foregoing.

"Cash Collateralize" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the Administrative Agent or the Swingline Lender (as applicable) and the Lenders, as collateral for obligations of Defaulting Lenders to fund participations in Swingline Loans, cash or deposit account balances or, if the Swingline Lender shall agree in its sole discretion, other credit support, in each case pursuant to documentation in form and substance satisfactory to (a) the Administrative Agent and (b) the Swingline Lender (as applicable). "Cash Collateral" shall have a meaning correlative to the foregoing and shall include the proceeds of such cash collateral and other credit support.

"Cash Equivalents": (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof

and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by (i) any Lender, (ii) any commercial bank organized under the laws of the United States or any state thereof having combined capital and surplus of not less than $500,000,000 or (iii) any other bank if, and to the extent, covered by FDIC insurance; (c) commercial paper of an issuer rated at least A-1 by S&P or P-1 by Moody's, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition; (d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days, with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A2 by Moody's; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition; (g) money market mutual or similar funds that invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition; (h) money market funds that (i) comply with the criteria set forth in SEC Rule 2a-7 under the Investment Company Act of 1940, (ii) are rated AAA by S&P and Aaa by Moody's and (iii) have portfolio assets of at least $1,000,000,000; (i) interests in privately offered investment funds under Section 3(c)(7) of the U.S. Investment Company Act of 1940 where such interests are (i) freely transferable and (ii) rated AAA by S&P or Aaa by Moody's; and (j) one month LIBOR floating rate asset backed securities that are (i) freely transferable and (ii) rated AAA by S&P or Aaa by Moody's.

"Change in Control" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934, and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof) of shares representing more than 25% of the aggregate ordinary voting power represented by the issued and outstanding Capital Stock of the Guarantor; (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Guarantor by Persons who were neither (i) nominated by the board of directors of the Guarantor nor (ii) appointed by directors so nominated; (c) the acquisition of direct or indirect Control of the Guarantor by any Person or group; or (d) the failure of the Guarantor to own, directly or indirectly, shares representing 100% of the aggregate ordinary voting power represented by the issued and outstanding Capital Stock of the Borrower.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.10(b), by any Lending Office of such Lender or by such Lender's holding company, if any) with any request, guideline or

directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Charges" has the meaning assigned to such term in Section 10.14.

"Closing Date" means the first date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 10.02.

"Code" means the Internal Revenue Code of 1986.

"Commitment" means, as to each Lender, its obligation to (a) make Committed Loans to the Borrower pursuant to Section 2.01 and (b) purchase participations in Swingline Loans, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

"Committed Borrowing" means a borrowing consisting of simultaneous Committed Loans of the same Type and, in the case of Eurodollar Rate Loans, having the same Interest Period made by each of the Lenders pursuant to Section 2.01.

"Committed Loan" has the meaning specified in Section 2.01.

"Committed Loan Notice" means a notice of (a) a Committed Borrowing, (b) a conversion of Committed Loans from one Type to the other, or (c) a continuation of Eurodollar Rate Loans, pursuant to Section 2.02(a), which, if in writing, shall be substantially in the form of Exhibit A.

"Company" means any of the Guarantor, the Borrower or any Subsidiary.

"Consolidated Net Worth" means, at any time, the total amount of stockholders' equity of the Guarantor and its consolidated Subsidiaries at such time determined on a consolidated basis in accordance with GAAP.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Credit Parties" means the collective reference to the Borrower and the Guarantor.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Defaulting Lender" means, subject to Section 2.17(b), any Lender that, as determined by the Administrative Agent, (a) has failed to perform any of its funding obligations hereunder, including in respect of its Loans or participations in respect of Swingline Loans, within three Business Days of the date required to be funded by it hereunder, (b) has notified the Borrower, or the Administrative Agent that it does not intend to comply with its funding obligations or has made a public statement to that effect with respect to its funding obligations hereunder or under other agreements in which it commits to extend credit, (c) has failed, within three Business Days after written request by the Administrative Agent (based on its reasonable belief that such Lender may not fulfill its funding obligations), to confirm in a manner satisfactory to the Administrative Agent that it will comply with its funding obligations hereunder, or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any debtor relief law, (ii) had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or a custodian appointed for it, or (iii) taken any action in furtherance of, or indicated its consent to, approval of or acquiescence in any such proceeding or appointment; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority.

"Disclosed Matters" means (a) matters disclosed in the Borrower's public filings with the Securities and Exchange Commission prior to March 1, 2010 and (b) the actions, suits, proceedings and environmental matters disclosed in Schedule 3.06.

"Dollar" or "$" refers to lawful money of the United States of America.

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, to the management, release or threatened release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of any Company directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with either Credit Party, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) a determination that any Plan is in "at risk" status (within the meaning of Section 303 of ERISA); (c) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by either Credit Party or any of their ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by either Credit Party or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the conditions for imposition of a lien under Section 303(k) of ERISA shall have been met with respect to any Plan; (g) the incurrence by either Credit Party or any of their ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (h) the receipt by either Credit Party or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from either Credit Party or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurodollar Rate" means:

(a) for any Interest Period with respect to a Eurodollar Rate Loan, the rate per annum equal to the British Bankers Association LIBOR Rate (" BBA LIBOR"), as published by Reuters (or another commercially available source providing quotations of BBA LIBOR as reasonably designated by the Administrative Agent from time to time in a notice to the Borrower) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period; or if such rate is not available at such time for any reason, then the "Eurodollar Rate" for such Interest Period shall be the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period; and

(b) for any interest rate calculation with respect to a Base Rate Loan, the rate per annum equal to (i) BBA LIBOR, as published by Reuters (or another commercially available source providing quotations of BBA LIBOR as reasonably designated by the Administrative Agent from time to time in a notice to the Borrower) at approximately 11:00 a.m., London time, two Business Days prior to the date of determination for Dollar deposits being delivered in the London interbank market for a term of one month

commencing that day; or (ii) if such rate is not available at such time for any reason, the rate determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the date of determination in same day funds in the approximate amount of the Base Rate Loan being made, continued or converted by Bank of America and with a term equal to one month would be offered by Bank of America's London Branch to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the date of determination.

"Eurodollar Rate Loan" means a Committed Loan that bears interest at a rate based on clause (a) of the definition of "Eurodollar Rate".

"Event of Default" means any event or condition described in Section 8.01.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable Lending Office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.14(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement or is attributable to such Foreign Lender's failure or inability to comply with Section 2.12(e), except to the extent that such Foreign Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.12(a).

"Existing Agreements" means (a) the Five-Year Credit and Guarantee Agreement, dated as of August 10, 2005, among the Borrower, the Guarantor, various financial institutions and JPMorgan Chase Bank, N.A., as Administrative Agent and (b) the Amended and Restated Five-Year Credit and Guarantee Agreement, dated as of August 10, 2005, among the Borrower, the Guarantor, various financial institutions and JPMorgan Chase Bank, N.A., as administrative agent.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

"Fee Letters" means the letter agreements, each dated February 3, 2010, among the Borrower, the Administrative Agent and the respective Arrangers.

"Financial Officer" means the chief financial officer, principal accounting officer, treasurer or controller of the Borrower or the Guarantor, as the context may require.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Fronting Exposure" means, at any time there is a Defaulting Lender, such Defaulting Lender's Applicable Percentage of Swingline Loans other than Swingline Loans as to which such Defaulting Lender's participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof.

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state, provincial or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the " primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Guarantee Obligation" means, as to any Person, any obligation of such Person guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including any obligation of such Person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary

obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation shall be deemed to be an amount equal as of any date of determination to the stated determinable amount of the primary obligation in respect of which such Guarantee Obligation is made (unless such Guarantee Obligation shall be expressly limited to a lesser amount, in which case such lesser amount shall apply) or, if not stated or determinable, the amount as of any date of determination of the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith.

"Guarantor" has the meaning assigned to such term in the introductory paragraph hereof.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable and accrued expenses incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty, (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances, (k) for purposes of Section 6.02 only, all preferred stock issued by a Subsidiary of such Person and (l) obligations under any RAL Receivables Transaction or Other Receivables Transaction to the extent of the related RAL Receivables Amount or Other Receivables Amount, respectively. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to

the extent the terms of such Indebtedness provide that such Person is not liable therefor. Indebtedness of a Person shall not include obligations with respect to funds held by such Person in custody for, or for the benefit of, third parties which are to be paid at the direction of such third parties (and are not used for any other purpose).

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnitee" has the meaning assigned to such term in Section 10.04(b).

"Indirect RAL Participation Transaction" means any transaction by any Company involving (a) an investment in a partnership, limited partnership, limited liability company, limited liability partnership, business trust or other pass-through entity which is partially owned by any Company, (b) the purchase by such pass-through entity of refund anticipation loans or participation interests in refund anticipation loans (and/or related rights and interests), and (c) the distribution of cash flow received by such pass-through entity with respect to such refund anticipation loans or participation interests therein to the owners of such pass-through entity.

"Information" has the meaning assigned to such term in Section 10.03.

"Interest Payment Date" means, (a) as to any Loan other than a Base Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided, however, that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan (including a Swingline Loan), the last Business Day of each March, June, September and December and the Maturity Date.

"Interest Period" means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one or two weeks or one, two, three or six months thereafter, as selected by the Borrower in its Committed Loan Notice; provided that:

(i) any Interest Period (other than a one or two week Interest Period) that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period (other than a one or two week Interest Period) that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period shall extend beyond the Maturity Date.

"Lender" has the meaning assigned to such term in the introductory paragraph hereof and, as the context requires, includes the Swingline Lender.

"Lending Office" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities; provided that clause (c) above shall be deemed not to include stock options granted by any Person to its directors, officers or employees with respect to the Capital Stock of such Person.

"Loan" means an extension of credit by a Lender to the Borrower under Article II in the form of a Committed Loan or a Swingline Loan.

"Loan Documents" means this Agreement and the Notes, if any, and the Fee Letters.

"Margin Stock" means any "margin stock" as defined in Regulation U of the Board.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets or condition (financial or otherwise) of the Guarantor and its Subsidiaries taken as a whole, (b) the ability of either Credit Party to perform any of its obligations under this Agreement or (c) the rights of or benefits available to the Lenders under this Agreement.

"Material Indebtedness" means Indebtedness (other than the Loans), or obligations in respect of one or more Hedging Agreements, of one or more of the Companies in an aggregate principal amount exceeding $40,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of any Company in respect of any Hedging Agreement at any time shall be the aggregate amount (giving effect to any netting agreements) that such Company would be required to pay if such Hedging Agreement were terminated at such time.

"Material Subsidiary" means any Subsidiary of a Credit Party the aggregate assets or revenues of which, as of the last day of the most recently ended fiscal quarter for which the Borrower has delivered financial statements pursuant to Section 5.01(a) or (b), (x) when aggregated with the assets or revenues of all other Subsidiaries with respect to which the actions contemplated by Section 6.04 are taken, are greater than 5% of the total assets or total revenues, as applicable, of the Guarantor and its consolidated Subsidiaries, or (y) as to such Subsidiary, are greater than 5% of the total assets or total revenues, as applicable, of the Guarantor and its consolidated Subsidiaries, in each case as determined in accordance with GAAP.

"Maturity Date" means July 31, 2013; provided, however, that if such date is not a Business Day, the Maturity Date shall be the next succeeding Business Day.

"Maximum Rate" has the meaning assigned to such term in Section 10.14.

"Moody's" means Moody's Investors Service, Inc. and any successor thereto.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Note" means a promissory note made by the Borrower in favor of a Lender evidencing Loans made by such Lender, substantially in the form of Exhibit C.

"Obligations" means, collectively, the unpaid principal of and interest on the Loans and all other obligations and liabilities of the Borrower (including interest accruing at the then applicable rate provided herein after the maturity of the Loans and interest accruing at the then applicable rate provided herein after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) to the Administrative Agent or any Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement or any other document made, delivered or given in connection herewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by the Borrower pursuant to the terms of any of the foregoing agreements).

"Other Receivables Amount" means, at any time, the difference (but not less than zero) between (i) the aggregate amount of funds received by the Guarantor, any Subsidiary or any qualified or unqualified special purpose entity created by any Subsidiary with respect to the transfer of loans or advances to customers, or participation interests in such loans or advances (and/or related rights and interests), to any third party in any Other Receivables Transaction, at or prior to such time, minus (ii) the aggregate amount received by all such third parties with respect to the transferred loans or advances, or participation interests in such loans or advances (and/or related rights and interests), in all Other Receivables Transactions, at or prior to such time, excluding from the amounts received by such third parties, the aggregate amount of any origination, set up, structuring or similar fees, all implicit or explicit financing expenses and all indemnification and reimbursement payments paid to any such third party in connection with any Other Receivables Transaction.

"Other Receivables Transaction" means any securitization, on — or off- balance sheet financing or sale transaction, involving financial products or services offered to retail customers of any Company, or any participation interest therein (and/or related rights and interests), that were acquired by a Company or any qualified or unqualified special purpose entity created by any Company; excluding any RAL Receivables Transaction.

"Other Taxes" means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Participant" has the meaning assigned to such term in Section 10.06(e).

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Encumbrances" means:

(a) judgment Liens in respect of judgments not constituting an Event of Default under clause (k) of Article VIII;

(b) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 5.04;

(c) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.04;

(d) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(e) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business; and

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of any Company;

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA that is maintained for employees of either Credit Party or any ERISA Affiliate (or, if such plan were terminated, either Credit Party or any ERISA Affiliate could have liability under Section 4069 of ERISA.

"Platform" has the meaning assigned to such term in Section 5.01.

"Public Lender" has the meaning assigned to such term in Section 5.01.

"RAL Receivables Amount" means, at any time, the difference (but not less than zero) between (i) the aggregate amount of funds received by the Guarantor, any Subsidiary or any qualified or unqualified special purpose entity created by any Subsidiary with respect to the

transfer of refund anticipation loans, or participation interests in refund anticipation loans (and/or related rights and interests), to any third party in any RAL Receivables Transaction, at or prior to such time, minus (ii) the aggregate amount received by all such third parties with respect to the transferred refund anticipation loans, or participation interests in refund anticipation loans (and/or related rights and interests), in all RAL Receivables Transactions, at or prior to such time, excluding from the amounts received by such third parties, the aggregate amount of any origination, set up, structuring or similar fees, all implicit or explicit financing expenses and all indemnification and reimbursement payments paid to any such third party in connection with any RAL Receivables Transaction.

"RAL Receivables Transaction" means any securitization, on – or off – balance sheet financing or sale transaction, involving refund anticipation loans, or participation interests in refund anticipation loans (and/or related rights and interests), that were acquired by the Guarantor, any Subsidiary or any qualified or unqualified special purpose entity created by any Subsidiary.

"Rating" means the rating of S&P or Moody's, as the case may be, applicable to the long-term senior unsecured non-credit enhanced debt of the Borrower, as announced by S&P or Moody's, as the case may be, from time to time.

"Register" has the meaning assigned to such term in Section 10.06(c).

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective partners, directors, officers, employees, agents, trustees and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, as of any date of determination, Lenders having more than 50% of the Aggregate Commitments or, if the commitment of each Lender to make Loans has been terminated pursuant to Section 8.02, Lenders holding in the aggregate more than 50% of the Total Outstandings (with the aggregate amount of each Lender's risk participation and funded participation in Swingline Loans being deemed "held" by such Lender for purposes of this definition); provided that the Commitment of, and the portion of the Total Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

"Restricted Margin Stock" means all Margin Stock owned by the Guarantor and its Subsidiaries to the extent the value of such Margin Stock does not exceed 25% of the value of all assets of the Guarantor and its Subsidiaries (determined on a consolidated basis) that are subject to the provisions of Section 6.03 and 6.04.

"RSM" means RSM McGladrey, Inc., a Delaware corporation.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto.

"Short-Term Debt" means, at any time, the aggregate amount of Indebtedness of the Guarantor and its Subsidiaries at such time (excluding seasonal Indebtedness of H&R Block Canada, Inc.) having a final maturity less than one year after such time, determined on a

consolidated basis in accordance with GAAP plus (without duplication) the aggregate amount of Indebtedness at such time under this Agreement, minus (a) to the extent otherwise included therein, Indebtedness outstanding at such time (i) under mortgage facilities secured by mortgages and related assets, (ii) incurred to fund servicing obligations required as part of servicing mortgage backed securities in the ordinary course of business, (iii) incurred and secured by broker-dealer Subsidiaries in the ordinary course of business and (iv) deposits and other customary banking related liabilities incurred by banking Subsidiaries in the ordinary course of business, (b) the excess, if any, of (i) the aggregate amount of cash and Cash Equivalents held at such time in accounts of the Guarantor and its Subsidiaries (other than broker-dealer Subsidiaries and banking Subsidiaries) to the extent freely transferable to the Credit Parties and capable of being applied to the Obligations without any contractual, legal or tax consequences over (ii) $15,000,000 and (c) to the extent otherwise included therein, the current portion of long term debt.

"Subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more Subsidiaries of the parent or by the parent and one or more Subsidiaries of the parent. Notwithstanding the foregoing, no entity shall be considered a "Subsidiary" solely as a result of the effect and application of FASB Interpretation No. 46R, " *Consolidation of Variable Interest Entities*" (FIN 46R), as amended by FASB Statement of Financial Standards No. 167, "*Amendments to FASB Interpretation No. 46(R)*", and any subsequent FASB statements or interpretations. Unless the context shall otherwise require, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Guarantor, including the Borrower and the Subsidiaries of the Borrower.

"Swingline Borrowing" means a borrowing of a Swingline Loan pursuant to Section 2.03.

"Swingline Lender" means Bank of America in its capacity as provider of Swingline Loans, or any successor swingline lender hereunder.

"Swingline Loan" has the meaning assigned to such term in Section 2.03(a).

"Swingline Loan Notice" means a notice of a Swingline Borrowing pursuant to Section 2.03(b), which, if in writing, shall be substantially in the form of Exhibit B.

"Swingline Sublimit" means an amount equal to the lesser of (a) $150,000,000 and (b) 10% of the Aggregate Commitments. The Swingline Sublimit is part of, and not in addition to, the Aggregate Commitments.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Total Outstandings" means, on any date, the aggregate outstanding principal amount of Committed Loans and Swingline Loans after giving effect to any borrowings and prepayments or repayments of Committed Loans and Swingline Loans, as the case may be, occurring on such date.

"Transactions" means the execution, delivery and performance by the Credit Parties of this Agreement, the borrowing of Loans and the use of the proceeds thereof.

"Type" means, with respect to a Committed Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

"Unrestricted Margin Stock" means all Margin Stock owned by the Guarantor and its Subsidiaries other than Restricted Margin Stock.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Section 1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words " include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word " will" shall be construed to have the same meaning and effect as the word " shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (iv) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words " asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word " from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

Section 1.03 Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

Section 1.04 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

ARTICLE II
THE COMMITMENTS AND CREDITS

Section 2.01 Committed Loans. Subject to the terms and conditions set forth herein, each Lender severally agrees to make loans (each such loan, a "Committed Loan") to the Borrower from time to time, on any Business Day during the Availability Period, in an aggregate amount not to exceed at any time outstanding the amount of such Lender's Commitment; provided, however, that after giving effect to any Committed Borrowing, (i) the Total Outstandings shall not exceed the Aggregate Commitments and (ii) the outstanding principal amount of the Committed Loans of any Lender, plus such Lender's Applicable Percentage of the outstanding principal amount of all Swingline Loans shall not exceed such Lender's Commitment. Within the limits of each Lender's Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.01, prepay under Section 2.06, and reborrow under this Section 2.01. Committed Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein.

Section 2.02 Borrowings, Conversions and Continuations of Committed Loans .

(a) Each Committed Borrowing, each conversion of Committed Loans from one Type to the other, and each continuation of Eurodollar Rate Loans shall be made upon the Borrower's irrevocable notice to the Administrative Agent, which may be given in writing or by telephone. Each such notice must be received by the Administrative Agent not later than (i) 3:00 p.m. three Business Days prior to the requested date of any Borrowing of,

conversion to or continuation of Eurodollar Rate Loans or of any conversion of Eurodollar Rate Loans to Base Rate Committed Loans, and (ii) 1:00 p.m. on the requested date of any Borrowing of Base Rate Committed Loans. Each telephonic notice by the Borrower pursuant to this Section 2.02(a) must be confirmed promptly by delivery to the Administrative Agent of a written Committed Loan Notice, appropriately completed and signed by the Borrower. Each Borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a principal amount of $25,000,000 or a whole multiple of $1,000,000 in excess thereof. Except as provided in Section 2.03(c), each Borrowing of or conversion to Base Rate Committed Loans shall be in a principal amount of $25,000,000 or a whole multiple of $1,000,000 in excess thereof. Each Committed Loan Notice (whether telephonic or written) shall specify (i) whether the Borrower is requesting a Committed Borrowing, a conversion of Committed Loans from one Type to the other, or a continuation of Eurodollar Rate Loans, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Committed Loans to be borrowed, converted or continued, (iv) the Type of Committed Loans to be borrowed or to which existing Committed Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a Type of Committed Loan in a Committed Loan Notice or if the Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Committed Loans shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If the Borrower requests a Borrowing of, conversion to, or continuation of Eurodollar Rate Loans in any Committed Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(b) Following receipt of a Committed Loan Notice, the Administrative Agent shall promptly notify each Lender of the amount of its Applicable Percentage of the applicable Committed Loans, and if no timely notice of a conversion or continuation is provided by the Borrower, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans described in the preceding subsection. In the case of a Committed Borrowing, each Lender shall make the amount of its Committed Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 3:00 p.m. on the Business Day specified in the applicable Committed Loan Notice. Upon satisfaction of the applicable conditions set forth in Section 4.02, the Administrative Agent shall make all funds so received available to the Borrower not later than 5:00 p.m. on the Business Day specified in such Committed Loan Notice in like funds as received by the Administrative Agent by wire transfer of such funds in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower.

(c) Except as otherwise provided herein, a Eurodollar Rate Loan may be continued or converted only on the last day of an Interest Period for such Eurodollar Rate Loan. During the existence of a Default, no Loans may be requested as, converted to or continued as Eurodollar Rate Loans without the consent of the Required Lenders.

(d) The Administrative Agent shall promptly notify the Borrower and the Lenders of the interest rate applicable to any Interest Period for Eurodollar Rate Loans upon

determination of such interest rate. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Borrower and the Lenders of any change in Bank of America's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(e) After giving effect to all Committed Borrowings, all conversions of Committed Loans from one Type to the other, and all continuations of Committed Loans as the same Type, there shall not be more than twelve Interest Periods in effect with respect to Committed Loans.

Section 2.03 Swingline Loans.

(a) The Swingline. Subject to the terms and conditions set forth herein, the Swingline Lender, in reliance upon the agreements of the other Lenders set forth in this Section 2.03, shall make loans (each such loan, a "Swingline Loan") to the Borrower from time to time on any Business Day during the Availability Period in an aggregate principal amount not to exceed at any time outstanding the amount of the Swingline Sublimit, notwithstanding the fact that such Swingline Loans, when aggregated with the Applicable Percentage of the outstanding principal amount of Committed Loans of the Lender acting as Swingline Lender, may exceed the amount of such Lender's Commitment; provided, however, that after giving effect to any Swingline Loan, (i) the Total Outstandings shall not exceed the Aggregate Commitments and (ii) the outstanding principal amount of the Committed Loans of any Lender, plus such Lender's Applicable Percentage of the outstanding principal amount of all Swingline Loans shall not exceed such Lender's Commitment, and provided, further, that the Borrower shall not use the proceeds of any Swingline Loan to refinance any outstanding Swingline Loan. Within the foregoing limits, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.03, prepay under Section 2.06, and reborrow under this Section 2.03. Subject to the next sentence, each Swingline Loan shall be a Base Rate Loan. Each Swingline Loan may bear interest at a rate to be agreed upon by the Swingline Lender and the Borrower, which rate shall in no case be greater than the Base Rate plus the Applicable Rate; provided that, if the Swingline Lender shall require other Lenders to fund their participations in such Swingline Loan pursuant to this Section 2.03, then such Swingline Loan shall bear interest at the Base Rate plus the Applicable Rate. Immediately upon the making of a Swingline Loan, each Lender (other than a Lender that is a Defaulting Lender on the date such Swingline Loan is made) shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Swingline Lender a risk participation in such Swingline Loan in an amount equal to the product of such Lender's Applicable Percentage times the amount of such Swingline Loan.

(b) Borrowing Procedures. Each Swingline Borrowing shall be made upon the Borrower's irrevocable notice to the Swingline Lender and the Administrative Agent, which may be given in writing or by telephone. Each such notice must be received by the Swingline Lender and the Administrative Agent not later than 3:00 p.m. on the requested borrowing date, and shall specify (i) the amount to be borrowed, which shall be a minimum of $15,000,000, and (ii) the requested borrowing date, which shall be a Business Day. Each such telephonic notice must be confirmed promptly by delivery to the Swingline Lender and

the Administrative Agent of a written Swingline Loan Notice, appropriately completed and signed by the Borrower. Promptly after receipt by the Swingline Lender of any telephonic Swingline Loan Notice, the Swingline Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has also received such Swingline Loan Notice and, if not, the Swingline Lender will notify the Administrative Agent (by telephone or in writing) of the contents thereof. Unless the Swingline Lender has received notice (by telephone or in writing) from the Administrative Agent (including at the request of any Lender) prior to the time of funding of the proposed Swingline Borrowing (A) directing the Swingline Lender not to make such Swingline Loan as a result of the limitations set forth in the first proviso to the first sentence of Section 2.03(a), or (B) that one or more of the applicable conditions specified in Article IV is not then satisfied, then, subject to the terms and conditions hereof, the Swingline Lender will, not later than 5:00 p.m. on the borrowing date specified in such Swingline Loan Notice, make the amount of its Swingline Loan available to the Borrower; provided that if any Lender is a Defaulting Lender on the date the Swingline Loan is made, the Swingline Lender shall not advance that portion of the requested Swingline Loan that is equal to the Applicable Percentage of such Defaulting Lender (except to the extent such Defaulting Lender has provided Cash Collateral therefor pursuant to Section 2.16).

(c) Refinancing of Swingline Loans.

(i) The Swingline Lender at any time in its sole discretion may request, on behalf of the Borrower (which hereby irrevocably authorizes the Swingline Lender to so request on its behalf), that each Lender make a Base Rate Committed Loan in an amount equal to such Lender's Applicable Percentage of the amount of Swingline Loans then outstanding. Such request shall be made in writing (which written request shall be deemed to be a Committed Loan Notice for purposes hereof) and in accordance with the requirements of Section 2.02, without regard to the minimum and multiples specified therein for the principal amount of Base Rate Loans, but subject to the unutilized portion of the Aggregate Commitments and the conditions set forth in Section 4.02. The Swingline Lender shall furnish the Borrower with a copy of the applicable Committed Loan Notice promptly after delivering such notice to the Administrative Agent. Each Lender shall make an amount equal to its Applicable Percentage of the amount specified in such Committed Loan Notice available to the Administrative Agent in immediately available funds (and the Administrative Agent may apply Cash Collateral available with respect to the applicable Swingline Loan) for the account of the Swingline Lender at the Administrative Agent's Office not later than 1:00 p.m. on the day specified in such Committed Loan Notice, whereupon, subject to Section 2.03(c)(ii), each Lender that so makes funds available shall be deemed to have made a Base Rate Committed Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the Swingline Lender.

(ii) If for any reason any Swingline Loan cannot be refinanced by a Committed Borrowing in accordance with Section 2.03(c)(i), the request for Base Rate Committed Loans submitted by the Swingline Lender as set forth herein shall be deemed to be a request by the Swingline Lender that each of the Lenders fund its risk participation in the relevant Swingline Loan and each Lender's payment to the

Administrative Agent for the account of the Swingline Lender pursuant to Section 2.03(c)(i) shall be deemed payment in respect of such participation.

(iii) If any Lender fails to make available to the Administrative Agent for the account of the Swingline Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.03(c) by the time specified in Section 2.03(c)(i), the Swingline Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swingline Lender at a rate per annum equal to the Federal Funds Rate, plus any administrative, processing or similar fees customarily charged by the Swingline Lender in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Committed Loan included in the relevant Committed Borrowing or funded participation in the relevant Swingline Loan, as the case may be. A certificate of the Swingline Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (iii) shall be conclusive absent manifest error.

(iv) Each Lender's obligation to make Committed Loans or to purchase and fund risk participations in Swingline Loans pursuant to this Section 2.03(c) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the Swingline Lender, the Borrower or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Committed Loans pursuant to this Section 2.03(c) is subject to the conditions set forth in Section 4.02. No such funding of risk participations shall relieve or otherwise impair the obligation of the Borrower to repay Swingline Loans, together with interest as provided herein.

(d) Repayment of Participations.

(i) At any time after any Lender has purchased and funded a risk participation in a Swingline Loan, if the Swingline Lender receives any payment on account of such Swingline Loan, the Swingline Lender will distribute to such Lender its Applicable Percentage thereof in the same funds as those received by the Swingline Lender.

(ii) If any payment received by the Swingline Lender in respect of principal or interest on any Swingline Loan is required to be returned by the Swingline Lender under any of the circumstances described in Section 10.05 (including pursuant to any settlement entered into by the Swingline Lender in its discretion), each Lender shall pay to the Swingline Lender its Applicable Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned, at a rate per annum equal to the Federal Funds Rate. The Administrative Agent will make such demand upon the request of the Swingline Lender.

The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Interest for Account of Swingline Lender. The Swingline Lender shall be responsible for invoicing the Borrower for interest on the Swingline Loans. Until each Lender funds its Base Rate Committed Loan or risk participation pursuant to this Section 2.03 to refinance such Lender's Applicable Percentage of any Swingline Loan, interest in respect of such Applicable Percentage shall be solely for the account of the Swingline Lender.

(f) Payments Directly to Swingline Lender. The Borrower shall make all payments of principal and interest in respect of the Swingline Loans directly to the Swingline Lender.

Section 2.04 Termination and Reduction of Commitments.

(a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of $1,000,000 and not less than $25,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.06, the Total Outstandings would exceed the Aggregate Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under Section 2.04(b) at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any such notice, the Administrative Agent shall advise the applicable Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the applicable Lenders in accordance with their respective Commitments.

Section 2.05 Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Committed Loan on the Maturity Date and (ii) to the Swingline Lender or to the Administrative Agent the then unpaid principal amount of each Swingline Loan on the earlier of the first Business Day prior to the Maturity Date and the fifth Business Day after such Swingline Loan is made; provided that on each date that a Committed Loan is made, the Borrower shall repay all Swingline Loans then outstanding.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Type thereof and, if applicable, each Interest Period applicable therefor, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to Section 2.05(b) or (c) shall be *prima facie* evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 10.06) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns). In addition, upon receipt of an affidavit of an officer of such Lender as to the loss, theft, destruction or mutilation of the promissory note, and, in the case of any such loss, theft, destruction or mutilation, upon cancellation of such promissory note, the Borrower will issue, in lieu thereof, a replacement promissory note in the same principal amount thereof and otherwise of like tenor.

Section 2.06 Prepayment of Loans. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part without premium or penalty except as provided in Section 2.11, subject to prior notice in accordance with Section 2.06(b).

(b) The Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) in writing or by telephone (confirmed by electronic transmission) of any prepayment hereunder (i) in the case of prepayment of Eurodollar Rate Loans, not later than 11:00 a.m., three Business Days before the date of prepayment, (ii) in the case of prepayment of Base Rate Loans (other than Swingline Loans), not later than 11:00 a.m., on the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the

Commitments as contemplated by Section 2.04, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.04. Promptly following receipt of any such notice relating to a Committed Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Committed Borrowing shall be in an amount that would be permitted in the case of an advance of a Committed Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Committed Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.08.

(c) If for any reason the Total Outstandings at any time exceed the Aggregate Commitments then in effect, the Borrower shall promptly (and in any event within one Business Day) prepay Loans in an aggregate amount equal to such excess.

Section 2.07 Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from the Closing Date to the date on which such Commitment terminates; provided that, if such Lender continues to have any Loans or risk participations in Swingline Loans outstanding after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Committed Loans and risk participations in Swingline Loans outstanding from the date on which its Commitment terminates to the date on which such Lender ceases to have any Committed Loans or risk participations in Swingline Loans outstanding. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year, on the date of any voluntary termination of the Commitments and on the date on which all Loans become due and payable (by acceleration or otherwise); provided that any facility fees accruing after the date on which all Loans become due and payable shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(c) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, in the case of facility fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

Section 2.08 Interest. (a) Each Borrowing of Base Rate Loans shall bear interest at a rate per annum equal to the Base Rate plus the Applicable Rate.

(b) Each Borrowing of Eurodollar Rate Loans shall bear interest at a rate per annum equal to the Eurodollar Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due,

whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided above or (ii) in the case of any other amount, 2% plus the rate applicable to Base Rate Loans as provided above.

(d) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan; provided that (i) interest accrued pursuant to Section 2.08(c) shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an Base Rate Committed Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, (iii) in the event of any conversion of any Eurodollar Rate Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion and (iv) all accrued interest shall be payable upon termination of the Commitments.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Base Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Base Rate or Eurodollar Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of the effective date and the amount of each change in interest rate.

Section 2.09 Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Borrowing of Eurodollar Loans:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the Eurodollar Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or electronic transmission as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Committed Borrowing to, or continuation of any Committed Borrowing as, a Borrowing of Eurodollar Rate Loans shall be ineffective, and (ii) if any Committed Loan Notice requests a Borrowing of Eurodollar Rate Loans, such Borrowing shall be made as a Borrowing of Base Rate Loans.

Section 2.10 Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender; or

(ii) impose on any Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Rate Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Rate Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in Section 2.10(a) or (b) (together with a statement of the reason for such compensation and a calculation thereof in reasonable detail) shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than six months prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided, further, that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof.

Section 2.11 Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Rate Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Committed Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice is permitted to be revocable under

Section 2.06(b) and is revoked in accordance herewith), (d) the assignment of any Eurodollar Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.14, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Rate Loan, the loss to any Lender attributable to any such event shall be deemed to include an amount determined by such Lender to be equal to the excess, if any, of (i) the amount of interest that such Lender would pay for a deposit equal to the principal amount of such Loan for the period from the date of such payment, conversion, failure or assignment to the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow, convert or continue, the duration of the Interest Period that would have resulted from such borrowing, conversion or continuation) if the interest rate payable on such deposit were equal to the Eurodollar Rate for such Interest Period, over (ii) the amount of interest that such Lender would earn on such principal amount for such period if such Lender were to invest such principal amount for such period at the interest rate that would be bid by such Lender (or an affiliate of such Lender) for Dollar deposits from other banks in the eurodollar market at the commencement of such period. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

Section 2.12 Taxes. (a) Any and all payments by or on account of any obligation of the Borrower or the Guarantor hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower or the Guarantor shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made (provided, however, that neither the Borrower nor the Guarantor shall be required to increase any such amounts payable to the Administrative Agent or Lender (as the case may be) with respect to any Indemnified Taxes or Other Taxes that are attributable to such Lender's failure to comply with the requirements of Section 2.12(e)), (ii) the Borrower or the Guarantor shall make such deductions and (iii) the Borrower or the Guarantor shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent and each Lender, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent or such Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a

Lender, or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

Section 2.13 Payments Generally; Pro Rata Treatment; Sharing of Set-offs; Administrative Agent's Clawback . (a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or under Section 2.10, 2.11 or 2.12, or otherwise) prior to 12:00 noon on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent's Office, except payments to be made directly to the Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.10, 2.11, 2.12 and 10.04 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest, fees and any other amounts then due hereunder, such funds shall be applied to such obligations as the Borrower shall direct (as among interest, fees, principal or other amounts, but in each case ratably to the parties entitled thereto) or, if all Loans have become due and payable (by acceleration or otherwise) or if the Borrower does not so direct, as follows: (i) first, to pay interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, (ii) second, to pay principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties, and (iii) third, any other amounts due and owing hereunder, ratably among the parties entitled thereto in accordance with such amounts then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Committed Loans or participations in Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Committed Loans and participations in Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Committed Loans and participations in Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Committed Loans and participations in Swingline Loans, provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this subsection shall not be construed to apply to (x) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender), (y) the application of Cash Collateral provided for in Section 2.16, or (z) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Committed Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this subsection shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.02, 2.03, 2.13(c) or 2.13(e), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

(e) (i) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Committed Borrowing of Eurodollar Rate Loans (or, in the case of any Committed Borrowing of Base Rate Loans, prior to 12:00 noon on the date of such Committed Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Committed Borrowing, the Administrative Agent may assume that such Lender has made such share available in accordance with and at the time required by Section 2.02 and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Committed Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent promptly (and in any event within one Business Day after demand) such corresponding amount in immediately available funds with interest thereon, for each day from the date such amount is made available to the Borrower to the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the Federal Funds Rate, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing, and (B) in the case of a payment to be made by the Borrower, the interest rate

applicable to Base Rate Loans. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Committed Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Committed Loan included in such Committed Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender, in immediately available funds with interest thereon, for each day from the date such amount is distributed to it to the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(iii) A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this subsection (e) shall be conclusive, absent manifest error.

(f) If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to the applicable Loan set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(g) The obligations of the Lenders hereunder to make Committed Loans, to fund participations in Swingline Loans and to make payments pursuant to Section 10.04(c) are several and not joint. The failure of any Lender to make any Committed Loan, to fund any such participation or to make any payment under Section 10.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Committed Loan, to purchase its participation or to make its payment under Section 10.04(c).

(h) Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

Section 2.14 Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.10, the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.12 or any Lender becomes subject to any circumstance described in Section 2.15, then

such Lender shall use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.10 or 2.12, as the case may be, in the future, or avoid the unavailability of Eurodollar Rate Loans pursuant to Section 2.15, and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.10, the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.12, a Lender is subject to any circumstance described in Section 2.15 or any Lender is a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 10.06), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and, if a Commitment is being assigned, the Swingline Lender), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.10 or payments required to be made pursuant to Section 2.12, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply. In determining whether to make a claim, and calculating the amount of compensation, under Sections 2.10 and 2.12, each Lender shall apply standards that are not inconsistent with those generally applied by such Lender in similar circumstances.

Section 2.15 Illegality. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender or its applicable Lending Office to make, maintain or fund Eurodollar Rate Loans, or to determine or charge interest rates based upon the Eurodollar Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Rate Loans or to convert Base Rate Committed Loans to Eurodollar Rate Loans shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), convert all Eurodollar Rate Loans of such Lender to Base Rate Loans, either on the last

day of the Interest Period therefor or on such earlier date on which such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such conversion, the Borrower shall also pay accrued interest on the amount so converted. Thereafter, so long as such circumstances shall continue, all Loans of such Lender that would otherwise be Eurodollar Rate Loans shall be Base Rate Loans.

Section 2.16 Cash Collateral.

(a) Certain Credit Support Events. If a Lender shall become a Defaulting Lender at any time that a Swingline Loan is outstanding, promptly upon the request of the Administrative Agent or the Swingline Lender, the Borrower shall prepay Swingline Loans in an amount sufficient to reduce all Fronting Exposure with respect to the Defaulting Lender to zero (after giving effect to Section 2.17(a)(ii) and any Cash Collateral provided by the Defaulting Lender).

(b) Grant of Security Interest. All Cash Collateral (other than credit support not constituting funds subject to deposit) shall be maintained in blocked deposit accounts at Bank of America. Any Lender that has provided such collateral hereby grants to (and subjects to the control of) the Administrative Agent, for the benefit of the Administrative Agent and the Lenders (including the Swingline Lender), and agrees to maintain, a first priority security interest in all such cash, all deposit accounts and all balances therein, and all other property so provided as collateral pursuant hereto, and in all proceeds of the foregoing, all as security for the obligations to which such Cash Collateral may be applied pursuant to Section 2.16(c).

(c) Application. Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section 2.16 or Section 2.17in respect of Swingline Loans shall be held and applied to the satisfaction of the specific Swingline Loans, obligations to fund participations therein (including any interest accrued on such obligation) and other obligations for which the Cash Collateral was so provided, prior to any other application of such property as may be provided for herein.

(d) Release. Subject to Section 2.17, Cash Collateral (or the appropriate portion thereof) provided to reduce Fronting Exposure or other obligations shall be released promptly following (i) the elimination of the applicable Fronting Exposure or other obligations giving rise thereto (including by the termination of Defaulting Lender status of the applicable Lender (or, as appropriate, its assignee following compliance with Section 10.06(j)) or (ii) the Administrative Agent's good faith determination that there exists excess Cash Collateral; provided, however, that the Person providing Cash Collateral and the Swingline Lender may agree that Cash Collateral shall not be released but instead held to support future anticipated Fronting Exposure or other obligations.

Section 2.17 Defaulting Lenders

(a) Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by applicable Law:

(i) Waivers and Amendments. That Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of "Required Lenders".

(ii) Reallocation of Payments. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of that Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VIII or otherwise, and including any amounts made available to the Administrative Agent by that Defaulting Lender pursuant to Section 10.10), shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by that Defaulting Lender to the Administrative Agent hereunder; *second*, to the payment of any amounts owing by that Defaulting Lender to the Swingline Lender hereunder; *third*, if so determined by the Administrative Agent or requested by the Swingline Lender, to be held as Cash Collateral for future funding obligations of that Defaulting Lender with respect to any participation in any Swingline Loan; *fourth*, as the Borrower may request (so long as no Default exists), to the funding of any Loan in respect of which that Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; *fifth*, if so determined by the Administrative Agent and the Borrower, to be held in a non-interest bearing deposit account and released in order to satisfy obligations of that Defaulting Lender to fund Loans under this Agreement; *sixth*, to the payment of any amounts owing to the Lenders or the Swingline Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender or the Swingline Lender against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement; *seventh*, so long as no Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement; and *eighth*, to that Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans in respect of which that Defaulting Lender has not fully funded its appropriate share and (y) such Loans were made at a time when the conditions set forth in Section 4.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of all non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of that Defaulting Lender. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.17(a)(ii) shall be deemed paid to and redirected by that Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees. That Defaulting Lender (x) shall be entitled to receive any facility fee pursuant to Section 2.10(a) for any period during which that Lender is a Defaulting Lender only to extent allocable to the outstanding principal amount of the Committed Loans funded by it (and the Borrower shall (A) be required to pay the Swingline Lender the amount of such fee allocable to its Fronting Exposure arising from that Defaulting Lender and (B) not be required to pay the remaining amount of such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(iv) Reallocation of Applicable Percentages to Reduce Fronting Exposure . During any period in which there is a Defaulting Lender, for purposes of computing the amount of the obligation of each non-Defaulting Lender to acquire, refinance or fund participations in Swingline Loans pursuant to Section 2.03, the "Applicable Percentage" of each non-Defaulting Lender shall be computed without giving effect to the Commitment of that Defaulting Lender; provided, that, (i) each such reallocation shall be given effect only if, at the date the applicable Lender becomes a Defaulting Lender, no Default exists; and (ii) the aggregate obligation of each non-Defaulting Lender to acquire, refinance or fund participations in Swingline Loans shall not exceed the positive remainder, if any, of (1) the Commitment of that non-Defaulting Lender minus (2) the outstanding principal amount of the Committed Loans of that Lender.

(b) Defaulting Lender Cure. If the Borrower, the Administrative Agent and Swingline Lender agree in writing in their sole discretion that a Defaulting Lender should no longer be deemed to be a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Committed Loans and funded and unfunded participations in Swingline Loans to be held on a pro rata basis by the Lenders in accordance with their respective Commitments (without giving effect to Section 2.17(a)(iv)), whereupon that Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender having been a Defaulting Lender.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

Each of the Credit Parties represents and warrants to the Lenders that:

Section 3.01 Organization; Powers. Each Company is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has the power and authority to carry on its business as now conducted and, except where the failure to be so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

Section 3.02 Authorization; Enforceability. The Transactions are within each Credit Party's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. This Agreement has been duly executed and delivered by each Credit Party and constitutes a legal, valid and binding obligation of each Credit Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 3.03 Governmental Approvals; No Conflicts . The Transactions (a) do not require any consent or approval of, registration or filing (other than routine SEC and similar filings) with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of any Company or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, material agreement or other instrument (other than those to be terminated on or prior to the Closing Date) binding upon any Company or its assets, or give rise to a right thereunder to require any payment to be made by any Company, and (d) will not result in the creation or imposition of any Lien on any asset of any Company except for Liens arising under the Loan Documents.

Section 3.04 Financial Condition; No Material Adverse Change . (a) Each Credit Party has heretofore furnished to the Lenders consolidated balance sheets and statements of income and cash flows (and, in the case of the Guarantor, of stockholders' equity) as of and for the fiscal year ended April 30, 2009 (A) reported on by Deloitte & Touche LLP, an independent registered public accounting firm, in respect of the financial statements of the Guarantor, or (B) certified by its chief financial officer, in respect of the financial statements of the Borrower. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its consolidated Subsidiaries and of the Guarantor and its consolidated Subsidiaries as of such date and for such period in accordance with GAAP. Except as set forth on Schedule 3.04(a), neither the Guarantor nor any of its consolidated Subsidiaries had, as of April 30, 2009, any material Guarantee Obligation, contingent liability or liability for taxes, or any long-term lease or unusual forward or long-term commitment, including any interest rate or foreign currency swap or exchange transaction not in the ordinary course of business, which is not reflected in the foregoing statements or in the notes thereto. During the period from April 30, 2009 to and including the date hereof, and except as disclosed in filings made by the Guarantor with the U.S. Securities and Exchange Commission pursuant to the Securities Act of 1933 or the Securities Exchange Act of 1934, there has been no sale, transfer or other disposition by the Guarantor or any of its consolidated Subsidiaries of any material part of its business or property other than in the ordinary course of business and no purchase or other acquisition of any business or property (including any Capital Stock of any other Person), material in relation to the consolidated financial condition of the Guarantor and its consolidated Subsidiaries at April 30, 2009.

(b) Since April 30, 2009, there has been no material adverse change in the business, assets or condition (financial or otherwise) of the Guarantor and its Subsidiaries, taken as a whole.

Section 3.05 Properties. (a) Each Company has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) Each Company owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by such Company does not infringe upon the rights of any other Person, except for any such

infringements that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

Section 3.06 Litigation and Environmental Matters. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of either Credit Party, threatened against or affecting any Company that (i) have not been disclosed in the Disclosed Matters and as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, would reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (ii) challenge or would reasonably be expected to affect the legality, validity or enforceability of this Agreement.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, no Company (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

Section 3.07 Compliance with Laws and Agreements. Each Company is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to be so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

Section 3.08 Investment Company Status. No Company is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

Section 3.09 Taxes. Each Company has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which such Company has set aside on its books adequate reserves or (b) to the extent that the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

Section 3.10 ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, would reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than $25,000,000 the fair market value of the assets of such Plan, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than $25,000,000 the fair market value of the assets of all such underfunded Plans.

Section 3.11 Disclosure. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Credit Parties to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Credit Parties represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

Section 3.12 Federal Regulations. No part of the proceeds of any Loans will be used for "purchasing" or "carrying" any "margin stock" (within the respective meanings of each of the quoted terms under Regulation U of the Board as now and from time to time hereafter in effect) in a manner or in circumstances that would constitute or result in non-compliance by either Credit Party or any Lender with the provisions of Regulations U, T or X of the Board. If requested by any Lender or the Administrative Agent, the Borrower will furnish to such Lender or the Administrative Agent, as applicable, a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in said Regulation U.

Section 3.13 Subsidiaries. As of the date hereof, the Guarantor has only the Subsidiaries set forth on Schedule 3.13.

Section 3.14 Insurance. Each Company maintains (pursuant to a self-insurance program and/or with financially sound and reputable insurers) insurance with respect to its properties and business and against at least such liabilities, casualties and contingencies and in at least such types and amounts as is customary in the case of companies engaged in the same or a similar business or having similar properties similarly situated.

ARTICLE IV
CONDITIONS

Section 4.01 Conditions of Effectiveness. The obligations of the Lenders to make Loans (or to purchase participations in Swingline Loans) hereunder shall become effective on the date on which each of the following conditions is satisfied (or waived in accordance with Section 10.02):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto a counterpart of this Agreement signed on behalf of such party.

(b) The Administrative Agent shall have received reasonably satisfactory written opinions (addressed to the Administrative Agent and the Lenders and dated the Closing Date) of Mayer Brown LLP, special New York counsel for the Credit Parties, and Stinson Morrison Hecker LLP, special counsel for the Credit Parties, substantially in the forms of Exhibit E-1 and E-2, respectively, and covering such other matters relating to the Credit Parties, this Agreement or the Transactions as the Required Lenders shall reasonably request. The Credit Parties hereby request such counsel to deliver such opinion.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Credit Parties, the authorization of the Transactions and any other legal matters relating to the Credit Parties, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received a certificate, dated the Closing Date and signed by the President, a Vice President or a Financial Officer of each Credit Party, stating that:

(i) the representations and warranties contained in Article III of this Agreement are correct on and as of the Closing Date; and

(ii) no event has occurred and is continuing that constitutes a Default.

(e) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(f) The Borrower shall have repaid all obligations owing and outstanding under each Existing Agreement.

(g) All governmental and material third party approvals necessary in connection with the execution, delivery and performance of this Agreement shall have been obtained and be in full force and effect.

The Administrative Agent shall notify the Borrower and the Lenders of the Closing Date, and such notice shall be conclusive and binding.

Without limiting the generality of the provisions of the last paragraph of Section 9.03, for purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted, or to be satisfied with, each document or other matter required hereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

Section 4.02 Conditions to all Loans. The obligation of each Lender to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Credit Parties set forth in Article III of this Agreement (other than the representations and warranties set forth in subsections 3.04(b), 3.06(a)(i) and 3.06(b)) shall be true and correct in all material respects on and as of the date of such Borrowing (except to the extent related to a specific earlier date).

(b) At the time of and immediately after giving effect to such Borrowing, no Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by each of the Credit Parties on the date thereof as to the matters specified in subsections (a) and (b) of this Section.

ARTICLE V
AFFIRMATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full, each of the Credit Parties covenants and agrees with the Lenders that:

Section 5.01 Financial Statements and Other Information. The Borrower will furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year of the Guarantor, an audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows of the Guarantor and its consolidated Subsidiaries as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Deloitte & Touche LLP or other another independent registered public accounting firm of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Guarantor and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) (i) in the case of the Guarantor, within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Guarantor and (ii) in the case of the Borrower, within 90 days after the end of each fiscal year of the Borrower, consolidated balance sheets and related statements of operations and cash flows of the Borrower and the Guarantor and their consolidated Subsidiaries, and the consolidated statement of stockholders' equity of the Guarantor, as of the end of and for such fiscal quarter (in the case of the Guarantor) and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by a Financial Officer of the Borrower and the Guarantor as presenting fairly in all material respects the financial condition and results of operations of the Borrower and the Guarantor and their consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Borrower and the Guarantor (i) certifying as to whether a Default has occurred and, if a Default has occurred,

specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 6.01 and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate (which delivery may be by electronic communication and shall be deemed to be an original authentic counterpart thereof for all purposes);

(d) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials (other than (i) statements of ownership such as Forms 3, 4 and 5 and Schedule 13G, (ii) routine filings relating to employee benefits, such as Forms S-8 and 11-K, and (iii) routine filings by (A) RSM McGladrey, Inc. and its Subsidiaries, including Birchtree Financial Services, Inc., (B) RSM Equico, Inc. and its Subsidiaries, including McGladrey Capital Markets, LLC, (C) Sand Canyon Corporation and its Subsidiaries, (D) H&R Block Canada, Inc. and (E) H&R Block Limited) filed by either Credit Party or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by either Credit Party to its shareholders generally, as the case may be; and

(e) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of any Company, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

Documents required to be delivered pursuant to Section 5.01(a), (b) or (d) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower or the Guarantor posts such documents, or provides a link thereto, on the Borrower's website on the Internet at the website address listed on Schedule 10.01; or (ii) on which such documents are posted on the Borrower's or the Guarantor's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that the Borrower shall notify the Administrative Agent by electronic mail of the posting of any such documents. The Administrative Agent shall have no obligation to request the delivery of or to maintain paper copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request by a Lender for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Borrower hereby acknowledges that (a) the Administrative Agent and/or the Arrangers will make available to the Lenders materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "Platform") and (b) certain of the Lenders (each, a "Public Lender") may have personnel who do not wish to receive material non-public information with respect to the Borrower or its Affiliates, or the respective securities

of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons' securities. The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent, the Arrangers and the Lenders to treat such Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Information, they shall be treated as set forth in Section 10.13); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Side Information;" and (z) the Administrative Agent and the Arrangers shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform that is not designated "Public Side Information."

Section 5.02 Notices of Material Events. The Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting either Credit Party or any Affiliate thereof that is reasonably likely to be adversely determined and, if so determined, would reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, would reasonably be expected to result in liability of any Company in an aggregate amount exceeding $25,000,000; and

(d) any other development that results in, or would reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower and the Guarantor setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 5.03 Existence; Conduct of Business. Each Credit Party will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business; provided that the foregoing shall not prohibit any merger, consolidation, liquidation, disposition or dissolution permitted under Section 6.04.

Section 5.04 Payment of Taxes. Each Credit Party will, and will cause each of its Subsidiaries to, pay its Tax liabilities that, if not paid, would reasonably be expected to have a Material Adverse Effect before the same shall become delinquent, except where (a) the validity

or amount thereof is being contested in good faith by appropriate proceedings, (b) such Credit Party or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest would not reasonably be expected to result in a Material Adverse Effect.

Section 5.05 Maintenance of Properties; Insurance. Each Credit Party will, and will cause each of its Subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain (pursuant to a self-insurance program and/or with financially sound and reputable insurers) insurance in such amounts and against such risks as is customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

Section 5.06 Books and Records; Inspection Rights. Each Credit Party will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. Each Credit Party will, and will cause each of its Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested; provided that so long as no Event of Default exists, each Credit Party and each Subsidiary shall have the right to be present and participate in any discussions with its independent accountants. Nothing in this Section 5.06 shall permit the Administrative Agent or any Lender to examine or otherwise have access to the tax returns or other confidential information of any customer of either Credit Party or any of their respective Subsidiaries.

Section 5.07 Compliance with Laws. Each Credit Party will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

Section 5.08 Use of Proceeds. The proceeds of the Loans will be used only for paying at maturity commercial paper issued by the Borrower from time to time, for general corporate purposes or for working capital needs. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations U and X.

Section 5.09 Cleandown. The Credit Parties shall reduce the aggregate outstanding principal amount of all Short-Term Debt to $200,000,000 or less for a minimum period of thirty consecutive days during the period from March 1 to June 30 of each fiscal year.

ARTICLE VI
NEGATIVE COVENANTS

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full, each of the Credit Parties covenants and agrees with the Lenders that:

Section 6.01 Consolidated Net Worth. The Guarantor will not permit Consolidated Net Worth as at the last day of any fiscal quarter of the Guarantor to be less than $650,000,000.

Section 6.02 Indebtedness. The Credit Parties will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:

(a) subject to the proviso at the end of this Section 6.02, Indebtedness created hereunder;

(b) Indebtedness existing on the date hereof and set forth in Schedule 6.02 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;

(c) seasonal Indebtedness of H&R Block Canada, Inc., provided that the aggregate principal amount of all such Indebtedness incurred pursuant to this subsection (c) shall not exceed 250,000,000 Canadian dollars at any time outstanding;

(d) Indebtedness of the Borrower and the Guarantor, provided that (i) the obligations of the Credit Parties hereunder shall rank at least pari passu with such Indebtedness (including with respect to security) and (ii) the aggregate principal amount of all Indebtedness permitted by this subsection (d) shall not exceed $2,000,000,000 at any time outstanding;

(e) subject to the proviso at the end of this Section 6.02, (i) Indebtedness in connection with commercial paper issued in the United States through the Borrower which is guaranteed by the Guarantor and (ii) Indebtedness under bank lines of credit or similar facilities;

(f) Indebtedness in connection with Guarantees of the performance of (i) any Subsidiary's or franchisee's obligations under or pursuant to indemnity, fee, daylight overdraft and other similar customary banking arrangements between such Subsidiary or franchisee and one or more financial institutions in the ordinary course of business, (ii) any Subsidiary's or franchisee's obligations under or pursuant to any office lease entered into in the ordinary course of business, and (iii) any Subsidiary's obligations under or pursuant to any promotional, joint-promotional, cross-promotional, joint marketing, service, equipment or supply procurement, software license or other similar agreement entered into by such Subsidiary with one or more vendors, suppliers, retail businesses or other third parties in the ordinary course of business, including indemnification obligations relating to such Subsidiary's failure to perform its obligations under such lease or agreement;

(g) acquisition-related Indebtedness (either incurred or assumed) and Indebtedness in connection with the Guarantor's guarantees of the payment or performance of primary obligations of Subsidiaries of the Guarantor in connection with acquisitions by such Subsidiaries, or Indebtedness secured by Liens permitted under Section 6.03(f); provided that, during any fiscal year, the aggregate outstanding principal amount of all Indebtedness incurred pursuant to this subsection (g) shall not exceed at any time $500,000,000;

(h) Indebtedness of any Company to any other Company; provided that such Indebtedness shall not be prohibited by Section 6.05;

(i) Indebtedness in connection with repurchase agreements pursuant to which mortgage loans of a Credit Party or a Subsidiary are sold with the simultaneous agreement to repurchase the mortgage loans at the same price plus interest at an agreed upon rate; provided that the aggregate outstanding principal amount of all Indebtedness incurred pursuant to this subsection (i) shall not at any time exceed $500,000,000; provided, further, that no agreed upon repurchase date shall be later than 90 business days after the date of the corresponding repurchase agreement;

(j) Indebtedness in connection with Guarantees or Guarantee Obligations which are made, given or undertaken as representations and warranties, indemnities or assurances of the payment or performance of primary obligations in connection with securitization transactions or other transactions permitted hereunder, as to which primary obligations the primary obligor is a Credit Party, a Subsidiary or a securitization trust or similar securitization vehicle to which a Credit Party or a Subsidiary sold, directly or indirectly, the relevant mortgage loans;

(k) Indebtedness of RSM, a Subsidiary of the Guarantor, to McGladrey & Pullen, LLP and certain related trusts; provided that the aggregate outstanding principal of all Indebtedness permitted under this subsection (k) shall not exceed $200,000,000 at any time;

(l) Indebtedness in connection with (i) Capital Lease Obligations in an aggregate outstanding principal amount not at any time exceeding $50,000,000 (excluding any Capital Lease Obligations permitted by Section 6.02(p)), (ii) obligations under existing mortgages in an aggregate outstanding principal amount not exceeding $12,000,000 at any time, (iii) securities sold and not yet purchased, provided that the aggregate outstanding principal amount of all Indebtedness incurred pursuant to this clause (iii) (other than Indebtedness of Subsidiaries which act as broker-dealers) shall not at any time exceed $15,000,000 and (iv) customer deposits in the ordinary course of business;

(m) subject to the proviso at the end of this Section 6.02, Indebtedness incurred in connection with any RAL Receivables Transaction or Indirect RAL Participation Transaction; provided that (i) such Indebtedness is incurred during the period beginning on January 2 of any year and ending on June 29 of such year, (ii) such Indebtedness is repaid in full by June 30 of the year in which such Indebtedness is

incurred and (iii) the covenants contained in any agreement relating to such Indebtedness, or guarantee thereof (other than covenants specific to the Borrower's refund anticipation loan program and the operation thereof), are no more restrictive in any material respect than the covenants contained in this Agreement (or, in the case of any agreement entered into prior to the effectiveness of this Agreement, than the covenants contained in the Existing Agreements, provided that any such agreement shall terminate no later than June 30, 2010);

(n) Indebtedness in respect of letters of credit in an aggregate outstanding principal amount not to exceed $100,000,000;

(o) Indebtedness (including Capital Lease Obligations) in connection with a monetization of the Guarantor's headquarters in an aggregate outstanding principal amount not exceeding $200,000,000 at any time;

(p) deposits and other liabilities incurred by banking Subsidiaries in the ordinary course of business;

(q) customary liabilities of broker-dealers incurred by broker-dealer Subsidiaries in the ordinary course of business;

(r) Indebtedness issued by a Subsidiary of the Borrower and primarily secured by mortgage loans sold as contemplated by Section 6.05(c) to such Subsidiary by another Subsidiary of the Borrower;

(s) Indebtedness secured by Liens permitted by Section 6.03(d) or 6.03(e);

(t) Indebtedness incurred solely to finance businesses described on Schedule 6.04(b) after the date hereof that neither the Credit Parties nor their respective Subsidiaries are currently engaged in to any material extent on the date hereof; provided that the aggregate principal amount of all Indebtedness incurred pursuant to this clause (t) shall not at any time exceed $400,000,000;

(u) other Indebtedness (excluding Indebtedness of the types described in Sections 6.02(a), 6.02(b), 6.02(e) and 6.02(m)) in an aggregate principal amount not at any time exceeding $20,000,000; and

(v) subject to the proviso at the end of this Section 6.02, Indebtedness incurred in Other Receivables Transactions;

provided, that the sum, without duplication, of the aggregate outstanding principal amount of all Indebtedness permitted pursuant to Sections 6.02(a), 6.02(b), 6.02(e), 6.02(m) and 6.02(v) shall not at any time exceed the Aggregate Commitments then in effect, except that, during the period from October 15 of any year through June 30 of the following year, such sum may exceed the Aggregate Commitments then in effect by an amount up to the total of (A) the Permitted Amount (as defined below) and (B) $500,000,000. For purposes of the foregoing, "Permitted Amount" means (i) from October 15 of any year through January 1 of the following year, the aggregate outstanding principal amount of Indebtedness described in Section 6.02(v); (ii) from January 2 of

any year through April 30 of such year, the aggregate outstanding principal amount of Indebtedness described in Sections 6.02(m) and 6.02(v); and (iii) from May 1 of any year through June 30 of such year, the aggregate outstanding principal amount of Indebtedness described in Section 6.02(m).

Section 6.03 Liens. The Credit Parties will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) any Lien on any asset of any Company existing on the date hereof and set forth in Schedule 6.03; provided that (i) such Lien shall not apply to any other asset of any Company and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) any Lien existing on any asset prior to the acquisition thereof by any Company or existing on any asset of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other assets of any Company and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be, and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) Liens and transfers in connection with the securitization, financing or other transfer of any mortgage loans or mortgage servicing reimbursement rights (and/or, in each case, related rights, interests and servicing assets) owned by the Borrower or any of its Subsidiaries;

(e) Liens and transfers in connection with the securitization or other transfer of any credit card receivables (and/or related rights and interests) owned by the Borrower or any of its Subsidiaries;

(f) Liens on fixed or capital assets acquired, constructed or improved by any Company to secure Indebtedness of such Company incurred to finance the acquisition, construction or improvement of such fixed or capital assets; provided that (i) such Liens and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (ii) the Indebtedness secured thereby does not exceed 100% of the cost of acquiring, constructing or improving such fixed or capital assets and (iii) such Liens shall not apply to any other assets of any Company;

(g) Liens arising in connection with repurchase agreements contemplated by Section 6.02(i); provided that such security interests shall not apply to any assets of any

Company except for the mortgage loans or securities, as applicable, subject to such repurchase agreements;

(h) Liens arising in connection with Indebtedness permitted by Sections 6.02(p), which Liens are granted in the ordinary course of business;

(i) Liens not otherwise permitted by this Section 6.03 so long as the Obligations hereunder are contemporaneously secured equally and ratably with the obligations secured thereby;

(j) Liens not otherwise permitted by this Section 6.03, so long as the aggregate outstanding principal amount of the obligations secured thereby does not exceed (as to all Companies) $250,000,000 at any one time;

(k) Liens and transfers in connection with any RAL Receivables Transaction or Other Receivables Transaction;

(l) Liens securing Indebtedness permitted by Sections 6.02(o) or 6.02(t);

(m) Liens on Unrestricted Margin Stock; and

(n) Liens securing the Obligations.

Section 6.04 Fundamental Changes; Sale of Assets. (a) The Credit Parties will not, and will not permit any Material Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets (other than Unrestricted Margin Stock), or all or substantially all of the stock or assets related to its tax preparation business or liquidate or dissolve, except (i) transfers in connection with any RAL Receivables Transaction, Other Receivables Transaction or securitization otherwise permitted hereby, (ii) sales and other transfers of mortgage loans (and/or related rights and interests and servicing assets) and (iii) if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, (A) any Material Subsidiary other than the Borrower may merge into a Credit Party in a transaction in which the Credit Party is the surviving corporation, (B) any wholly owned Material Subsidiary other than the Borrower may merge into any other wholly owned Material Subsidiary in a transaction in which the surviving entity is a wholly owned Subsidiary, (C) any Material Subsidiary other than the Borrower may sell, transfer, lease or otherwise dispose of its assets to the Guarantor or to another Material Subsidiary and (D) any Material Subsidiary other than the Borrower may liquidate or dissolve if the Guarantor determines in good faith that such liquidation or dissolution is in the best interests of the Guarantor and is not materially disadvantageous to the Lenders; provided that any such merger involving a Person that is not a wholly owned Subsidiary immediately prior to such merger shall not be permitted unless also permitted by Section 6.05.

(b) Except as set forth on Schedule 6.04(b), the Credit Parties will not, and will not permit any Material Subsidiary to, engage to any material extent in any business other than businesses of the type conducted by the Credit Parties and the Subsidiaries on the date of execution of this Agreement and businesses reasonably related thereto.

Section 6.05 Transactions with Affiliates. The Credit Parties will not, and will not permit any other Company to, sell, lease or otherwise transfer any assets to, or purchase, lease or otherwise acquire any assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to such Company than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among Companies not involving any other Affiliate, and (c) transactions involving the transfer of mortgage loans and other assets for cash and other consideration of not less than the sum of (i) the lesser of (x) the fair market value of such mortgage loans and (y) the outstanding principal amount of such mortgage loans, and (ii) the fair market value of such other assets, to a Subsidiary of the Borrower that issues Indebtedness permitted by Section 6.02(r).

Section 6.06 Restrictive Agreements. The Credit Parties will not, and will not permit any Subsidiary to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that by its terms prohibits, restricts or imposes any condition upon (a) the ability of any Company to create, incur or permit to exist any Lien upon any of its material assets (unless such agreement or arrangement does not prohibit, restrict or impose any condition upon the ability of any Company to create, incur or permit to exist any Lien in favor of the Administrative Agent or any Lender created hereunder), or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the Guarantor or any other Subsidiary or to Guarantee Indebtedness of the Guarantor or any other Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law, by this Agreement or, in the case of any banking Subsidiary, by any Governmental Authority having jurisdiction over such Subsidiary, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.06 (but shall apply to any extension, renewal, amendment or modification expanding the scope of any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the securitization, financing or other transfer of mortgage loans (and/or related rights and interests and servicing assets) owned by the Borrower or any of its Subsidiaries, (v) clause (a) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured obligations permitted by this Agreement (including obligations secured by Liens permitted by Section 6.03(j)) if such restrictions or conditions apply only to the assets securing such obligations, (vi) clause (a) of the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof and (vii) clause (a) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to Indebtedness permitted hereunder pursuant to Section 6.02(m) or 6.02(v) or any RAL Receivables Transaction or Other Receivables Transaction.

ARTICLE VII
GUARANTEE

Section 7.01 Guarantee. (a) The Guarantor hereby unconditionally and irrevocably guarantees to the Administrative Agent and the Lenders and their respective

successors, indorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations.

(b) The Guarantor further agrees to pay any and all expenses (including all fees and disbursements of counsel) which may be paid or incurred by the Administrative Agent or any Lender in enforcing, or obtaining advice of counsel in respect of, any rights with respect to, or collecting, any or all of the Obligations and/or enforcing any rights with respect to, or collecting against, the Guarantor under this Article. This Article shall remain in full force and effect until the Obligations and the obligations of the Guarantor under the guarantee contained in this Article shall have been satisfied by payment in full and the Commitments shall be terminated, notwithstanding that from time to time prior thereto the Borrower may be free from any Obligations.

(c) No payment or payments made by either Credit Party, any other guarantor or any other Person or received or collected by the Administrative Agent or any Lender from either Credit Party or any other Person by virtue of any action or proceeding or any set-off or appropriation or application, at any time or from time to time, in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of the Guarantor hereunder which shall, notwithstanding any such payment or payments, remain liable hereunder for the Obligations until the Obligations are paid in full and the Commitments are terminated.

(d) The Guarantor agrees that whenever, at any time or from time to time, it shall make any payment to the Administrative Agent or any Lender on account of its liability hereunder, it will notify the Administrative Agent and such Lender in writing that such payment is made under this Article for such purpose.

Section 7.02 Delay of Subrogation. Notwithstanding any payment or payments made by the Guarantor hereunder, or any set-off or application of funds of the Guarantor by the Administrative Agent or any Lender, the Guarantor shall not be entitled to be subrogated to any of the rights of the Administrative Agent or any Lender against the Borrower or against any collateral security or guarantee or right of offset held by the Administrative Agent or any Lender for the payment of the Obligations, nor shall the Guarantor seek or be entitled to seek any contribution or reimbursement from the Borrower in respect of payments made by the Guarantor hereunder, until all amounts owing to the Administrative Agent and the Lenders by the Borrower on account of the Obligations are paid in full and the Commitments are terminated. If any amount shall be paid to the Guarantor on account of such subrogation rights at any time when all of the Obligations shall not have been paid in full, such amount shall be held by the Guarantor in trust for the Administrative Agent and the Lenders, segregated from other funds of the Guarantor, and shall, forthwith upon receipt by the Guarantor, be turned over to the Administrative Agent in the exact form received by the Guarantor (duly indorsed by the Guarantor to the Administrative Agent, if required) to be applied against the Obligations, whether matured or unmatured, in such order as the Administrative Agent may determine. The provisions of this Section shall be effective notwithstanding the termination of this Agreement and the payment in full of the Obligations and the termination of the Commitments.

Section 7.03 Amendments, etc. with respect to the Obligations; Waiver of Rights. The Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against the Guarantor, and without notice to or further assent by the Guarantor, any demand for payment of any of the Obligations made by the Administrative Agent or any Lender may be rescinded by the Administrative Agent or such Lender, and any of the Obligations continued, and the Obligations, or the liability of any other party upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Administrative Agent or any Lender, and this Agreement and any other documents executed and delivered in connection herewith may be amended, modified, supplemented or terminated, in whole or in part, in accordance with the provisions hereof as the Administrative Agent (or the requisite Lenders, as the case may be) may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by the Administrative Agent or any Lender for the payment of the Obligations may be sold, exchanged, waived, surrendered or released. Neither the Administrative Agent nor any Lender shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Obligations or for this Agreement or any property subject thereto. When making any demand hereunder against the Guarantor, the Administrative Agent or any Lender may, but shall be under no obligation to, make a similar demand on the Borrower or any other guarantor, and any failure by the Administrative Agent or any Lender to make any such demand or to collect any payments from the Borrower or any such other guarantor or any release of the Borrower or such other guarantor shall not relieve the Guarantor of its obligations or liabilities hereunder, and shall not impair or affect the rights and remedies, express or implied, or as a matter of law, of the Administrative Agent or any Lender against the Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

Section 7.04 Guarantee Absolute and Unconditional. The Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Obligations and notice of or proof of reliance by the Administrative Agent or any Lender upon this Agreement or acceptance of this Agreement; the Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon this Agreement; and all dealings between the Borrower and the Guarantor, on the one hand, and the Administrative Agent and the Lenders, on the other, shall likewise be conclusively presumed to have been had or consummated in reliance upon this Agreement. The Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrower and the Guarantor with respect to the Obligations. This Article shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity, regularity or enforceability of this Agreement, any other documents executed and delivered in connection herewith, any of the Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Administrative Agent or any Lender, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by the Guarantor against the Administrative Agent or any Lender, or (c) any other circumstance whatsoever (with or without notice to or knowledge of the Borrower or the Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrower for the Obligations, or of the Guarantor under this Article, in bankruptcy or in any other instance.

When pursuing its rights and remedies hereunder against the Guarantor, the Administrative Agent and any Lender may, but shall be under no obligation to, pursue such rights and remedies as it may have against the Borrower or any other Person or against any collateral security or guarantee for the Obligations or any right of offset with respect thereto, and any failure by the Administrative Agent or any Lender to pursue such other rights or remedies or to collect any payments from the Borrower or any such other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Borrower or any such other Person or of any such collateral security, guarantee or right of offset, shall not relieve the Guarantor of any liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Administrative Agent or any Lender against the Guarantor. This Article shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon the Guarantor and its successors and assigns, and shall inure to the benefit of the Administrative Agent and the Lenders, and their respective successors, indorsees, transferees and assigns, until all the Obligations and the obligations of the Guarantor under this Agreement shall have been satisfied by payment in full and the Commitments shall be terminated, notwithstanding that from time to time during the term of this Agreement the Borrower may be free from any Obligations.

Section 7.05 Reinstatement. This Article shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be restored or returned by the Administrative Agent or any Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of either Credit Party or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, either Credit Party or any substantial part of its property, or otherwise, all as though such payments had not been made.

Section 7.06 Payments. The Guarantor hereby agrees that all payments required to be made by it hereunder will be made to the Administrative Agent without set-off or counterclaim in accordance with the terms of the Obligations, including in the currency in which payment is due.

ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES

Section 8.01 Events of Default. Any of the following shall constitute an Event of Default:

(a) the Borrower shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five Business Days;

(c) any representation or warranty made or deemed made by either Credit Party (or any of its officers) in or in connection with this Agreement or any amendment or modification hereof, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any amendment or modification hereof, shall prove to have been incorrect in any material respect when made or deemed made;

(d) either Credit Party shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.03 (with respect to the Credit Parties' existence), 5.08 or 5.09 or in Article VI;

(e) either Credit Party shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent (given at the request of any Lender) to the Borrower;

(f) either Credit Party or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable (after expiration of any applicable grace or cure period);

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity; provided that this clause (g) shall not apply to (i) secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the assets securing such Indebtedness or (ii) any obligation under a Hedging Agreement that becomes due as a result of a default by a party thereto other than a Company;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of either Credit Party or any Material Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for either Credit Party or any Material Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) either Credit Party or any Material Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Material Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations

of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) either Credit Party or any Material Subsidiary shall become unable, admit in writing or fail generally to pay its debts as they become due;

(k) one or more final judgments for the payment of money shall be rendered against the Guarantor, the Borrower, any Subsidiary or any combination thereof and either (i) a creditor shall have commenced enforcement proceedings upon any such judgment in an aggregate amount (to the extent not covered by insurance as to which the relevant insurance company has not denied coverage) in excess of $40,000,000 (a " Material Judgment") or (ii) there shall be a period of 30 consecutive days during which a stay of enforcement of any Material Judgment shall not be in effect (by reason of pending appeal or otherwise) (it being understood that, notwithstanding the definition of "Default", no "Default" shall be triggered solely by the rendering of such a judgment or judgments prior to the commencement of enforcement proceedings or the lapse of such 30 consecutive day period, so long as such judgments are capable of satisfaction by payment at any time);

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, would reasonably be expected to result in a Material Adverse Effect;

(m) a Change in Control shall occur; or

(n) the Guarantee contained in Article VII herein shall cease, for any reason, to be in full force and effect in any material respect or either Credit Party shall so assert.

Section 8.02 Remedies Upon Event of Default. If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans to be terminated, whereupon such commitments shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower; and

(c) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents;

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States, the obligation of each Lender to make Loans shall automatically terminate, the unpaid principal amount of all

outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the Administrative Agent or any Lender.

Section 8.03 Application of Funds. After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable as set forth in the proviso to Section 8.02), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Section 2.12) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders (including fees, charges and disbursements of counsel to the respective Lenders and amounts payable under Sections 2.10, 2.11 or 2.12), ratably among them in proportion to the respective amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans and other Obligations, ratably among the Lenders in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans, ratably among the Lenders in proportion to the respective amounts described in this clause Fourth held by them; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Law.

ARTICLE IX
ADMINISTRATIVE AGENT

Section 9.01 Appointment and Authority.

Each of the Lenders hereby irrevocably appoints Bank of America to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders, and neither the Borrower nor any other Credit Party shall have rights as a third party beneficiary of any of such provisions.

Section 9.02 Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual

capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any Company or any Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

Section 9.03 Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.02) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower or a Lender.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

Section 9.04 Reliance by Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 9.05 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Section 9.06 Resignation of Administrative Agent. The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, subject to the consent of the Borrower so long as no Event of Default described in Section 8.01(a), (b) or (i) shall have occurred and be continuing (which consent shall not be unreasonably withheld), to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank so long as such Affiliate has an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above; provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this Section. Upon acceptance of appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring (or

retired) Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 10.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

Any resignation by Bank of America as Administrative Agent pursuant to this Section shall also constitute its resignation as Swingline Lender. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Swingline Lender and (b) the retiring Swingline Lender shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents.

Section 9.07 Non-Reliance on Administrative Agent and Other Lenders . Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

Section 9.08 No Other Duties, Etc.Anything herein to the contrary notwithstanding, none of the Bookrunners, Arrangers, Syndication Agent or Documentation Agent listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement, except in its capacity, as applicable, as the Administrative Agent or a Lender hereunder.

ARTICLE X
MISCELLANEOUS

Section 10.01 Notices; Effectiveness; Electronic Communication .

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower, the Guarantor, the Administrative Agent or the Swingline Lender, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 10.01; and

(ii) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Platform. THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no

event shall the Administrative Agent or any of its Related Parties (collectively, the " Agent Parties") have any liability to the Borrower, the Guarantor, any Lender or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Borrower, the Guarantor, any Lender or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Change of Address, Etc. Each of the Borrower, the Guarantor, the Administrative Agent and the Swingline Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Borrower, the Administrative Agent and the Swingline Lender. In addition, each Lender agrees to notify the Administrative Agent from time to time, at the request of the Administrative Agent, to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the "Private Side Information" or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender's compliance procedures and applicable Law, including United States Federal and state securities laws, to make reference to Borrower Materials that are not made available through the "Public Side Information" portion of the Platform and that may contain material non-public information with respect to the Borrower, the Guarantor or their securities for purposes of United States Federal or state securities laws.

(e) Reliance by Administrative Agent and Lenders. The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic Committed Loan Notices and Swingline Loan Notices) purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Administrative Agent, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

Section 10.02 Amendments, Etc. (a) No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder shall operate as a waiver

thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Credit Parties therefrom shall in any event be effective unless the same shall be permitted by Section 10.02(b), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Credit Parties and the Required Lenders or by the Credit Parties and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.13(b) or (c) or Section 8.03 in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) release the guarantee contained in Article VII, without the written consent of each Lender, (vi) waive any of the conditions precedent to the Closing Date set forth in Section 4.01 without the written consent of each Lender or (vii) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided, further, that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or the Swingline Lender hereunder without the prior written consent of the Administrative Agent or the Swingline Lender, as the case may be.

Section 10.03 Enforcement. Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Credit Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 8.02 for the benefit of all the Lenders; provided, however, that the foregoing shall not prohibit (a) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (b) the Swingline Lender from exercising the rights and remedies that inure to its benefit (solely in its capacity as Swingline Lender) hereunder and under the other Loan Documents, (c) any Lender from exercising setoff rights in accordance with Section 10.10 (subject to the terms of Section 2.13), or (d) any Lender from filing proofs of claim or appearing

and filing pleadings on its own behalf during the pendency of a proceeding relative to either Credit Party under any debtor relief law; and provided, further, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (i) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 8.02 and (ii) in addition to the matters set forth in clauses (b), (c) and (d) of the preceding proviso and subject to Section 2.13, any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

Section 10.04 Expenses; Indemnity; Damage Waiver.

(a) The Borrower shall pay (i) all reasonable and documented out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable and documented fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement and any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all reasonable and documented out-of-pocket expenses incurred by the Administrative Agent, or any Lender, including the reasonable and documented fees, charges and disbursements of any counsel for the Administrative Agent, or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made hereunder, including in connection with any workout, restructuring or negotiations in respect thereof.

(b) The Credit Parties shall jointly and severally indemnify the Administrative Agent and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee"), against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by any Company, or any Environmental Liability related in any way to any Company, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee or any Company is a party thereto; provided that such indemnity shall not be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or any of its Related Parties.

(c) To the extent that either Credit Party fails to pay any amount required to be paid by it to the Administrative Agent or the Swingline Lender under Section 10.04(a) or (b) but without affecting such Credit Party's reimbursement obligations with respect

thereto, each Lender severally agrees to pay to the Administrative Agent or the Swingline Lender, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or the Swingline Lender in its capacity as such. The Administrative Agent or the Swingline Lender shall have the right to deduct any amount owed to it by any Lender under this subsection (c) from any payment made by it to such Lender hereunder.

(d) To the extent permitted by applicable law, the Credit Parties shall not assert, and hereby waive, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof.

(e) No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(f) All amounts due under this Section shall be payable promptly after written demand therefor.

Section 10.05 Payments Set Aside. To the extent that any payment by or on behalf of the Borrower is made to the Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any debtor relief law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

Section 10.06 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by a Credit Party without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees (other than a Credit Party or any of its Affiliates or a Defaulting Lender) all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) each of the Borrower and the Administrative Agent (and, in the case of an assignment of all or a portion of a Commitment or any Lender's obligations in respect of its risk participation in Swingline Loans, the Swingline Lender) must give its prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of $3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; provided, further, that any consent of the Borrower otherwise required under this subsection shall not be required if an Event of Default has occurred and is continuing. Upon acceptance and recording pursuant to Section 10.06(d), from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.10, 2.11, 2.12 and 10.04). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 10.06(e).

(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the " Register"). The entries in the Register shall be conclusive, and each Credit Party, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. In addition, the Administrative Agent shall maintain on the Register information regarding the designation, and revocation of designation, of any Lender as a Defaulting Lender .

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in Section 10.06(b) and any written consent to such assignment required by Section 10.06(b), the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this subsection.

(e) Any Lender may, without the consent of either Credit Party, the Administrative Agent or the Swingline Lender, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Credit Parties, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender (rather than its Participant) shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 10.02(b) that affects such Participant. Subject to Section 10.06(f), the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.10, 2.11 and 2.12 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 10.06(b).

(f) A Participant shall not be entitled to receive any greater payment under Section 2.10 or 2.12 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.12 unless the Borrower is notified of the participation sold to such Participant and such

Participant agrees, for the benefit of the Borrower, to comply with Section 2.12(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any such pledge or assignment to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

(h) Notwithstanding anything to the contrary contained herein, any Lender (a " Granting Lender") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Loan and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any state thereof. In addition, notwithstanding anything to the contrary in this Section 10.04(h), any SPC may (A) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Lender, or with the prior written consent of the Borrower and the Administrative Agent (which consent shall not be unreasonably withheld) to any financial institutions providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans, and (B) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC; provided that non-public information with respect to the Borrower may be disclosed only with the Borrower's consent which will not be unreasonably withheld. This subsection (h) may not be amended without the written consent of any SPC with Loans outstanding at the time of such proposed amendment. An SPC shall not be entitled to receive any greater payment under Section 2.10 or 2.12 than the applicable Granting Lender would have been entitled to receive under such Sections if the Granting Lender had made the relevant credit extension.

(i) Notwithstanding anything to the contrary contained herein, if at any time Bank of America assigns all of its Commitment and Loans pursuant to subsection (b) above, Bank of America may, upon 30 days' notice to the Borrower and the Lenders, resign as

Swingline Lender. In the event of any such resignation as Swingline Lender, the Borrower shall be entitled to appoint from among the Lenders a successor Swingline Lender hereunder (subject to the consent of such Lender to serve as a successor Swingline Lender); provided, however, that no failure by the Borrower to appoint any such successor shall affect the resignation of Bank of America as Swingline Lender. If Bank of America resigns as Swingline Lender, it shall retain all the rights of the Swingline Lender provided for hereunder with respect to Swingline Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Committed Loans or fund risk participations in outstanding Swingline Loans pursuant to Section 2.03(c). Upon the appointment of a successor Swingline Lender, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Swingline Lender.

(j) In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent or any Lender hereunder (and interest accrued thereon) and (y) acquire (and fund as appropriate) its full pro rata share of all Loans and participations in Swingline Loans in accordance with its Applicable Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this subsection, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Section 10.07 Survival. All covenants, agreements, representations and warranties made by the Credit Parties herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 2.10, 2.11, 2.12, 10.04 and 10.05(b) and Article IX shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

Section 10.08 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which

shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 10.09 Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. Without limiting the foregoing provisions of this Section 10.09, if and to the extent that the enforceability of any provisions in this Agreement relating to Defaulting Lenders shall be limited by debtor relief laws, as determined in good faith by the Administrative Agent or the Swingline Lender, as applicable, then such provisions shall be deemed to be in effect only to the extent not so limited.

Section 10.10 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of either Credit Party against any of and all the obligations of such Credit Party now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured; provided, that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.17 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

Section 10.11 Governing Law; Jurisdiction; Etc.

(a) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) SUBMISSION TO JURISDICTION. EACH CREDIT PARTY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST EITHER CREDIT PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. EACH CREDIT PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN SECTION 10.11(b). EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.01. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 10.12 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD

NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 10.13 Treatment of Certain Information; Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, trustees, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it or its Affiliates (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent, any Lender or any of their respective Affiliates on a nonconfidential basis from a source other than either Credit Party. For the purposes of this Section, " Information" means all information received from any Company relating to any Company or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by such Company; provided that, in the case of information received from any Company after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent and each Lender acknowledges that (a) the Information may include material non-public information concerning any Company, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable law, including United States Federal and state securities laws.

Section 10.14 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the " Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and,

to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

Section 10.15 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), each Credit Party acknowledges and agrees that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent, the Lenders and the Arrangers are arm's-length commercial transactions between the Credit Parties and their Affiliates, on the one hand, and the Administrative Agent, the Lenders and the Arrangers, on the other hand, (B) each of the Credit Parties has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) each Credit Party is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) each of the Administrative Agent, each Lender and each Arranger is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for either Credit Party or any of its Affiliates, or any other Person and (B) none of the Administrative Agent, any Lender or any Arranger has any obligation to the Credit Parties or any of their Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent and the Arrangers and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Credit Parties and their respective Affiliates, and none of the Administrative Agent, any Lender or any Arranger has any obligation to disclose any of such interests to the Credit Parties or their Affiliates. To the fullest extent permitted by law, each of the Credit Parties hereby waives and releases any claims that it may have against the Administrative Agent, the Lenders and the Arrangers with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 10.16 Electronic Execution of Assignments and Certain Other Documents. The words "execution," "signed," "signature," and words of like import in any Assignment and Acceptance or in any amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

Section 10.17 Termination of Existing Agreements.

The Lenders that are parties to either Existing Agreement (and which constitute "Required Lenders" under and as defined in such Existing Agreement) hereby waive the any

notice requirement set forth in such Existing Agreement for terminating the commitments under such Existing Agreement, and such Lenders and the Borrower agree that, subject to the Borrower's payment of all amounts then payable under such Existing Agreement (whether or not then due), the commitments under such Existing Agreement shall be terminated on the Closing Date. After the termination of such commitments, such Existing Agreement shall be of no further force or effect (except for provisions thereof which by their terms survive termination thereof).

Section 10.18 USA PATRIOT Act. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Act. The Borrower shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

BLOCK FINANCIAL LLC

By: /s/ Becky S. Shulman
Becky S. Shulman, President and
Chief Financial Officer

H&R BLOCK, INC.

By: /s/ Becky S. Shulman
Becky S. Shulman, Senior Vice President and
Chief Financial Officer

BANK OF AMERICA, N.A., as Administrative Agent

By: /s/ Aamir Saleem
Aamir Saleem
Vice President

BANK OF AMERICA, N.A., as a Lender and
Swingline Lender

By: /s/ James H. Harper
James H. Harper
Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Barbara Van Meerten
Barbara Van Meerten
Director

BNP PARIBAS, as a Lender

By: /s/ Scott Tricarico
Scott Tricarico
Vice President

COMPASS BANK, as a Lender

By: /s/ Ramon Garcia
Ramon Garcia
Vice President

CREDIT AGRICOLE CORPORATE & INVESTMENT BANK, as a Lender

By: /s/ Corey Billups
Corey Billups
Managing Director

By: /s/ Blake Wright
Blake Wright
Managing Director

DEUTSCHE BANK AG NEW YORK BRANCH, as a Lender

By: /s/ Frederick W. Laird
Frederick W. Laird
Managing Director

By: /s/ Heidi Sandquist
Heidi Sandquist
Director

SCOTIABANC INC.,
as a Lender

By: /s/ J. F. Todd
J. F. Todd
Managing Director

THE BANK OF NOVA SCOTIA, as a Lender

By: /s/ Todd S. Meller
Todd S. Meller
Managing Director

SUNTRUST BANK, as a Lender

By: /s/ K. Scott Bazemore
K. Scott Bazemore
Vice President

TORONTO DOMINION (NEW YORK) LLC, as a Lender

By: /s/ Debbi L. Brito
Debbi L. Brito
Authorized Signatory

THE BANK OF TOKYO MITSUBISHI UFJ, LTD., as a Lender

By: /s/ Christine Howatt
Christine Howatt
Authorized Signatory

CIBC INC., as a Lender

By: /s/ Dominic J. Sorresso
Dominic J. Sorresso
Executive Director

CIBC World Markets Corp.
Authorized Signatory

COMERICA BANK, as a Lender

By: /s/ Mark J. Leveille
Mark J. Leveille
Vice President

U.S. BANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ Gaylen Frazier
Gaylen Frazier
A.V.P.

KEYBANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ David M. Morris
David M. Morris
Vice President

PNC BANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ D. R. Mitchell
D. R. Mitchell
EVP

ROYAL BANK OF CANADA,
as a Lender

By: /s/ Nicholas J. Woyevodsky
Nicholas J. Woyevodsky
Attorney-In-Fact
Royal Bank of Canada

UBS LOAN FINANCE LLC, as a Lender

By: /s/ Irja R. Otsa
Irja R. Otsa
Associate Director

By: /s/ Mary E. Evans
Mary E. Evans
Associate Director

GOLDMAN SACHS BANK USA,
as a Lender

By: /s/ Mark Walton
Mark Walton
Authorized Signatory

BRANCH BANKING AND TRUST COMPANY, as a Lender

By: /s/ Roberts A. Bass
Roberts A. Bass
Senior Vice President

FIFTH THIRD BANK, as a Lender

By: /s/ Tim Adair
Tim Adair
Assistant Vice President

SUMITOMO MITSUI BANKING CORPORATION, as a Lender

By: /s/ William M. Ginn
William M. Ginn
Executive Director

UMB BANK, **N.A.** as a Lender

By: /s/ Martin Nay
Martin Nay
Senior Vice President

THE BANK OF EAST ASIA, LIMITED, NEW YORK BRANCH, as a Lender

By: /s/ Kenneth Pettis
Kenneth Pettis
Senior Vice President

By: /s/ Kitty Sin
Kitty Sin
Senior Vice President

COMMERCE BANK N.A., as a Lender

By: /s/ David C. Enslen
David C. Enslen
Senior Vice President

TAIPEI FUBON COMMERCIAL BANK, as a Lender

By: /s/ Michael Tan
Michael Tan
VP and DGM

SCHEDULE 2.01

COMMITMENTS
AND APPLICABLE PERCENTAGES

Lender	Commitment	Applicable Percentage
Bank of America, N.A.	$ 150,000,000	8.82352941%
BNP Paribas	$ 150,000,000	8.82352941%
Wells Fargo Bank, National Association	$ 150,000,000	8.82352941%
Compass Bank	$ 100,000,000	5.88235294%
Credit Agricole Corporate & Investment Bank	$ 100,000,000	5.88235294%
Deutsche Bank AG New York Branch	$ 100,000,000	5.88235294%
Scotiabanc Inc.	$ 50,000,000	2.94117647%
The Bank of Nova Scotia	$ 50,000,000	2.94117647%
SunTrust Bank	$ 100,000,000	5.88235294%
Toronto Dominion (New York) LLC	$ 100,000,000	5.88235294%
The Bank Of Tokyo Mitsubishi UFJ, Ltd.	$ 75,000,000	4.41176471%
CIBC Inc.	$ 75,000,000	4.41176471%
Comerica Bank	$ 75,000,000	4.41176471%
U.S. Bank National Association	$ 75,000,000	4.41176471%
KeyBank, National Association	$ 50,000,000	2.94117647%
PNC Bank National Association	$ 50,000,000	2.94117647%
Royal Bank of Canada	$ 50,000,000	2.94117647%
UBS Loan Finance LLC	$ 50,000,000	2.94117647%
Goldman Sachs Bank USA	$ 30,000,000	1.76470588%
Branch Banking and Trust Company	$ 25,000,000	1.47058824%
Fifth Third Bank	$ 25,000,000	1.47058824%
Sumitiomo Mitsui Banking Corporation	$ 25,000,000	1.47058824%
UMB Bank, N.A.	$ 15,000,000	0.88235294%
The Bank of East Asia, Limited, New York Branch	$ 10,000,000	0.58823529%
Commerce Bank N.A.	$ 10,000,000	0.58823529%
Taipei Fubon Commercial Bank	$ 10,000,000	0.58823529%
Total	$ 1,700,000,000	100.00000000%

SCHEDULE 3.04(a)

Guarantee Obligations

None.

SCHEDULE 3.06

Disclosed Matters

None.

Subsidiaries

The following is a list of the direct and indirect subsidiaries of H&R Block, Inc., a Missouri corporation.

Company Name	Domestic Jurisdiction
Aculink Mortgage Solutions, LLC	Florida
AcuLink of Alabama, LLC	Alabama
Ada Services Corporation	Massachusetts
BFC Transactions, Inc.	Delaware
Birchtree Financial Services, Inc.	Oklahoma
Birchtree Insurance Agency, Inc.	Missouri
Block Financial LLC	Delaware
CFS-McGladrey, LLC	Massachusetts
Cfstaffing, Ltd.	British Columbia
Cityfront, Inc.	Delaware
Companion Insurance, Ltd.	Bermuda
Companion Mortgage Corporation	Delaware
Creative Financial Staffing of Western Washington, LLC	Massachusetts
EquiCo, Inc.	California
Express Tax Service, Inc.	Delaware
Financial Marketing Services, Inc.	Michigan
Financial Stop Inc.	British Columbia
FM Business Services, Inc.	Delaware
Franchise Partner, Inc.	Nevada
H&R Block (India) Private Limited	India
H&R Block (Nova Scotia), Incorporated	Nova Scotia
H&R Block Bank	Missouri
H&R Block Canada Financial Services, Inc.	Federally Chartered
H&R Block Canada, Inc.	Federally Chartered
H&R Block Eastern Enterprises, Inc.	Missouri
H&R Block Enterprises LLC	Missouri
H&R Block Global Solutions (Hong Kong) Limited	Hong Kong
H&R Block Group, Inc.	Delaware
H&R Block Insurance Agency, Inc.	Delaware
H&R Block Limited	New South Wales
H&R Block Management, LLC	Delaware
H&R Block Tax and Business Services, Inc.	Delaware
H&R Block Tax Institute, LLC	Missouri
H&R Block Tax Services LLC	Missouri
H&R Block, Inc.	Missouri
HRB Advance LLC	Delaware
HRB Center LLC	Missouri

Company Name	Domestic Jurisdiction
HRB Concepts LLC	Delaware
HRB Corporate Enterprises LLC	Delaware
HRB Corporate Services LLC	Missouri
HRB Digital LLC	Delaware
HRB Digital Technology Resources LLC	Delaware
HRB Expertise LLC	Missouri
HRB Flint Hills LLC	Missouri
HRB Innovations, Inc.	Delaware
HRB International LLC	Missouri
HRB Products LLC	Missouri
HRB Support Services LLC	Delaware
HRB Tax & Technology Leadership LLC	Missouri
HRB Tax Group, Inc.	Missouri
HRB Technology Holding LLC	Delaware
HRB Technology LLC	Missouri
McGladrey Capital Markets Canada Inc.	Federally Chartered
McGladrey Capital Markets Europe Limited	United Kingdom
McGladrey Capital Markets LLC	Delaware
OOMC Holdings LLC	Delaware
OOMC Residual Corporation	New York
O'Rourke Career Connections, LLC	California
Pension Resources, Inc.	Illinois
Provident Mortgage Services, Inc.	Delaware
RedGear Technologies, Inc.	Missouri
RSM Employer Services Agency of Florida, Inc.	Florida
RSM Employer Services Agency, Inc.	Georgia
RSM EquiCo, Inc.	Delaware
RSM McGladrey Business Services, Inc.	Delaware
RSM McGladrey Business Solutions, Inc.	Delaware
RSM McGladrey Employer Services, Inc.	Georgia
RSM McGladrey Insurance Services, Inc.	Delaware
RSM McGladrey TBS, LLC	Delaware
RSM McGladrey, Inc.	Delaware
Sand Canyon Acceptance Corporation	Delaware
Sand Canyon Corporation	California
Sand Canyon Securities Corp.	Delaware
Sand Canyon Securities II Corp.	Delaware
Sand Canyon Securities III Corp.	Delaware
Sand Canyon Securities IV LLC	Delaware
ServiceWorks, Inc.	Delaware
TaxNet Inc.	California
TaxWorks, Inc.	Delaware
West Estate Investors, LLC	Missouri
Woodbridge Mortgage Acceptance Corporation	Delaware

SCHEDULE 6.02

Existing Indebtedness

None.

Existing Liens

- Existing liens on copiers, telephone and computer equipment and other specifically identified equipment (and proceeds thereof, accessions thereto and other related property) in favor of sellers, lessors or financers thereof.

- Liens related to the following UCC financing statements.

Debtor	Secured Party	State	File No.	File Date	General description of Collateral
Companion Mortgage Corporation	JPMorgan Chase Bank, NA	DE	53688620	11/30/2005 (amended 11/30/05)	A/R and proceeds; Negotiable instruments and proceeds
H&R Block Bank	Federal Home Loan Bank of Des Moines	MO	20060060533G	5/31/2006 (amended 12/18/06, 4/9/09)	Accounts and proceeds; Negotiable instruments and proceeds
H&R Block Bank	Kennedy, Harold Elton	MO	20090112360F	11/17/2009	Notice of Bailment
H&R Block Bank	Fannie Mae	MO	20070130050K	11/26/2007	All loans and other property sold or assigned to Secured Party by Debtor
H&R Block Bank	Federal Reserve Bank of Kansas City	MO	20080100822E	9/16/2008	All accounts, chattel paper and other property assigned to Secured Party by Debtor
RSM McGladrey Employer Services, Inc.	RSM McGladrey Business Services, Inc.	GA	6005006544	5/27/2005	Contracts specified in asset purchase agreement and property related thereto
RSM McGladrey, Inc.	GreatAmerica Leasing Corporation	DE	20091076360	4/4/2009	Specific software and related property
H&R Block Eastern Enterprises, Inc.	Pantops Shopping Center I, LLC	MO	20070143525M	12/31/2007	Property of Debtor at specific location in Albermarle County, VA
H&R Block Eastern Enterprises, Inc.	Village at Time Corners, LP	MO	20090076200H	8/13/2004 (in lieu)	Property of Debtor at specific location in Ft. Wayne, IN
H&R Block Enterprises LLC	Iskum II, LLC	MO	20090105920K	11/3/2004	Property of Debtor at specific location in Salem, OR
H&R Block, Inc.	TUO-Houston Long Point, LLC	MO	20080113972E	10/23/2008	Property of Debtor at specific location in Houston, TX

SCHEDULE 6.04(b)

Additional Businesses

- Businesses that offer products and services typically provided by finance companies, banks and other financial service providers, including consumer finance and mortgage-loan related products and services, credit products, insurance products, check cashing, money orders, wire transfers, stored value cards, bill payment services, notary services and similar products and services.

- Businesses that offer financial, or financial-related, products and services that can be marketed, provided or distributed by leveraging the retail locations of Guarantor's Subsidiaries or the relationships of such Subsidiaries with their clients as a tax return preparer or financial advisor or service provider.

SCHEDULE 6.06

Existing Restrictions

- Indenture dated as of October 20, 1997 (the "October 20, 1997 Indenture"), by and between the Credit Parties and Deutsche Bank Trust Company Americas (f/k/a Bankers Trust Company) (the "First Trustee"), along with the:
  1. The First Supplemental Indenture dated as of April 18, 2000, among the Credit Parties, the First Trustee and The Bank of New York, as separate trustee under the Indenture;
  2. The Officers' Certificate of the Borrower dated October 26, 2004 establishing the terms of the Borrower's 5.125% Notes due 2014, which are guaranteed by the Guarantor pursuant to the guarantees endorsed on said Notes; and
  3. The Officers' Certificate of the Borrower dated January 11, 2008 establishing the terms of the Borrower's 7.875% Notes due 2013, which are guaranteed by the Guarantor pursuant to the guarantees endorsed on said Notes.
- Certain Subsidiaries must maintain capital requirements which could impair their ability to pay dividends or other distributions.
- Credit and Guarantee Agreement dated as of January 12, 2010, among the Borrower, the Guarantor and HSBC Bank USA, National Association.

SCHEDULE 10.01

ADMINISTRATIVE AGENT'S OFFICE;
CERTAIN ADDRESSES FOR NOTICES

BORROWER or GUARANTOR:

Block Financial LLC
H&R Block, Inc.
One H&R Block Way
Kansas City, Missouri 64105

Attention: Andrew Somora
Telephone: 816 854-4529
Telecopier: 816 802-1043
Electronic Mail: ASomora@HRBlock.com
and
Attention: Vince Clark
Telephone: 816 854-5559
Telecopier: 816 854-8045
Electronic Mail: Vince.Clark@HRBlock.com

Website Address: www.HRBlock.com
U.S. Taxpayer Identification Number: 52-1781495 (Borrower)/ 44-0607856 (Guarantor)

ADMINISTRATIVE AGENT:

Administrative Agent's Office
(*for payments and Requests for Loans*):
Bank of America, N.A.
101 N. Tryon Street
Mail Code: NC1-001-04-39
Charlotte, NC 28255-0001
Attention: Robert Garvey
Telephone: 980-387-9468
Telecopier: 617-310-3288
Electronic Mail: robert.garvey@baml.com
Account No.: 1366212250600
Ref: BLOCK FINANCIAL LLC
ABA# 026009593

Other Notices as Administrative Agent:
Bank of America, N.A.
Agency Management
1455 Market Street
Mail Code: CA5-701-05-19
San Francisco, CA 94103-1399

Attention: AAmir Saleem
Telephone: 415-436-2769
Telecopier: 415-503-5089
Electronic Mail: aamir.saleem@baml.com

SWINGLINE LENDER:

Bank of America, N.A.
101 N. Tryon Street
Mail Code: NC1-001-04-39
Charlotte, NC 28255-0001
Attention: Robert Garvey
Telephone: 980-387-9468
Telecopier: 617-310-3288
Electronic Mail: robert.garvey@baml.com
Account No.: 1366212250600
Ref: BLOCK FINANCIAL LLC
ABA# 026009593

EXHIBIT A

FORM OF COMMITTED LOAN NOTICE

Date: _____, ___

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit and Guarantee Agreement, dated as of March 4, 2010 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among Block Financial LLC, a Delaware limited partnership (the "Borrower"), H&R Block, Inc., as guarantor, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent and Swingline Lender.

The undersigned hereby requests (select one):

☐ A Borrowing of Committed Loans ☐ A conversion or continuation of Loans

1. On _____ (a Business Day).

2. In the amount of $_____.

3. Comprised of _____.
[Type of Committed Loan requested]

4. For Eurodollar Rate Loans: with an Interest Period of _____ [weeks][months].

The Committed Borrowing, if any, requested herein complies with the provisos to the first sentence of Section 2.01 of the Agreement.

BLOCK FINANCIAL LLC

By: _____
Name:
Title:

EXHIBIT B

FORM OF SWINGLINE LOAN NOTICE

Date: _____, _____

To: Bank of America, N.A., as Swingline Lender
Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit and Guarantee Agreement, dated as of March 4, 2010 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among Block Financial LLC, a Delaware limited partnership (the "Borrower"), H&R Block, Inc., as guarantor, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent and Swingline Lender.

The undersigned hereby requests a Swingline Loan:

1. On _____ (a Business Day).

2. In the amount of $_____.

The Swingline Borrowing requested herein complies with the requirements of the provisos to the first sentence of Section 2.04(a) of the Agreement.

BLOCK FINANCIAL LLC

By: _____
Name:
Title:

EXHIBIT C

FORM OF NOTE

FOR VALUE RECEIVED, the undersigned (the "Borrower") hereby promises to pay to _____ or registered assigns (the "Lender"), in accordance with the provisions of the Agreement (as hereinafter defined), the principal amount of each Loan from time to time made by the Lender to the Borrower under that certain Credit and Guarantee Agreement, dated as of March 4, 2010 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among the Borrower, H&R Block, Inc., as guarantor, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent and Swingline Lender.

The Borrower promises to pay interest on the unpaid principal amount of each Loan from the date of such Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Agreement. Except as otherwise provided in Section 2.04(f) of the Agreement with respect to Swingline Loans, all payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Note is one of the Notes referred to in the Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

BLOCK FINANCIAL LLC

By: _____
Name:
Title:

LOANS AND PAYMENTS WITH RESPECT THERETO

Date	Type of Loan Made	Amount of Loan Made	End of Interest Period	Amount of Principal or Interest Paid This Date	Outstanding Principal Balance This Date	Notation Made By

EXHIBIT D

Form of Compliance Certificate

EXHIBIT D-1

ASSIGNMENT AND ACCEPTANCE

This Assignment and Acceptance (this "Assignment and Acceptance") is dated as of the Effective Date set forth below and is entered into by and between [the][each][1] Assignor identified in item 1 below ([the][each, an] "Assignor") and [the][each][2] Assignee identified in item 2 below ([the][each, an] "Assignee"). [It is understood and agreed that the rights and obligations of [the Assignors][the Assignees] [3] hereunder are several and not joint.][4] Capitalized terms used but not defined herein shall have the meanings given to them in the Credit and Guarantee Agreement identified below (the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Acceptance as if set forth herein in full.

For an agreed consideration, [the][each] Assignor hereby irrevocably sells and assigns to [the Assignee][the respective Assignees], and [the][each] Assignee hereby irrevocably purchases and assumes from [the Assignor][the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of [the Assignor's][the respective Assignors'] rights and obligations in [its capacity as a Lender][their respective capacities as Lenders] under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of [the Assignor][the respective Assignors] under the respective facilities identified below (including, without limitation, the Swingline Loans included in such facilities[5]) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Lender)][the respective Assignors (in their respective capacities as Lenders)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by [the][any] Assignor to [the][any] Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively

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1 For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.

2 For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.

3 Select as appropriate.

4 Include bracketed language if there are either multiple Assignors or multiple Assignees.

5 Include all applicable subfacilities.

as [the][an] "Assigned Interest"). Each such sale and assignment is without recourse to [the][any] Assignor and, except as expressly provided in this Assignment and Acceptance, without representation or warranty by [the][any] Assignor.

1. Assignor[s]: _____

_____

2. Assignee[s]: _____

_____

[for each Assignee, indicate [Affiliate] of [*identify Lender*]]

3. Borrower(s): _____

4. Administrative Agent: Bank of America, N.A., as the administrative agent under the Credit Agreement

5. Credit Agreement: Credit and Guarantee Agreement, dated as of March 4, 2010, among Block Financial LLC, a Delaware limited partnership (the "Borrower"), H&R Block, Inc., as guarantor, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent and Swingline Lender

6. Assigned Interest[s]:[6]

Assignor[s][7]	Assignee[s][8]	Facility Assigned[9]	Aggregate Amount of Commitment/Loans for all Lenders[10]	Amount of Commitment/Loans Assigned	Percentage Assigned of Commitment/ Loans[11]	CUSIP Number
			$	$	%	
			$	$	%	
			$	$	%	

6 The reference to "Loans" in the table should be used only if the Credit Agreement provides for Term Loans.

7 List each Assignor, as appropriate.

8 List each Assignee, as appropriate.

9 Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Revolving Credit Commitment", "Term Loan Commitment", etc.).

10 Amounts in this column and in the column immediately to the right to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

11 Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

[7. Trade Date: _____][12]

Effective Date: _____, 20___ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Acceptance are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By: _____
Title:

[Consented to and][13] Accepted:

BANK OF AMERICA, N.A., as
Administrative Agent

By: _____
Title:

[Consented to:][14]

BLOCK FINANCIAL LLC

By: _____
Title:

[SWINGLINE LENDER]

By: _____
Title:

12 To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

13 To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

14 To be deleted only if the consent of the Borrower and/or other parties (e.g. Swingline Lender) is not required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR

ASSIGNMENT AND ACCEPTANCE

1. Representations and Warranties.

1.1. Assignor. [The][Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the][[the relevant] Assigned Interest, (ii) [the][such] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. [The][Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all the requirements to be an assignee under Section 10.06(b) of the Credit Agreement (subject to such consents, if any, as may be required under Section 10.06(b) of the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of [the][the relevant] Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by [the][such] Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire [the][such] Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section ___thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase [the][such] Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase [the][such] Assigned Interest, and (vii) if it is a Foreign Lender, attached hereto is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by [the][such] Assignee; and (b) agrees that (i) it will, independently and without reliance upon the Administrative Agent, [the][any] Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms

all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of [the][each] Assigned Interest (including payments of principal, interest, fees and other amounts) to [the][the relevant] Assignor for amounts which have accrued to but excluding the Effective Date and to [the][the relevant] Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Acceptance shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Acceptance may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Acceptance by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance. This Assignment and Acceptance shall be governed by, and construed in accordance with, the law of the State of _____ [*confirm that choice of law provision parallels the Credit Agreement*].

Exhibit 10.42

AMENDED AND RESTATED ADMINISTRATIVE SERVICES AGREEMENT

THIS AMENDED AND RESTATED ADMINISTRATIVE SERVICES AGREEMENT (the "Agreement") is dated as of February 3, 2010 and effective as of May 1, 2010 (other than Section 16 hereof, which shall be effective immediately upon execution and delivery of the Agreement), by and among RSM McGladrey, Inc. ("RSMM"), which is an indirect wholly-owned subsidiary of H&R Block, Inc. (" HRB"), McGladrey & Pullen, LLP ("M&P") and, solely for purposes of Section 11.3, HRB.

RECITALS

WHEREAS, M&P is licensed to hold itself out as a licensed certified public accounting firm in numerous states and jurisdictions;

WHEREAS, M&P desires to continue to focus its effort, energy and expertise on the provision of Public Accounting Services (as defined below) (the "Business"), and to accomplish this goal, desires to outsource certain administrative functions of the Business to RSMM;

WHEREAS, M&P desires to retain certain administrative services of RSMM in connection with the provision of certain services and products relating to the Business that do not involve the provision of Public Accounting Services and RSMM desires to provide such administrative services to M&P;

WHEREAS, M&P and RSMM have agreed upon a fair compensation for the administrative services provided by RSMM hereunder;

WHEREAS, RSMM has performed the administrative services under (a) an Administrative Services Agreement dated August 2, 1999, which was terminated on January 30, 2006, and (b) an Administrative Services Agreement dated January 30, 2006 (the " 2006 Agreement");

WHEREAS, on July 21, 2009, M&P provided notice to RSMM of its intent to terminate the 2006 Agreement, and on September 15, 2009, RSMM provided notice to M&P of its intent to terminate the 2006 Agreement (together, the " Termination Notices");

WHEREAS, in consideration of the premises and the mutual covenants hereinafter set forth and in the Governance and Operations Agreement, dated as of even date herewith, among the parties thereto (the " Governance and Operations Agreement "), M&P and RSMM desire to withdraw their respective Termination Notices; and

WHEREAS, the parties desire to modify certain of the rights and obligations of the parties set forth in the 2006 Agreement by amending and restating the 2006 Agreement in its entirety on the terms and conditions set forth herein, effective as of May 1, 2010.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereby agree to amend and restate the 2006 Agreement in its

entirety, effective as of May 1, 2010 (other than Section 16 hereof, which shall be effective immediately upon execution and delivery of the Agreement), as follows:

1. **Obligations of RSMM**.

1.1 Appointment of RSMM; Administrative Services . M&P hereby retains RSMM and RSMM agrees to provide the administrative services described in Schedule 1.1 hereto (collectively, the "Administrative Services"). From time to time, RSMM may replace any of its employees or independent contractors (including hiring and firing employees and terminating the relationship with any independent contractors providing the Administrative Services hereunder), and may obtain alternative types or sources of the Administrative Services in RSMM's reasonable discretion.

1.2 Records. Solely for purposes of providing the records management and Administrative Services for M&P under this Agreement, RSMM shall be granted access to M&P files and may use such files subject to reasonable restrictions imposed by M&P on RSMM's management of client engagement files related to Public Accounting Services (as defined below). Such files shall be maintained at RSMM's and/or M&P's offices and such offsite storage as may be obtained by RSMM. Client information shall be subject to and protected by applicable state and federal law, rules and regulations governing Public Accounting Services, including those promulgated by state boards of accountancy, the AICPA, and the PCAOB.

1.3 Limitation on RSMM's Authority. Administrative Services shall not include, and RSMM shall not at any time or in any manner engage, pursuant to this Agreement, in providing to M&P or any client or customer of M&P, any services that, under applicable state or federal law, cannot be provided by a firm that is not licensed as a CPA firm under applicable state law, such services to be collectively referred to, herein as " Public Accounting Services ." For clarification, "Public Accounting Services" shall not include any services deemed to be practiced before the Internal Revenue Service as defined in Treasury Department Circular No. 230, Title 31 Code of Federal Regulations, Subtitle A, Part 10. If any Administrative Services or acts required or requested of RSMM herein would be reasonably likely to be construed by a court of competent jurisdiction or the applicable state agency, board or other authority charged under the laws of the state with the licensing, registration and/or regulation of public accountants (each a " State Board") or by the Public Company Accounting Oversight Board ("PCAOB") to be Public Accounting Services, the requirement or other request to perform that act shall be deemed waived. In order to preserve auditor independence and audit quality, M&P shall have complete control and supervision over its provision of any Public Accounting Services including, but not limited to (i) the establishment and maintenance of quality assurance policies, (ii) the hiring, training, promotion, compensation and termination of professional staff and partners, (iii) the acceptance, continuation of, and fee arrangements with clients, and (iv) the management and supervision of client engagements. Anything in this Agreement to the contrary notwithstanding, although M&P has delegated to RSMM under the terms of this Agreement various ministerial administrative matters, M&P retains the exclusive right, through its own personnel, to manage its own Business (including Public Accounting Services) subject to the surviving terms and conditions of the Governance and Operations Agreement, the Amended and Restated Trademark Assignment and Joint Ownership Agreement of even date herewith (the " Joint Ownership

Agreement") and the Amended and Restated Loan Agreement of even date herewith (the " Loan Agreement").

1.4 Execution of Contracts. RSMM is hereby authorized to execute contracts on behalf of M&P provided that the contracts so executed relate to the provision of Administrative Services, and do not relate to the performance of Public Accounting Services. M&P grants to RSMM a limited and special power of attorney (the "Power of Attorney") for the execution of contracts (with amounts due and payable there-under not to exceed One Hundred Thousand Dollars ($100,000)). Notwithstanding the foregoing, RSMM may execute contracts (including those exceeding $100,000 in annual expenditures) that benefit both RSMM and M&P and relate to services provided by RSMM under this Agreement. A form of the Power of Attorney is set forth as Exhibit 1.4 hereto. The M&P Board of Directors (the "M&P Board") or Managing Partner, or his/her or its designees, must authorize contracts with total amounts due and payable thereunder in excess of such amount or which relate to the performance of Public Accounting Services.

2. **Term**. Other than Section 16 hereof, which shall be effective immediately, the term of this Agreement shall commence on May 1, 2010 (the " Effective Date") and shall continue for a period of five years after the Effective Date (unless sooner terminated pursuant to Sections 9 or 10 hereof) (the " Initial Term"), which term will automatically be extended five additional years on the fifth anniversary of the Effective Date (a " Renewal Term") and on the fifth anniversary of the first May 1 of each Renewal Term such that the term of this Agreement will be automatically renewed and extended for successive five-year terms indefinitely unless and until terminated in accordance with the terms hereof.

3. **Shared Expenses and Fee**. RSMM and M&P shall agree to jointly share in certain common overhead costs which are necessary operating expenses for the performance of attest, accounting, tax and consulting services (the " Shared Expenses"). Such Shared Expenses may include but are not limited to certain human resources, client service, sales and marketing, equipment and technology, and administrative expenses. RSMM and M&P agree that such cost sharing arrangement will be allocated each quarter based upon actual Shared Expenses and an allocation method (the " Allocation Method") based to the extent feasible and reasonable on actual usage by the respective parties and agreed upon in advance by the President of RSMM and the M&P Board. Shared Expenses will be paid based upon a budget with true-up calculations and adjustments reflecting services actually performed and as recorded in year-to-date financial reports for August, November, February and April. Adjustments will be made in each of the months following August, November and February. April adjustments will be made in April. The Shared Expenses and the Allocation Method shall be reviewed by the parties on an annual basis. RSMM will be responsible for payment of the Shared Expenses (except those expenses directly related to the practice of Public Accounting Services, which shall be fully paid directly by M&P) and will be reimbursed monthly by M&P for its portion of the Shared Expenses based on the Allocation Method. M&P shall pay RSMM an annual administration fee (the "Administration Fee") for all of its Administrative Services equal to 3% of M&P's share of the budgeted Shared Expenses, payable monthly in arrears. The Administration Fee will be reviewed by the parties on an annual basis in connection with planning objectives and updated forecasts to ensure that the Administration Fee is an arms-length arrangement and provides fair market value to RSMM for the Administrative Services actually being rendered. If M&P

believes that a portion of the Administration Fee is unauthorized, unsubstantiated or otherwise improper and the parties cannot resolve such disputed fee in the regular annual Administration Fee review process, then M&P may submit a written notice of dispute to RSMM and the parties will follow the dispute escalation and resolution process described in Section 9.3 hereof (recognizing that the dispute escalation and resolution process cannot lead to a termination of this Agreement unless the process occurs after the third anniversary of the Effective Date).

4. **Occupancy and Partner Benefits**.

4.1 Occupancy of Premises. M&P shall be entitled to occupy all office space from time to time occupied by RSMM on the terms and subject to the conditions of this Section 4.1.

4.1.1 Allocation of Occupancy Costs. Following the Effective Date, upon the entry into or renewal by RSMM of any lease for office space that is or will be shared with M&P, M&P will enter into a sublease agreement with RSMM for the proportion of the space that will be utilized by M&P on substantially the same terms as the underlying lease. The proportion of space allocated to M&P will be determined initially at lease inception and then adjusted annually based on the fiscal year end actual number of each level of professional personnel M&P has housed in the premises compared to RSMM taking into account the size of workstation each personnel level is assigned. The proportion of the space utilized by RSMM or M&P will be subject to calculation as set forth in Schedule 4.1.1. The cost allocated to M&P under this sublease will be based on the cost of the lease to RSMM without any mark-up or profit to RSMM and will not be subject to the Administration Fee described in Section 3 of this Agreement. The term of the sublease will be the lesser of the term of the RSMM lease or five (5) years. If RSMM commits to an initial lease term in excess of five (5) years and M&P continues to occupy the space after the initial five (5) year sublease term, then M&P will renew the sublease for the lesser of the remaining term of the original RSMM lease or five (5) years.

4.1.2 Notice to Vacate Premises. Unless otherwise required under any lease or sublease entered into pursuant to Section 4.1.1 hereof, M&P agrees to give RSMM at least 270 days' prior written notice of its intention to vacate any particular office space then occupied by M&P. RSMM agrees to give M&P at least 270 days' prior written notice of its intention to vacate any office space at the time occupied by both RSMM and M&P, unless such intent to vacate is due to an office relocation or closing which is generally known. Except as may be otherwise provided in any sublease agreement entered into pursuant to Section 4.1.1 hereof, in the event of any termination of this Agreement by either party for any reason, except for a default by M&P for nonpayment of fees, M&P shall in any case be entitled if it so elects to occupy all office space which it then occupies for 270 days after such termination, subject to having received earlier notice of RSMM's intention to vacate such space as stated above. In the event M&P occupies such office space after termination of this Agreement, the parties shall agree on rent payable during M&P's continued occupancy, or if they fail to do so, the rent shall be prorated according to the Allocation Method described in Section 4.1.1.

4.2 Partner Benefits. RSMM and M&P agree that certain partner benefits may, if the parties agree, be paid by RSMM and in such case M&P will reimburse RSMM for the payment

of those benefits. In such case, RSMM and M&P will agree to the allocation methodology as a part of the annual budgeting process and payment for such benefits will be made monthly by M&P.

4.3 Independent Identity. M&P shall continue to maintain a separate legal identity and shall observe all legal requirements and customary practices necessary to maintain M&P as a separate legal entity distinct from any other person or entity, including RSMM. Consistent with the Joint Ownership Agreement, M&P shall also maintain its own business identity, including, without limitation, letterhead and business cards and shall have the right at its option to conduct its own marketing activities. Nothing herein shall prevent M&P from being acquired by or otherwise combining with any other person, in which case this Agreement may be terminated in accordance with the terms of this Agreement. For the avoidance of doubt, Section 9.5.2 shall continue to be effective in the event of termination in connection with an acquisition or merger of M&P. In addition, any proceeds from the sale of M&P or its assets shall remain the sole property of M&P subject to the terms of the Loan Agreement.

5. **Engagement Letters, Billing and Collection of Fees; Accounting** .

5.1 Engagement Letters. M&P will prepare engagement letters in accordance with its policies for services and/or products to be provided by M&P to its clients. The content of such letters shall be solely under the control of M&P and shall be executed only by a partner or employee of M&P.

5.2 Billing and Collection. As part of the Administrative Services, RSMM shall prepare and mail statements for all services provided by or on behalf of M&P to clients of M&P based upon time records, expense payments and other information provided by M&P to RSMM. M&P shall and shall cause its partners and employers to provide RSMM all records reasonably necessary for billing and collection of accounts pursuant to the provisions of this Section.

5.3 Accounting. As a part of the Administrative Services, RSMM shall maintain books of account for M&P. In addition, RSMM shall prepare the monthly and annual operational and financial reports for M&P.

6. **Mutual Nondisclosure**. Except as provided in the Loan Agreement or Governance and Operations Agreement, neither M&P nor RSMM shall at any time or in any manner, directly or indirectly, use or disclose to any third party any trade secrets or other Confidential Information (defined herein) learned or obtained from the other party hereto as a result of its relationship with the other party hereto or any direct or indirect subsidiary or affiliate (i.e., a person which controls, is controlled by or under common control with a party) of the other party, except as may be required by law or legal, regulatory or judicial process; provided that the disclosing party shall give prompt written notice to the other party of such requirement, disclose no more information than is so required, and cooperate with any attempts by the other party to obtain a protective order or similar treatment; or to its or its affiliates' directors, officers, attorneys, accountants, advisors or consultants who need to know such information in such capacities and who agree to comply with the non-disclosure obligations set forth in this Section 6. As used herein, the term "Confidential Information" means confidential, proprietary or personal information of a party or its affiliates that is not generally known in the industry in which the

parties or any of their direct or indirect subsidiaries or (in the case of information of or about clients of either party) clients is engaged, including such information that in any way relates to the products, processes, services, inventions (whether patentable or not), formulas, techniques or know-how, including, but not limited to, information relating to distribution systems and methods, research, development, purchasing, accounting, procedures, marketing, customers, vendors, merchandising and selling, of RSMM or M&P or any of their respective direct or indirect subsidiaries or affiliates, or the clients of either party, and regardless of the format in which it is presented or embodied (written, graphic, electromagnetic or otherwise). The term "Confidential Information," as used herein, does not include information (a) which was already in the public domain other than through any disclosure in violation of this Section 6, (b) information already in the possession of the other party and not subject to any confidentiality obligations of the other party or (c) which is or was disclosed as a matter of right by a third party source provided such third party source is not bound by confidentiality obligations in favor of the owner of the Confidential Information in question. This Section 6 shall survive the termination of this Agreement. Each party agrees that it will adopt reasonable precautions to guard against unauthorized release or use of Confidential Information, and that it will not use or disclose such Confidential Information in any manner that will unfairly benefit itself or damage the other party hereto. Each party agrees to return to the other party all such Confidential Information pertaining to the other party upon termination of this Agreement. In lieu of returning all Confidential Information, a party may destroy such Confidential Information provided that the other party hereto has agreed in writing that destruction is acceptable.

7. **Administrative Services, Warranties, Disclaimers, Limitations on Liability and Required Notices** . RSMM will act diligently and use reasonable care in providing Administrative Services to M&P. M&P and each Partner hereby release and forever discharge RSMM and its affiliates, parents, employees, subcontractors, agents and assigns from any liability in any way connected with this Agreement or the Administrative Services, except for any liability for intentional torts or gross negligence. RSMM does not warrant the success or results of M&P. RSMM shall not be liable to M&P or any Partner under any circumstances for special, exemplary, punitive or consequential damages relating to the Administrative Services except for intentional torts or gross negligence. Neither M&P nor any Partner shall be liable to RSMM for special, exemplary, punitive or consequential damages relating to this Agreement.

RSMM hereby agrees to indemnify and hold harmless M&P and its affiliates from and against any liability or losses (including, without limitation, attorneys' fees) arising out of any claims, actions, litigations, disputes or proceedings brought by any third parties against M&P or its affiliates as a result of any negligence, willful misconduct or fraud by RSMM in connection with its provision of any services under this Agreement (excluding, for clarity, any Public Accounting Services). M&P hereby agrees to indemnify and hold harmless RSMM and its affiliates from and against any liability or losses (including, without limitation, attorneys' fees) arising out of any claims, actions, litigations, disputes or proceedings brought by any third parties against RSMM or its affiliates as a result of any negligence, willful misconduct or fraud by M&P in connection with the provision of Public Accounting Services.

8. **Mutual Provision of Professional Services**. RSMM and M&P may from time to time request assistance from the other's professionals and other personnel in meeting the Contractor's professional service obligations to its clients (the " Professional Services"). The party requesting

such assistance and billing the client for the Professional Services rendered is referred to in this Section 8 as the " Contractor". The party providing the requested Professional Services to or on behalf of the Contractor and billing the Contractor is referred to in this Section 8 as the " Subcontractor". In no case shall the Administrative Services rendered by RSMM to M&P pursuant to other sections of this Agreement be subject to this Section 8. The Subcontractor may at its sole option and discretion, provide or decline to provide the requested Professional Services to the Contractor. The provisions set forth below shall apply with respect to all Professional Services so provided pursuant to this Section 8.

8.1 Nature of Requests. Such a request may be made by any person authorized by the Contractor to do so, and such request may be accepted by any person authorized by the Subcontractor to do so. No formalities are required.

8.2 Contractor to Bill Client. The Contractor shall have sole responsibility for billing and collecting from its own client with respect to the Subcontractor's Professional Services. No delay or failure by the client to pay for such Professional Services shall relieve the Contractor from its obligations to pay the Subcontractor for such Professional Services as provided herein.

8.3 Subcontractor's Billing for Services Rendered. The Subcontractor shall bill the Contractor for actual hours expended by its personnel to provide Professional Services to the client of the Contractor. The rate to be charged shall be mutually agreed upon from time to time, but no less frequently than annually, between Contractor and Subcontractor, in writing. The fees in effect as of the date hereof are an agreed percentage of the standard rate typically charged by the Subcontractor to its own clients consistent with the rates currently in place between the shared services of locations of RSMM and M&P. Contractor shall make payment to the Subcontractor for Professional Services provided hereunder within 30 days after the end of the month in which the Professional Services were provided by the Subcontractor.

8.4 Subcontractor Responsible for Own Expenses. Subcontractor is solely responsible for the payroll, benefits, training, equipment and facilities necessary for its personnel to provide Professional Services to the Contractor's client, and for its own profitability or lack thereof, relating to the rendition of such Professional Services. Travel and living expenses away from Subcontractor's office normally employing personnel used to perform the Professional Services shall be billed to Contractor as disbursements at the actual amount paid to vendors, and Contractor will reimburse Subcontractor within thirty (30) days following the end of the month during which expenses are incurred.

8.5 Compliance With Laws, Rules and Professional Standards. Contractor and Subcontractor agree to comply, and to cause their respective partners and employees to comply, with Rule 301, *Confidential Client Information*, of the Code of Professional Conduct of the American Institute of Certified Public Accountants. In addition, the parties shall, in connection with providing of such Professional Services, observe the mutual nondisclosure provisions of Section 6 of this Agreement. The parties also agree to comply, and to cause their respective partners and employees to comply, with Section 7216 of the Internal Revenue Code in connection with providing Professional Services to each other's clients. RSMM agrees to comply with Interpretation 101-14 under Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants and, unless an exception is agreed to by

M&P (which agreement shall not be unreasonably withheld), M&P's Independence and Relationship Policies as in effect from time to time with respect to all attest clients. The parties agree that RSMM shall not perform any Professional Service that violates any state law governing the practice of public accounting. It is specifically contemplated that M&P will utilize Professional Services of RSMM only in a manner or in instances consistent with the requirements of the governing accounting licensing laws.

8.6 Professional Services Indemnity. Contractor agrees to indemnify and hold harmless Subcontractor and its partners, directors, officers, employees, agents and members, as applicable, with respect to any and all claims, losses, damages, liabilities, judgments or settlements (including but not limited to reasonable attorneys' fees, costs and other expenses) incurred by Subcontractor on account of any Professional Services conducted by Subcontractor pursuant to this Section 8 except those arising in the ordinary course of business of performing requested services and allocated to Subcontractor by Section 8.4 hereof; provided, however, this indemnification shall not extend to cover any claims, losses, damages, liabilities, judgments or settlements (including attorneys' fees, costs and other expenses) incurred by such indemnified persons on account of the negligence, willful misconduct or fraud of Subcontractor (or its partners, directors, officers, employees, agents or members, as applicable).

9. **Termination**. Other than any termination pursuant to Section 10 hereof, this Agreement may only be terminated in accordance with and subject to the provisions of this Section 9. In the event of a termination under this Section 9, the Governance and Operations Agreement shall terminate pursuant to Section 12(a) of the Governance and Operations Agreement.

9.1 By RSMM. RSMM may terminate this Agreement: (a) at any time pursuant to Section 10 hereof; (b) at any time if M&P loses or has suspended its license or certification to practice public accounting in any state significant to its business; (c) at any time if M&P is wound up or liquidated or files for bankruptcy or other action is taken against it under any statute for the protection of creditors; (d) subject to Sections 9.3 and 9.4 hereof, at any time, with or without cause, following the third anniversary of the Effective Date, provided that (I) the effective date of any termination pursuant to this clause (d) may only occur on a date during the period between May 1 and August 31 of any calendar year and (II) RSMM must have provided M&P with at least 270 days' advance written notice of any termination (specifying the effective date of such termination) pursuant to this clause (d) (it being understood and agreed that RSMM may not deliver a notice of termination pursuant to this clause (d) prior to the third anniversary of the Effective Date and that any such purported termination pursuant to this clause (d) prior to the third anniversary of the Effective Date shall be void and of no force or effect); or (e) with at least 60 days' advance written notice, upon consummation of any sale of at least a majority interest of the M&P business to a third party, whether accomplished by the sale of stock, sale of assets or otherwise, or any merger of M&P with a competitor of M&P or RSMM.

9.2 By M&P. M&P may terminate this Agreement: (a) at any time pursuant to Section 10 hereof; (b) subject to Sections 9.3 and 9.4 hereof, at any time, with or without cause, following the third anniversary of the Effective Date, provided that (I) the effective date of any termination pursuant to this clause (b) may only occur on a date during the period between May 1 and August 31 of any calendar year and (II) M&P must have provided RSMM with at least 270 days' advance written notice of any termination (specifying the effective date of such

termination) pursuant to this clause (b) (it being understood and agreed that M&P may not deliver a notice of termination pursuant to this clause (b) prior to the third anniversary of the Effective Date and that any such purported termination pursuant to this clause (b) prior to the third anniversary of the Effective Date shall be void and of no force or effect). Notwithstanding the foregoing, if a sale of at least a majority interest of the RSMM business to a third party, whether accomplished by the sale of stock, sale of assets or otherwise (a " Change of Control"), is consummated during the first two years after the Effective Date and after consummation of such Change of Control a business dispute between RSMM and M&P results from such Change of Control, M&P may deliver a written notice of dispute to RSMM pursuant to Section 9.3 hereof, even if the notice is delivered before the third anniversary of the Effective Date. If such dispute is not resolved after good faith compliance with the dispute escalation and resolution process described in Section 9.3 hereof, M&P may begin the termination process and, subject to compliance with Section 9.4 hereof, terminate this Agreement.

9.3 Escalation and Resolution Procedures. If a party is considering termination of this Agreement following the third anniversary of the Effective Date for any reason, other than pursuant to Section 10 hereof or, in the case of RSMM, clauses (b) or (c) or (e) of Section 9.1 hereof, the parties, including members of senior leadership and members of the Board of Directors of RSMM and the M&P Board, will participate in and abide by the following escalation and resolution process prior to issuing any notice of termination hereunder or publicly announcing any intention to terminate this Agreement (whether to a party, publicly or otherwise). Prior to issuing any notice of termination pursuant to clause (d) of Section 9.1, in the case of RSMM, or clause (b) of Section 9.2, in the case of M&P, the party desiring to terminate this Agreement will deliver to the other party a written notice (the " Notice") of the reasons for which the party is considering termination of this Agreement (such notice to detail all relevant information pertaining to the reasons, including the clear statement that it could lead to a termination notice), which will include a request for an initial meeting between the parties to discuss the reasons on a date no earlier than seven days and no later than 30 days after the date of receipt of the Notice. The parties (including representatives of the senior leadership of each party) will meet to discuss, and negotiate in good faith to continue the APS on the date specified in the Notice or on such other date no later than 30 days after the date of receipt of the Notice as may be agreed by the parties. If, following such meeting the reasons for termination still exist, then no later than 30 days following the initial meeting (or such other date as the parties may mutually agree) the parties will hold a second meeting (including representatives of the senior leadership and boards of directors of each party) to continue to negotiate in good faith to continue the APS. If, after compliance with the foregoing procedures, such reason for termination is not resolved, either party may submit such reason for termination to resolution pursuant to Section 14 below. For the avoidance of doubt, termination of this Agreement without cause in accordance with Section 9.1 or 9.2 is not subject to the terms of Section 14. All negotiations pursuant to this Section 9.3 are confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence.

9.4 Notice of Termination. If, following the second meeting of the escalation and resolution process set forth in Section 9.3 hereof, the parties have failed to agree to continue the APS after good faith compliance with the escalation and resolution process set forth in Section 9.3 hereof and the board of directors of the party that originally delivered the Notice determines to terminate the Agreement, then such party may issue and deliver a written notice of termination

(the "Notice of Termination") to the other party, provided that M&P may not issue (whether to RSMM, publicly or otherwise) or deliver a Notice of Termination to RSMM unless (a) the M&P Board first calls a meeting of M&P's Partners, to occur no sooner than 60 days after the calling of the meeting and in any event not before the third anniversary of the Effective Date, to vote on the decision to terminate this Agreement and approve delivery of a Notice of Termination and (b) the decisions to terminate this Agreement and deliver a Notice of Termination are approved at such Partner meeting (I) by a majority of the Partner votes held by all of M&P's Partners and (II) in accordance with any other vote requirement specified in the M&P Partnership Agreement, as in effect at the time of any such M&P Partner vote. Once a Notice of Termination is issued by a party, such Notice of Termination shall be irrevocable unless the other party consents in writing to its withdrawal.

9.5 Effect of Termination.

9.5.1 Payment of Money Owed. Upon the termination of this Agreement for any reason, M&P shall pay all amounts due to RSMM and RSMM shall pay all amounts due to M&P under this Agreement as soon as practicable but in no event later than sixty (60) days after the effective date of such termination, it being understood that any amounts due to each other under any other agreements by and between, or which may be entered into by and between, the parties shall be payable in accordance with the provisions thereof.

9.5.2 Survival of Certain Provisions. Sections 4.1, 6, 8.5, 8.6, 9.5, 12, 13, 14 and 16 shall survive the termination of this Agreement.

9.5.3 Records; Files. In the event of termination for any reason, RSMM may, at its expense, and, subject to RSMM's compliance with any requirements for prior client consent, copy all records or files of M&P, except for client engagement files which contain or reflect the performance of Public Accounting Services.

9.5.4 License of Proprietary Systems. Nothing in this Agreement shall prevent M&P from independently obtaining any licenses or other agreements providing for M&P's right to use any Proprietary and Customized Applications (as defined below) primarily in the provision of Public Accounting Services, including, without limitation, the application known as Caseware.

Effective upon any termination of this Agreement by either party, RSMM hereby grants to M&P a world-wide, royalty-free, fully paid-up, nonexclusive, nontransferable, nonsublicensable license, sublicense, and/or right (i) to use, for a period (at M&P's election) of up to eighteen (18) months following the effective date of termination hereof, in substantially the same manner and for substantially the same purposes as used or available for use immediately prior to such termination, all Proprietary and Customized Applications, and (ii) to perpetually use the source code of (a) all customizations of such Proprietary and Customized Applications in RSMM's possession or control, which customizations were created by or on behalf of RSMM and/or M&P (whether for use exclusively by M&P or for use by both M&P and RSMM), and (b) all software-based audit tools owned by RSMM, or by both RSMM and M&P, comprising the Proprietary

and Customized Applications (including, without limitation, Engagement Management, McGladrey Risk Assessment Model (MRAM), Interoffice Inspection (IOI) and audit related Lotus Notes based databases). The licenses, sublicenses and/or rights to use described above in this Section 9.5.4 shall only be granted to the extent that: (x) RSMM has the legal right to do so; (y) RSMM is contractually permitted to grant such licenses, sublicenses or rights to use to M&P, in the event any portion of the Proprietary and Customized Applications is provided to RSMM pursuant to a contract with any third parties (a "Third Party Contract"); and (z) such action will not adversely affect or alter RSMM's pre-existing right to use such Proprietary and Customized Applications. M&P agrees to indemnify RSMM for any breach of any Third Party Contract that may result from RSMM's grant of such licenses, sublicenses or rights to use to M&P under this Section 9.5.4. The foregoing does not transfer or assign to M&P any rights which RSMM may have or acquire in any Proprietary and Customized Applications. As used herein, "Proprietary and Customized Applications" means, collectively, software applications owned by RSMM or owned by one or more third parties and licensed or otherwise provided to RSMM, and any customizations or extensions to or other enhancements of such software applications developed and/or owned by RSMM, that are used or available for use to provide Administrative Services to M&P immediately prior to the effective date of termination of this Agreement.

In the event that RSMM is not permitted to license, sublicense or grant M&P the right to use any Proprietary and Customized Applications as set forth above, if and when requested by M&P during the eighteen (18) months following the effective date of termination hereof, RSMM will use commercially reasonable efforts to help M&P obtain (at M&P's own cost and expense) licensing rights from third party providers of the Proprietary and Customized Applications that are being utilized or are available for utilization by or on behalf of RSMM to provide Administrative Services immediately prior to the effective date of termination hereof. For the avoidance of doubt, except as otherwise specified herein or as otherwise agreed by RSMM and M&P, RSMM will not have any obligation to provide its own or any third party's Proprietary and Customized Applications after the eighteen (18) month term set forth above.

9.5.5 Transition Services and Return of Data. If either RSMM or M&P delivers a Notice of Termination to the other party, each party will promptly designate a senior level leader to represent such party in the development of a transition services plan. The designated representatives of each party will meet to begin to design such transition services plan as soon as reasonably practicable following the date of the Notice of Termination and in any event at least 180 days prior to the effective date of the termination of this Agreement. The purpose of the transition service plan will be to enable M&P to transition, before or after the effective date of termination, the Administrative Services to other third party or internal M&P providers or resources. RSMM and M&P further agree that any such transition services plan shall, at a minimum, provide terms to facilitate RSMM's performance of its obligations specifically set forth in Section 9.5.4 and this Section 9.5.5. In furtherance of such transition services plan, RSMM shall cooperate with M&P in transitioning performance of the Administrative Services to M&P or to any third party service provider designated by M&P; provided, however, that M&P shall pay RSMM a reasonable agreed upon amount for any work

RSMM needs to perform to segregate data, delete it and/or integrate such data with M&P and/or its third party vendor, in conjunction with such transition upon the written request of M&P. RSMM shall return all copies of all M&P data, materials, and information in the possession or control of RSMM (including, without limitation, all audit-related data, files and databases) to M&P in such form or format as reasonably requested by M&P. RSMM shall not retain any copies of such M&P data, materials or information except as required by law. M&P shall return all copies of all RSMM data, materials, and information in the possession or control of M&P to RSMM in such form or format as reasonably requested by RSMM. M&P shall not retain any copies of such RSMM data, materials, or information except as required by law. This provision shall survive termination of this Agreement.

10. **Regulatory or Legislative Change**. In the event of any material change in any state or federal statute, regulation or definitive interpretation thereof by a government agency or administrative body ("Laws"), or an enforcement action against M&P or its affiliates arising under any Laws, in each case which shall make this Agreement unlawful in whole or in material part, the parties shall immediately enter into good faith negotiations regarding a new service arrangement (if necessary) or basis for compensation for the Administrative Services provided hereunder which is consistent with such Laws and approximates as closely as possible the economic position of the parties hereunder prior to the change. If the parties are unable to reach such an agreement within 30 business days following written notice from one party to the other, then either party may terminate this Agreement effective upon 90 days' prior written notice. Termination of this Agreement pursuant to this provision shall not, however, terminate M&P's right to occupy such office space as it then may occupy on premises leased by RSMM.

11. **Miscellaneous**.

11.1 This Agreement shall be binding upon and shall inure to the benefit of the successors and assignees of the parties.

11.2 M&P shall not assign, confer any right in, assume in bankruptcy, pledge, mortgage or otherwise encumber this Agreement, in whole or in part, without the prior written consent of RSMM, which can be withheld in RSMM's sole discretion. For the avoidance of doubt, a merger, change of control, reorganization (in bankruptcy or otherwise) or a stock sale of M&P shall be deemed an "assignment" requiring such consent, regardless of whether M&P is the surviving entity. For the further avoidance of doubt, Section 9.5.2 shall continue in effect in the event of termination of this Agreement resulting from a merger, change of control, reorganization (in bankruptcy or otherwise) or stock sale of M&P. Any attempted action in violation of the foregoing shall be null and void *ab initio* and of no force or effect. RSMM may, in its discretion, assign this Agreement to any other direct or indirect parent, subsidiary or affiliate of RSMM, or to any third party that in connection therewith is acquiring all or substantially all of the assets of RSMM used in the APS, and M&P shall be liable hereon to the same extent as if such agreement were originally made with such other person, firm or corporation.

11.3 If the Board of Directors of HRB (the "HRB Board") determines to sell RSMM and its subsidiaries in any auction or marketed sale process, M&P will be invited to participate as

a bidder in the sale process. In addition, if outside of any such sale process the HRB Board receives from a third party a bona fide written offer to purchase RSMM and its subsidiaries and the HRB Board subsequently determines to engage in negotiations with such third party with the intent to consummate such offer or to otherwise sell RSMM and its subsidiaries, it will notify the M&P Board of such proposed sale in writing within a reasonable period of time prior to the entry into a definitive agreement with such third party relating to such proposed sale, providing M&P a reasonable opportunity to submit a bona fide written offer to purchase RSMM and its subsidiaries. Any such offer must include the proposed cash purchase price for RSMM and its subsidiaries, a summary of the other material terms and conditions of the proposed purchase and, to the extent financing is contemplated to fund the proposed purchase, evidence of committed financing. The HRB Board may accept or reject M&P's proposed offer in its sole discretion (it being understood that if M&P's proposed offer is rejected, the HRB Board may consummate the proposed third party sale or any other sale in its sole determination, regardless of whether the purchase price of the proposed third party sale is lower than M&P's proposed purchase price or the terms and conditions of the proposed third party sale are less favorable to HRB than those of M&P's proposed offer). It is understood that the foregoing rights of M&P and obligations of RSMM will not apply to any spin-off of RSMM or to an initial public offering of RSMM (whether with the intent to subsequently spin off RSMM or otherwise). M&P acknowledges and agrees that HRB will in no case be under any obligation to accept or consummate any proposed offer to purchase RSMM and its subsidiaries from M&P (or from any third party), that this provision does not confer a right of first refusal on M&P, and that M&P has no rights to purchase RSMM and its subsidiaries. M&P further acknowledges and agrees that RSMM and its subsidiaries are not for sale and that the foregoing does not commit or in any way reflect an intention of HRB to cause the sale of RSMM and its subsidiaries.

11.4 This Agreement, together with the Governance and Operations Agreement, the Loan Agreement and the Joint Ownership Agreement, contain the complete understanding of the parties with respect to the subject matter hereof and no modification or waiver of any provision hereof shall be valid unless in writing and signed by the parties, unless specifically provided to the contrary. This Agreement may not be amended except by an instrument in writing signed by RSMM and M&P. Notwithstanding anything to the contrary herein, no party shall be required to violate any law or the good faith reasonable exercise of such party's professional responsibility.

12. **Governing Law**. This Agreement shall be governed and interpreted in all respects pursuant to the internal and substantive laws of the State of Missouri without regard to conflict of laws principles which might cause the law of another jurisdiction to apply.

13. **Right to Offset**. M&P agrees that RSMM may offset amounts due M&P hereunder against amounts due RSMM hereunder. Such right to offset shall arise if M&P fails to pay such amounts owed to RSMM within thirty (30) days after written notice to the M&P's Representative. In the event that any such offset is made but is finally determined by mediation, arbitration or a court of competent jurisdiction to be improper and such offset is revised, RSMM shall pay interest, at the Prime Rate, on the amount of such offset for the period such offset was in effect. " Prime Rate" means the "prime rate" as published in the "Money Rates" section of *The Wall Street Journal* or successor section and/or publication. If *The Wall Street Journal* ceases to publish the "prime rate," then the "Prime Rate" shall be the prime rate as announced from time to time by HRB's lead agent bank under its senior credit facilities.

14. **Arbitration; Interim Relief.** Any controversy, claim or dispute arising out of or relating to this Agreement or any actual or alleged breach of any provisions hereof, including without limitation any dispute concerning the scope of the arbitration clause set forth below (a " Dispute"), shall be resolved as set forth below, except that (a) this Section 14 shall not apply to any controversy, claim or dispute asserted by either party hereto against the other arising out of or related to a controversy, claim or dispute asserted by a third person (other than M&P and/or any of its Partners or RSMM) against either or both parties to this Agreement, nor to any controversy, claim or dispute where a third party (other than M&P and/or any of its Partners or RSMM) would be an indispensable party under the Federal Rules of Civil Procedure and (b) any Dispute subject to Section 10(a)(i) of the Governance and Operations Agreement shall be resolved as described in Section 8 of the Final Award (as defined in the Governance and Operations Agreement).

14.1 In the event a Dispute arises relating to this Agreement, the parties shall first negotiate in good faith to resolve such dispute in accordance with the dispute escalation and resolution process described in Section 9.3 hereof before proceeding to mediation pursuant to Section 14.2 hereof.

14.2 In the event that the parties have complied with Section 9.3 hereof and the Dispute has not been resolved within 60 days after service of the Notice as provided in Section 9.3, or in the event the parties failed to meet within 30 days after delivery of a Notice, either party may demand mediation in accordance with the CPR Institute for Dispute Resolution ("CPR") Mediation Procedure then currently in effect in the location where any arbitration would be conducted as set forth below, in writing with copies to all other parties involved in the Dispute. The notification will state with specificity the nature of the Dispute. Unless the parties agree otherwise, the parties will select a mediator from the CPR Panels of Distinguished Neutrals (the " Mediator"). If the parties do not agree on the Mediator within five (5) business days after either party delivers a demand for mediation, the CPR will provide the parties on an expedited basis a list of three candidates, with their resumes and hourly rates. If the parties are unable to agree on a candidate from the list within three (3) business days following receipt of the list, each party will, within five (5) business days following receipt of the list, send to CPR the list of candidates ranked by order of preference. The candidate with the lowest combined score will be appointed as the mediator by the CPR. The CPR will break any tie. Upon appointment, the Mediator will immediately convene a telephone conference of the parties hereto. The parties will make a representative, with full authority to settle, available for such a conference. During the initial telephone conference, the parties will agree on mediation procedures or, in the event they cannot agree, the Mediator will set the mediation procedures. The mediation procedures will provide for the mediation to be completed within thirty (30) business days after the date of the initial demand for mediation. The parties will participate in good faith in the mediation and will use their best efforts to reach a resolution within the thirty (30) day time period. Each party will make available in a timely fashion a representative with authority to resolve the Dispute. Absent agreement of the parties otherwise, in the event that the Dispute has not been resolved within thirty (30) days, the mediation shall be deemed terminated. In the event that the mediation continues beyond thirty (30) days by agreement of the parties, but is not resolved within what the Mediator believes is a reasonable time thereafter, the Mediator will declare the mediation terminated. Fees of the mediator shall be split equally between RSMM, on the one

hand, and M&P, on the other hand. In the event one party fails to participate in the dispute resolution process set forth in Section 9.3, the other party can immediately initiate mediation.

14.3 Any Dispute that has not been resolved by negotiation or mediation as provided herein as of the termination of the mediation and no later than 45 days after delivery of a mediation demand shall be settled by binding arbitration in accordance with the CPR Rules for Non-Administered Arbitration then currently in effect, as supplemented or modified herein (the "Rules") by three independent and impartial arbitrators of whom each party shall designate one and those two arbitrators shall jointly select the third arbitrator, unless they are unable to agree on the selection of the third arbitrator, in which case the third arbitrator shall be determined pursuant to the Rules. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1 et seq., and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event one party fails to participate in accordance with the dispute resolution process set forth in Section 9.3 or in the mediation as set forth in Section 14.2 herein, the other party can immediately commence arbitration. The governing law of this Agreement shall be the law used by the arbitrators in rendering their award as set forth in Section 12, except that the Federal Rules of Evidence shall apply and that the parties have the right and shall be permitted to conduct and enforce full pre-hearing discovery in accordance with and to the same extent permitted by the Federal Rules of Civil Procedure. Pending final award, the compensation and expenses of the third arbitrator selected by the arbitrators designated by the parties shall be split equally between RSMM, on the one hand, and M&P, on the other hand, and each of the parties shall bear the compensation and expenses of its designated arbitrator. The CPR shall hold an administrative conference with counsel for the parties within twenty (20) days after the filing of the demand for arbitration by any one or more of the parties. The parties and the CPR shall thereafter cooperate in order to complete the appointment of three arbitrators as quickly as possible. Within fifteen (15) days after all three arbitrators have been appointed, an initial meeting (which, if the arbitrators so determine, may be by phone) among the arbitrators and counsel for the parties shall be held for the purpose of establishing a plan for administration of the arbitration, including: (1) definition of issues; (2) scope, timing, and types of discovery; (3) exchange of documents and filing of detailed statements of claims, pre-hearing memoranda and dispositive motions; (4) schedule and place of hearings; and (5) any other matters that may promote the efficient, expeditious, and cost effective conduct of the proceeding. The parties and the arbitrators shall endeavor in good faith to complete the arbitration as quickly as possible. Each party shall have the right to request that the arbitrators make specific findings of fact.

14.4 The majority decision of the arbitrators shall contain findings of fact on which the decision is based, including any specific factual findings requested by either party, and shall further contain the reasons for the decision with reference to the legal principles on which the arbitrators relied. Such decision of the arbitrators shall be final and binding upon the parties. Absent agreement of the parties otherwise, the arbitration shall take place in Minneapolis, Minnesota if the party requesting same is RSMM, or Kansas City, Missouri, if the party requesting same is M&P. The final award may grant such relief as authorized by the Rules, including damages and out-of-pocket costs but which may not include exemplary or punitive damages.

14.5 Nothing in this Agreement shall limit, interfere or delay any party from seeking at any time interim relief from a court of competent jurisdiction.

15. **Notices**. Any notice, request, consent or communication under this Agreement shall be effective only if it is in writing and (a) personally delivered, (b) sent by certified or registered mail, return receipt requested, postage pre-paid, (c) sent by a nationally recognized overnight delivery service, with delivery confirmed, (d) e-mailed (with a copy simultaneously sent by first class mail or any other delivery method permitted hereunder), or (e) telexed or telecopied, with receipt confirmed, addressed as follows:

If to HRB:	H&R Block, Inc. One H&R Block Way Kansas City, MO 64105 Attn.: Brian Woram Facsimile: (816) 854-8500 E-mail: Brian.Woram@hrblock.com
If to RSMM:	RSM McGladrey, Inc. One South Wacker Drive, Suite 800 Chicago, IL 60606 Attn.: Peter Fontaine Facsimile: (312) 634-5513 E-mail: Peter.Fontaine@rsmi.com
If to M&P:	McGladrey & Pullen, LLP 3600 American Blvd., Third Floor Bloomington, MN 55431-4502 Attn: David Scudder Facsimile: (847) 517-7067 E-mail: dave.scudder@rsmi.com
with a copy to:	Katten Muchin Rosenman, LLP 525 W. Monroe Street, Suite 1900 Chicago, IL 60661 Attn: Herbert S. Wander Facsimile: (312) 577-8885 E-mail: hwander@kattenlaw.com

or such other persons or addresses as shall be furnished in writing by any party to the other party. A notice shall be deemed to have been given as of the date when (i) personally delivered, (ii) three (3) days after the date when deposited with the United States mail properly addressed, (iii) when receipt of a notice sent by an overnight delivery service is confirmed by such overnight delivery service, or (iv) when receipt of the e-mail, telex or telecopy is confirmed, as the case may be.

16. **Withdrawal of Termination Notices; Integration**. The parties hereby withdraw their respective Termination Notices and agree that the 2006 Agreement shall govern RSMM's provision of the Administrative Services to M&P from the date of this Agreement through and until April 30, 2010. The parties further agree that no notice of termination of the 2006 Agreement or this Agreement may be issued by either party during the period between the date

of this Agreement and April 30, 2010, and that any such purported notice of termination issued prior to April 30, 2010 shall be void and of no force or effect. Effective as of May 1, 2010, this Agreement will amend and restate in its entirety, and supersede and replace, the 2006 Agreement, without any further action being required, and the 2006 Agreement shall have no further applicability.

[Signature Pages Follow]

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THIS AGREEMENT CONTAINS AN ARBITRATION PROVISION WHICH IS BINDING ON THE PARTIES HERETO.

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

RSM MCGLADREY, INC.

By: /s/ C.E. Andrews
Name: C.E. Andrews
Title: President

MCGLADREY & PULLEN, LLP

By: /s/ Dave Scudder
Name: Dave Scudder
Title: Managing Partner

The undersigned joins in this Agreement solely for purposes of Section 11.3:

H&R BLOCK, INC.

By: /s/ Becky Shulman
Name: Becky Shulman
Title: S.V.P. and C.F.O.

SCHEDULE 1.1

Administrative Services

Administrative Services to be provided by RSMM to M&P:

1. Provision and maintenance of suitable office space for sublease.
2. Recruiting, training and provision of nonprofessional staff, including clerical services.
3. Provision of office supplies, furniture, fixtures and equipment and leasehold improvements.
4. Provision of Information Systems development, management and support, including but not limited to hardware, software, operating systems, network systems and Internet Services.
5. Provision and maintenance of a computer system and data processing activities.
6. Provision of billing services.
7. Scheduling and payment of accounts payable.
8. Assistance in collection of accounts receivable.
9. Preparation of payroll and related tax matters.
10. Records management as provided in Section 1.2.
11. Development of policies and procedures relating to the Administrative Services (except those relating to the performance of Public Accounting Services or otherwise inconsistent with those adopted by M&P).
12. Assistance in compliance with all regulatory requirements as requested by M&P.
13. Assistance in maintenance of the books and records of M&P.
14. Provision of annual budgeting assistance.
15. Provision and maintenance of a system of internal accounting.
16. Provision of insurance policies and provision of risk manager services except in each case, as to the professional liability of M&P, including the gathering of underwriting data to submit to broker (payroll, losses, locations, autos, etc.), securing and managing the third party administer to administer workers' compensation, general liability or auto claims that M&P may have, obtaining Certificates or Evidences of Insurance for distribution with proposals and reviewing contract language as it pertains to insurance.

EXHIBIT 1.4

Form of Power of Attorney

LIMITED POWER OF ATTORNEY

On this _____ day of _____, 20___, McGladrey & Pullen, LLP, an Iowa limited liability partnership (hereinafter referred to as "M&P"), hereby authorizes and appoints as its attorney-in-fact RSM McGladrey, Inc. (hereinafter referred to as " RSMM"), a corporation organized under the laws of the State of Delaware and having its principal place of business at 4400 Main Street, Kansas City, Missouri 64111, and its successors, to carry out its duties under the Amended and Restated Administrative Services Agreement of even date herewith (the " ASA") in accordance with, but not limited to, the following:

1. To enter into and execute contracts (with amounts due and payable thereunder not to exceed One Hundred Thousand Dollars ($100,000)) relating to the performance of Administrative Services as defined in the ASA but do not relate to the performance of Public Accounting Services; and
2. To deposit into M&P account(s), all funds, fees and revenues generated from the Business and to make withdrawals from the M&P account(s) for payment to creditors, including without limitation, RSMM and the employees of M&P and other persons who perform services on behalf of M&P.

This Limited Power of Attorney may be revoked by M&P at anytime with respect to matters following the date of revocation. In the event of such revocation, M&P shall indemnify and hold RSMM harmless for any and all costs, expenses or damages incurred by RSMM as a result of the revocation.

This Limited Power of Attorney shall terminate on the expiration or earlier termination of the Administrative Services Agreement.

All capitalized terms not otherwise defined herein shall have the meaning given to them in that certain Administrative Services Agreement of even date hereto.

McGLADREY & PULLEN, LLP

By: _____
Dave Scudder, Managing Partner

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 20___, before me, _____, a Notary public in and for said state, personally appeared Dave Scudder of McGladrey & Pullen, LLP, who executed the above document, and acknowledged to me that he is the Managing Partner of McGladrey & Pullen, LLP, and executed the same for the purposes therein stated.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

_____

My commission expires: _____

SCHEDULE 4.1.1

With reference to Section 4.1.1, the proportion of the space utilized by each party shall be calculated as follows:

1. The relative use of space as between RSMM & M&P attest FTEs at the inception of the subleases or March 1, 2010 (for purposes of FY 2011 planned allocation) for all shared locations to determine annual base rents allocated to each party. The proportionate share of annual base rents will be used to allocate total location occupancy costs. A true-up calculation will be performed on March 1st of each year.

2. The relative use of space as between RSMM and M&P on March 1st of each year will be used for both the current year's true-up calculation as well as for the initial budgeted allocation for the following fiscal year. True-up adjustments will be made if the computed annual base rents based on March 1 FTEs changed by more than 2% from the planned allocation.

3. Merged-in locations and add-on mergers will be added at the merger inception date in the same manner as a new subleased location. These locations will trigger an adjustment to both the number of FTEs at the inception date and the number of FTE's at the end of the fiscal year.

4. If RSMM or M&P exits a location under sublease, then that location will be removed from the proportionate share calculation and both parties shall pay occupancy costs based on the proportion of FTE's as of the lease inception date.

Exhibit 10.43

GOVERNANCE AND OPERATIONS AGREEMENT

THIS GOVERNANCE AND OPERATIONS AGREEMENT (the "Agreement"), dated as of February 3, 2010 and effective as of February 3, 2010, is made by and among RSM MCGLADREY, INC ("RSMM"), a Delaware corporation and indirect wholly-owned subsidiary of H&R BLOCK, INC. ("HRB"), a Missouri corporation, MCGLADREY & PULLEN, LLP ("M&P"), an Iowa limited liability partnership, and HRB.

RECITALS

WHEREAS, M&P, RSMM, HRB and certain other persons and entities are parties to the Asset Purchase Agreement, dated as of June 28, 1999 (the "Purchase Agreement"), pursuant to which, among other things, RSMM purchased certain assets of M&P;

WHEREAS, RSMM and M&P previously made certain agreements regarding the respective business operations of RSMM and M&P in an Operations Agreement dated August 2, 1999 (the "Original Agreement");

WHEREAS, RSMM has performed certain administrative services under an Administrative Services Agreement dated January 30, 2006 (the " 2006 ASA");

WHEREAS, on July 21, 2009, M&P provided notice to RSMM of its intent to terminate the 2006 ASA, and on September 15, 2009, RSMM provided notice to M&P of its intent to terminate the 2006 ASA (together, the "Termination Notices");

WHEREAS, in connection with the Termination Notices issued by M&P and RSMM, the parties hereto arbitrated the applicability and enforceability of the covenants contained in Section 13 of the Original Agreement (the " Arbitration Proceeding");

WHEREAS, on November 24, 2009, the arbitration panel in the Arbitration Proceeding issued a final award (the " Final Award") with respect to the matters in dispute;

WHEREAS, following the issuance of the Final Award, the parties negotiated and agreed to a letter of intent to modify various aspects of the current alternative practice structure arrangements between the parties;

WHEREAS, as contemplated in the letter of intent, the parties have agreed to modify certain agreements with respect to the rights and obligations of the parties set forth in the 2006 ASA by amending and restating the 2006 ASA in its entirety on the terms and conditions set forth in an Amended and Restated Administrative Services Agreement, dated as of even date herewith (the " Administrative Services Agreement");

WHEREAS, the parties have decided to terminate the Original Agreement as of the date hereof and execute this Agreement in its place;

WHEREAS, concurrently with the entry into this Agreement, and in consideration of the premises and the mutual covenants hereinafter set forth and in the

Administrative Services Agreement, M&P and RSMM have each withdrawn their respective Termination Notices; and

WHEREAS, the parties desire to set forth certain understandings and agreements regarding the respective business operations of RSMM and M&P as set forth herein.

AGREEMENT

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

1. **Structure and Governance**. The organizational structure, governance framework and financial and business arrangements constituting the alternative practice structure between RSMM and M&P (the "APS") in effect as of the date hereof will remain so in effect, subject to the prompt (and no later than May 1, 2010 unless otherwise specified) implementation by the parties of the measures set forth in this Section 1.

(a) RSMM and M&P. Effective as of May 1, 2010:

(i) strategic plans, operating budgets and profit plans related to the APS will require both the approval of the Board of Directors of M&P (the "M&P Board") and the Board of Directors of RSMM (the "RSMM Board"), and each party shall be responsible for its own operating plan and budget;

(ii) compensation and evaluation of the M&P Managing Partner will be the sole responsibility of the M&P Board, which will solicit input from RSMM's senior executive(s);

(iii) monitoring of the Administrative Services Agreement will be the responsibility of RSMM's senior management and the M&P Board; and

(iv) the President of RSMM and the CEO and CFO of HRB will meet with the M&P Board at least once per fiscal year to review the status of the APS.

(v) both parties will advise the other, in a timely manner, and to the extent possible, without causing a waiver of any privilege, of significant unplanned expenditures, including, without limitation, legal costs and settlements.

(b) M&P. In addition:

(i) Although the governance and management of M&P is M&P's sole responsibility, the M&P Board recognizes the interest of RSMM in good governance and management of M&P in connection with the APS and the M&P Board intends to evaluate the governance and management processes of M&P.

(ii) By June 30, 2010, the M&P Board intends to schedule a vote of the partners of M&P (the " M&P Partners") and recommend for approval by the M&P Partners changes to the M&P Partnership Agreement that the M&P Board considers necessary for the governance and management at M&P to be consistent with modern governance and management practices in large accounting firms. In its evaluation process, the M&P Board will review information about current governance and management practices in the accounting profession, including information from other firms and relevant experts. The M&P Board will also solicit and consider the suggestions of the M&P Partners and RSMM.

(iii) As part of the process described in paragraph (ii) above, the M&P Board commits to taking certain key governance enhancement provisions to the M&P Partners for their vote. One such provision will be to require, in addition to a vote of a majority of the M&P Partners, a 2/3 audit partner vote in connection with any vote in favor of termination of the Administrative Services Agreement between the third and fifth years of the initial term of the Administrative Services Agreement. The M&P Board will incorporate the results of the M&P Partners' vote into a revised M&P Partnership Agreement to be executed by current and future M&P Partners. For purposes of this provision, "audit partner" shall mean an M&P partner who receives more than 50% of their total compensation from the income of the M&P partnership.

(c) Senior Management. The parties acknowledge that the M&P Managing Partner is a member of the APS senior leadership team and agree that the M&P Managing Partner will actively participate in the preparation of strategic and profit plans for the APS. Other M&P leaders, such as those in Human Resources, Information Technology, Finance and Operations, will be designated as members of corresponding RSMM functional teams within the organization; they will, however, report to the M&P Managing Partner (or another senior executive of M&P, as applicable) as to matters impacting M&P. The parties agree that systems and processes for compensation and evaluation of senior management throughout the APS will be aligned in a manner consistent with job type and performance against agreed goals.

(d) Geographic Practice Leaders and Geographic Assurance Practice Leaders . The direct reporting relationship for Geographic Practice Leaders (i.e., assurance, tax and consulting leaders) in effect as of the date hereof will remain so in effect, with indirect reporting to the M&P Managing Partner (or another senior executive of M&P, as applicable). Geographic Assurance Practice Leaders shall report directly to the M&P Managing Partner (or another senior executive of M&P, as applicable), and in a manner that supports economic unit management practices. The M&P Managing Partner (or other senior executive of M&P, as applicable) will participate in the selection and evaluation of Geographic Practice Leaders.

(e) Dispute Resolution. The parties, including members of senior leadership, the RSMM Board and the M&P Board, agree to work together in good faith to attempt to resolve any controversy, claim or dispute arising out of or relating to this Agreement or any actual or alleged breach of any provisions hereof (other than disputes

subject to Section 10(a)(i) below) using the following dispute escalation and resolution process:

(i) the party bringing the dispute will deliver to the other party a written notice (the " Dispute Notice") of the dispute (such notice to detail all relevant information pertaining to the dispute), which shall include a request for an initial meeting between the parties to discuss the dispute on a date no earlier than seven days and no later than 30 days after the date of receipt of the Dispute Notice;

(ii) the parties (including representatives of the senior leadership of each party) will meet to discuss, and negotiate in good faith to resolve, the applicable dispute on the date specified in the Dispute Notice or on such other date no later than 30 days after the date of receipt of the Dispute Notice as may be agreed upon by the parties;

(iii) if, following such meeting the breach or dispute remains unresolved, then, no later than 30 days following the initial meeting (or such other date as the parties may mutually agree), the parties will hold a second meeting (which shall include representatives of the senior leadership, the RSMM Board and the M&P Board) to continue to negotiate in good faith to resolve such dispute;

(iv) if, after compliance with the foregoing procedures, such dispute is not resolved, either party may submit such dispute to resolution pursuant to Section 12(j) below; and

(v) all negotiations pursuant to this clause are confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence.

2. **Managing Director Compensation**. The parties acknowledge and agree that the Managing Directors of RSMM should be compensated comparably to the market for accounting firm professionals (adjusting for the at-risk capital structure of the APS) in a manner consistent with their individual performance and the performance of the combined businesses (including both the economic unit performance and the national performance). Likewise, the parties acknowledge and agree that RSMM should receive a market return on its past and future investments in the APS. Finally, notwithstanding anything in this Section 2 to the contrary, the parties acknowledge and agree that the income attributable to Public Accounting Services (as defined in the Administrative Services Agreement) belongs exclusively to the M&P Partners and shall only be paid to the M&P Partners, subject to the exclusive approval of the M&P Board. M&P agrees that confidential M&P earnings information may be used by RSMM and the Compensation Subcommittee for the purpose of determining Managing Director compensation pursuant to this Section 2. Any other use requires the approval of M&P's Managing Partner.

In furtherance of the foregoing, the parties agree as follows with respect to Managing Director compensation:

(a) Regular Compensation Plan. Effective May 1, 2010, and subject to paragraph (b) below, 33% of Location Contribution (as defined in Section 2(d) below) will be retained by RSMM and the remaining 67% of Location Contribution, less the amount, if any, paid to Managing Directors who are M&P Partners from the M&P partnership income as referenced above, will be payable as regular compensation to the Managing Directors. The distribution of the Location Contribution to Managing Directors shall remain effective through the term of the Administrative Services Agreement and any renewals or extensions thereof.

(b) Growth Bonus Plan. For the fiscal year ending April 30, 2011, and for each subsequent fiscal year during the term of the Administrative Services Agreement and any renewals or extensions thereof, the Managing Directors may be eligible for a growth bonus based on growth in Location Contribution, as determined on a consistent basis, over the Reference Year (as defined below), determined as follows:

(i) in a fiscal year where there is 6 to 10% growth in Location Contribution over the Reference Year, for such fiscal year, and only such fiscal year, (I) 33% of the Location Contribution up to the 6% growth level and 20% of the incremental Location Contribution dollars above 6% growth will be retained by RSMM and (II) 67% of the Location Contribution up to the 6% growth level and 80% of the incremental Location Contribution dollars above 6% growth will be payable as compensation to the Managing Directors;

(ii) in a fiscal year where there is 10 to 15% growth in Location Contribution over the Reference Year, for such fiscal year, and only such fiscal year, the provisions of paragraph (i) above will apply up to the 10% growth level and (I) 15% of the incremental Location Contribution dollars above 10% growth will be retained by RSMM and (II) 85% of the incremental Location Contribution dollars above 10% growth will be payable as compensation to the Managing Directors; and

(iii) in a fiscal year where there is growth in Location Contribution over the Reference Year which is above 15%, for such fiscal year, and only such fiscal year, the provisions of paragraphs (i) and (ii) above will apply up to the 15% growth level and (I) 10% of the incremental Location Contribution dollars above 15% growth will be retained by RSMM and (II) 90% of the incremental Location Contribution dollars above 15% growth will be payable as compensation to the Managing Directors.

For purposes of this Section 2(b), annual growth in Location Contribution will be determined by comparing the current fiscal year's growth to the previous fiscal year's Location Contribution unless such amount is lower than any prior fiscal year, in which case the comparison shall be made against the highest prior fiscal year (in each case, the "Reference Year"). The parties agree that the initial Reference Year for purposes of measuring growth in Location Contribution shall be the fiscal year ending April 30, 2010, such that, for example, the fiscal year ending April 30, 2010 will be treated as the highest previous year for earnings purposes when considering the growth, if any, in Location

Contribution in the fiscal year ending April 30, 2011. For the avoidance of doubt, in a fiscal year that has experienced year over year growth in Location Contribution of less than 6%, Managing Directors shall not be eligible for a growth bonus and all of the Location Contribution for such fiscal year will be treated as set forth in Section 2(a). Annex A sets forth a hypothetical scenario illustrating the mechanics of the growth bonus calculation pursuant to this Section 2(b). For purposes of this Section 2(b), the applicable Reference Year Location Contribution will be adjusted equitably to account for any acquisitions or divestitures that would impact Location Contribution in order to ensure that the growth in Reference Year Location Contribution measured in this Section 2(b) is organic growth and not attributable to acquired or divested businesses or assets.

(c) Discretionary One-time Bonus. RSMM will consider, in its sole discretion, paying, on or about June 30, 2010, a special one-time bonus to be paid by RSMM to the Managing Directors equal to the incremental amount that would have been payable to the Managing Directors if the 67/33 Location Contribution split described in Section 2(a) (but not the growth bonus described in Section 2(b)) had been in effect during the period from January 1, 2010 through April 30, 2010.

(d) Location Contribution. As used herein, "Location Contribution" means the total revenue less expenses associated with the operations of the core RSMM and M&P businesses of attest, tax and consulting work (excluding revenue and expenses associated with other non-core businesses, such as McGladrey Capital Markets, Provident Financial Management, and any separate accounting businesses of RSMM, such as the alternative practice structure in Buffalo, New York) prior to the payment of Partner and/or Managing Director draws or salaries and shall be calculated in accordance with the methodology used for the fiscal year ending April 30, 2010, as may be modified by mutual agreement of RSMM and M&P from time to time, subject to the following:

(i) In order to reduce the impact on Location Contribution of the return on capital paid by M&P to the M&P Partners, the parties agree as follows. In each fiscal year, the amount of Location Contribution paid to the Managing Directors, as outlined in Section 2(a) above, shall be increased by an amount equal to the lesser of (i) the aggregate amount paid by M&P to the M&P Partners as a return on partner capital at a rate not to exceed ten percent (10%) for any individual partner; or (ii) five million dollars ($5,000,000). Any return on the M&P Partners' capital in excess of the amount specified above will be paid out of M&P partnership income. A hypothetical sample calculation is attached as Annex B)

(ii) RSMM contributions to the Managing Director retirement plan up to the amount identified in Section 3 hereof will be made by RSMM from its own funds (but, for clarification, to the extent the amount of expense is greater than the RSMM contributions agreed to in Section 3 hereof, the difference will be an operating expense charged to Location Contribution); and

(iii) Restricted stock expense will not be charged to Location Contribution.

(e) Compensation Subcommittee. RSMM and M&P will promptly establish and maintain a Compensation Subcommittee, which will be responsible for the implementation of the regular compensation and growth bonus plans described in this Section 2 under the direction of the President of RSMM. The Compensation Subcommittee shall consist of seven Managing Directors; three of whom shall be assigned by the M&P Board and four of whom shall be assigned by the President of RSMM. The Compensation Subcommittee shall consist of representatives from various lines of business, geographies and practices.

3. **Partner/Managing Director Retirement Plan**. The parties agree that they should implement mechanisms for the APS that would provide for a long-term wealth building and retirement program to attract and retain talented Partners/Managing Directors. It is the intention of RSMM to develop a career-long Partner/Managing Director wealth building and retirement program that is comparable to the programs established by other large accounting, tax and consulting firms. As of the date of this Agreement, such program has yet to be fully designed or approved, but it is proposed to be established in a way that is effective and complies with all applicable laws. Depending upon the program's design and objectives, the program may include an element of phantom equity in RSMM. Adoption of the program will require approval of each of the M&P Board, the RSMM Board and the Board of Directors of HRB. If a retirement benefit program similar to the one described in this Section 3 cannot be implemented on satisfactory terms because of infeasibility or any other good reason, the parties will establish and implement a deferred compensation plan for the benefit of the Partners/Managing Directors with RSMM contributions and criteria as set forth in Section 4 hereof.

(a) RSMM and M&P will work in good faith to establish and administer a non-qualified retirement plan for Partners/Managing Directors (the "Retirement Plan"), with RSMM contributions and criteria as set forth in this Section 3, and any other required funding being funded as an operating expense charged to Location Contribution. The Retirement Plan for the Partners/Managing Directors shall be designed to support the APS's talent attraction, talent retention and wealth building objectives, and is intended to include the following terms and conditions:

(i) On May 1, 2010, if the Retirement Plan is in effect on such date, or if not then promptly after the retirement plan becomes effective, RSMM will make an upfront aggregate contribution of $60 million to a rabbi trust or similar vehicle (the " RSMM Funding Vehicle") for purposes of contributing to the funding of the Retirement Plan. This initial $60 million contribution to the RSMM Funding Vehicle represents the sum of six $10 million annual contributions for each of the fiscal years from the fiscal year ending April 30, 2010 through the fiscal year ending April 30, 2015 inclusive. On May 1, 2015, for the fiscal year ending April 30, 2016, and on each succeeding May 1, RSMM will contribute $10 million directly to the Retirement Plan. For the avoidance of doubt, subject to Section 6(b) hereof, RSMM intends to not, and shall not be required to, make any contributions to the Retirement Plan other than those specifically set forth in this paragraph.

(ii) Principal from the RSMM Funding Vehicle will be transferred to the Retirement Plan beginning in the fiscal year ending April 30, 2011 and continuing through the fiscal year ending April 30, 2015, on the following schedule:

Year 1:	10% ($6 million)
Year 2:	10% ($6 million)
Year 3:	20% ($12 million)
Year 4:	25% ($15 million)
Year 5:	35% ($21 million)

The above contributions are not being made in recognition of any prior service.

Any interest or income resulting from the investment of the principal in the RSMM Funding Vehicle will be distributed to the Retirement Plan in the fiscal year ending April 30, 2016. The Compensation Subcommittee (as established in Section 2(e) hereof) shall be responsible for making the appropriate investment decisions including the selection of a qualified investment advisor, for the RSMM Funding Vehicle.

(iii) If there is a sale of at least a majority interest in the RSMM business to a third party, whether accomplished by the sale of stock, sale of assets or otherwise (any of the foregoing, a "Change of Control"), the undistributed funds in the RSMM Funding Vehicle will remain in the RSMM Funding Vehicle for the purpose of funding the Retirement Plan, will not revert to RSMM as a result of such Change of Control and will be protected by restrictions precluding the acquiror of the RSMM business from compromising such undistributed funds, including, without limitation, by the appointment of an independent trustee at the inception of the Retirement Plan, to be selected by RSMM with input from M&P.

(iv) If the M&P Partners vote on and approve M&P's termination of the Administrative Services Agreement or notice shall have been given of any other termination of the Administrative Services Agreement, then (i) all of RSMM's commitments to contribute to the funding of the Retirement Plan will be suspended effective as of the calling of the vote or other notice of termination and will terminate effective as of the date of such vote and (ii) effective as of the date of such vote or other notice of termination, all undistributed funds in the RSMM Funding Vehicle, including any interest or income thereon, will revert to RSMM.

(v) On or promptly following the effective date of any termination of the Administrative Services Agreement, RSMM's contributions to the Retirement Plan will be segregated on an appropriate basis reflecting the relative anticipated actuarial liabilities between Partners/Managing Directors who continue to be employed by or similarly affiliated with RSMM and Partners/Managing Directors who are no longer employed by nor similarly

affiliated with RSMM so that each of the separated pools is funded to the same extent on an actuarial basis.

(vi) If a Partner/Managing Director or former Partner/Managing Director breaches the non-competition or non-solicitation covenants contained in his or her employment agreement with RSMM, he or she will no longer be eligible for any retirement benefits to which he or she would otherwise be entitled under the Retirement Plan.

(b) RSMM's current expectation (subject to further analysis and planning) is that the Retirement Plan will be available to Partners/Managing Directors of a certain performance level and that the retirement benefit will be equal to two times the career average annual pay of the Partner/Managing Director. RSMM will consider including a floor and a cap on the retirement benefit, although RSMM believes that a cap is more appropriate than a floor. The final benefit will be paid over 10 years in equal annual installments of one-tenth of the benefit. The career average annual pay calculation will consider only earnings and years of service as a Partner/Managing Director. Achievement of the maximum benefit will require a certain number of years of service after plan adoption; however, some benefit may be available for prior years' service. Retirement eligibility will be based on a combination of age and years of service. The parties agree that the Retirement Plan may, if practicable, also include an early retirement option.

(c) The parties acknowledge and agree that the Retirement Plan and RSMM's contributions thereto are meant to replace the restricted stock award program in effect as of the date hereof, which program will cease effective May 1, 2010. The parties also acknowledge and agree that employees of McGladrey Capital Markets and Provident Financial Management, and any separate accounting business of RSMM, such as the alternative practice structure in Buffalo, New York, will not be eligible to participate in the Retirement Plan.

4. **Alternate Partner/Managing Director Deferred Compensation Plan** . If, and only if, the proposed Retirement Plan described in Section 3 hereof cannot be implemented, in lieu thereof, the parties will establish and implement a deferred compensation plan for the benefit of the Partners/Managing Directors (the "Deferred Compensation Plan"), with RSMM contributions and criteria as outlined in this Section 4. The Deferred Compensation Plan, if applicable, is intended to include the following terms and conditions:

(a) On May 1, 2010, RSMM will make an upfront aggregate contribution of $60 million to an RSMM Funding Vehicle for purposes of funding the Deferred Compensation Plan. An initial amount of $10 million will be distributed on May 1, 2010 from the RSMM Funding Vehicle to a pool for deferred compensation awards to Managing Directors (the "Deferred Compensation Pool"). Each year thereafter on May 1 until May 1, 2015, $10 million will be distributed from the RSMM Funding Vehicle to the Deferred Compensation Pool. Any interest or income resulting from the investment of the funds in the RSMM Funding Vehicle will be distributed to the Deferred Compensation Pool in the fiscal year ending April 30, 2016. The Compensation

Subcommittee (as established in Section 2(e) hereof) shall be responsible for making investment decisions for the RSMM Funding Vehicle.

(b) On May 1, 2016, for the fiscal year ending April 30, 2017, and on each succeeding May 1, RSMM will contribute $10 million directly to the Deferred Compensation Pool.

(c) For the avoidance of doubt, subject to Section 6(b) hereof, RSMM intends not to, and shall not be required to make any contributions to the Deferred Compensation Plan other than those specifically set forth in paragraphs (a) and (b) of this Section 4.

(d) The parties agree that the allocation of deferred compensation awards to Partners/Managing Directors will be consistent with talent attraction, talent retention and wealth building objectives. Deferred compensation awards will vest on the following schedule:

Year 1:	10%
Year 2:	20%
Year 3:	40%
Year 4:	6 5%
Year 5:	100%

Contributions will cease to vest for each Partner/Managing Director effective on the termination date of such Partner/Managing Director's employment with RSMM.

(e) If the M&P Partners vote on and approve M&P's termination of the Administrative Services Agreement or notice shall have been given of any other termination of the Administrative Services Agreement, then (i) all of RSMM's commitments to fund deferred compensation will be suspended effective as of the calling of the vote or giving of such notice and will terminate effective as of the date of such vote, (ii) effective as of the date of such vote or giving of such notice, all undistributed funds in the RSMM Funding Vehicle, including any interest or income thereon, will revert to RSMM and (iii) effective as of the date of such vote or giving of such notice, those portions of each Partner/Managing Director's deferred compensation that were contributed by RSMM will cease to vest, unless such Partner/Managing Director continues after the termination of the Administrative Services Agreement to be employed by or similarly affiliated with RSMM.

(f) If a Partner/Managing Director or former Partner/Managing Director breaches the non-competition or non-solicitation covenants contained in his or her employment agreement with RSMM, those portions of such Partner/Managing Director's deferred compensation that were contributed by RSMM will cease to vest and undistributed vested portions will be forfeited effective as of the date of such breach.

(g) The parties acknowledge and agree that, if the Retirement Plan described in Section 3 hereof cannot be implemented, the Deferred Compensation Plan

and RSMM's contributions thereto are meant to replace the restricted stock award program in effect as of the date hereof, which program will cease effective May 1, 2010. The parties also acknowledge and agree that employees of McGladrey Capital Markets and Provident Financial Management, and any separate accounting business of RSMM, such as the alternative practice structure in Buffalo, New York, will not be eligible to participate in the Deferred Compensation Plan.

5. **Development Expenditures**. As used herein, the term "Development Expenditures" mean expenditures in infrastructure, personnel and branding or related promotional efforts and other expenditures that are generally expensed for accounting purposes.

(a) The target for Development Expenditures is $15 million per fiscal year, commencing with the fiscal year ending April 30, 2011. Development Expenditures will be an operating expense charged to Location Contribution;

(b) Development Expenditures will be consistent with the long-term strategy and goals of RSMM and M&P, including quality of the assurance function. The parties agree that new Development Expenditures will be evaluated on their potential to generate measurable and sufficient returns on the invested capital of both RSMM and M&P.

(c) Development Expenditures will be reviewed by a seven person Development Committee comprised of the President of RSMM and the Managing Partner of M&P (or their designees, respectively) along with five additional members. The RSMM President will appoint three Managing Directors and the Managing Partner of M&P will appoint two Partners/Managing Directors to complete the Development Committee, with members intended to provide reasonable representation of the various lines of business, geographies and national practices. The President of RSMM (and, with respect to the attest practice only, the Managing Partner of M&P) will have final decision-making authority to approve all Development Expenditures.

(d) The duties of the Development Committee are to develop a prioritization model to evaluate Development Expenditures using inputs such as anticipated cost benefit analysis and return on investment, ability to implement, risk and strategic synergies. The Development Committee shall meet at least quarterly to review progress on implementation and utilization of the approved Development Expenditures. The Development Committee will ensure that the Development Expenditures meet certain criteria established annually by RSMM senior management as part of the planning process. Such criteria include, but are not limited to, Development Expenditures that are designed to:

(i) aid in growth and build the APS's brand, such as sales, marketing and branding expenditures;

(ii) acquire talent to expand service line, industry or functional capability;

(iii) develop service line and/or client service tools;

(iv) improve technology platforms;

(v) enhance the international capability of the APS;

(vi) invest or seed talent in new markets, such as San Francisco and Atlanta;

(vii) align with the overall strategic objectives of the business;

(viii) enhance audit and attest quality with respect to M&P; and

(ix) enhance tax and consulting quality with respect to RSMM.

(e) Development expenditures will be subject to approval by the RSMM Board and, to the extent related to the attest practice, the M&P Board.

6. **Acquisitions**. The term "Acquisitions" refers to investments consisting of acquisitions of or affiliations with accounting, tax and consulting firms and other investments that are of the type that require all or a portion of such investment to be capitalized.

(a) The parties will work together to identify and analyze Acquisitions that would further the APS' strategic goals and grow the APS and each of the parties' respective businesses relating to the APS. The parties agree that any new Acquisitions will be evaluated on their potential to generate a satisfactory return on invested capital for RSMM and M&P. The parties also agree that Acquisitions may take more than one form, such as acquiring select personnel from accounting, tax and consulting firms or acquiring or affiliating with entire accounting, tax or consulting entities.

(b) It is RSMM's intention to take into account, when assessing Acquisition opportunities, the accretive or dilutive effect of the transaction on Managing Director compensation, including long-term compensation vehicles and funding levels. It is RSMM's preference to avoid diluting the compensation of the pre-Acquisition Managing Directors through an Acquisition.

(c) Acquisitions will be examined on a case by case basis and will be subject to required approvals, including approval by the RSMM Board (and its corporate parent), and the M&P Board. The portion of any such Acquisition involving attestation services and allocable to M&P will be approved by the M&P Board and funded and acquired by M&P.

(d) In connection with each Acquisition, the parties will determine the portion of such Acquisition allocable to M&P and agree on the terms of any acquisition loan that will be extended by RSMM to M&P, if any, to fund its allocated portion of the Acquisition. It is understood and agreed that any such acquisition loan, if any, will be extended to M&P on customary acquisition financing terms (including required equity contribution and pricing/rate). The terms will include a provision to the effect that upon any M&P Partner vote to terminate the Administrative Services Agreement, such loan shall become immediately due and payable.

(e) Subject to the terms of the Loan Agreement, M&P maintains the right to obtain financing from any source it deems appropriate to finance its operations and/or acquisitions of practices offering Public Accounting Services.

7. **Branding**. RSMM and M&P shall, on or before May 1, 2010:

(a) jointly develop branding guidelines and an approval process for any marketing, advertising and promotional materials displaying or otherwise incorporating any of the MCGLADREY, "Rothko" design, and MCGLADREY and "Rothko" design marks (collectively, the " McGladrey Marks");

(b) jointly develop a brand strategy in respect of the McGladrey Marks (the " Brand Strategy") designed to maximize the likelihood that adoption of the McGladrey Marks will pass without objection by the State Boards of Accountancy, including by meeting, conferring and agreeing upon (i) a specific strategy for rolling out the McGladrey Marks, and (ii) a detailed plan for implementing that strategy within the fiscal year ending April 30, 2010; and

(c) execute and deliver the Amended and Restated Trademark Assignment and Joint Ownership Agreement (the " Joint Ownership Agreement"), the form of which is attached hereto as Annex C.

The parties will use good faith efforts to implement the Brand Strategy within the fiscal year ending April 30, 2010 in accordance with the branding guidelines agreed by RSMM and M&P and the Joint Ownership Agreement. RSMM senior management will, in collaboration with M&P, periodically review and if necessary implement agreed modifications to the Brand Strategy.

8. **Regulatory Matters**. RSMM recognizes that M&P is engaged in a regulated profession, is subject to registration and regulation by state and federal authorities, and that M&P is ultimately responsible for its license to practice public accounting as a CPA firm. M&P recognizes that RSMM has a critical business interest in the APS, the regulatory environment and the relationship that M&P has with its regulators. In furtherance of the foregoing, the parties agree as follows:

(a) After thorough discussion with RSMM, M&P will use its best independent judgment to determine, in its sole discretion, if the changes in the parties' relationship, as reflected in this Agreement and in the Administrative Services Agreement, are sufficiently significant to trigger voluntary disclosure to or additional approval from applicable regulatory authorities. Subject to the immediately preceding sentence, M&P will involve RSMM to the maximum extent possible in its dealings and communications with regulators on an ongoing basis.

(b) If any state or federal regulator requires changes to the agreements made by the parties, as reflected in this Agreement and in the Administrative Services Agreement, the parties will work together in good faith to reach a mutually satisfactory modified arrangement that respects to the greatest extent possible the agreements that the parties have made. If either party considers that any proposed changes will materially

and adversely affect the benefits of the APS for it, it can require that the senior leadership, and the Boards of Directors, of RSMM and M&P be engaged in the discussions directed at agreeing on the modified alternative arrangement that best preserves those benefits.

(c) From the date hereof, M&P will increase the resources devoted to managing regulatory matters and will, in its sole discretion, utilize appropriate internal and external resources (including RSMM), to the maximum extent possible, to ensure all regulatory matters are managed in the best interests of the APS. The parties, to the maximum extent possible, will collaborate, and develop a strategy for addressing any actual or anticipated issues related to registration or regulation of the APS. M&P and RSMM shall meet periodically to discuss regulatory matters and update each other on developments in any ongoing discussions with or matters at issue before regulators.

9. **[Reserved]**.

10. **Non-Competition/Non-Solicitation Covenants**.

(a) Certain Acknowledgments by the Parties. The parties acknowledge and agree as follows in exchange for valuable consideration, the receipt and sufficiency of which each party acknowledges:

(i) The Arbitration Proceeding has been concluded except for the continuing service of the chairman, as a single arbitrator, as provided in Section 8 of the Final Award;

(ii) The parties are bound by the Final Award, including any interim rulings by the arbitration panel incorporated by reference into the Final Award;

(iii) The Final Award states that if termination of the 2006 ASA were to occur on February 15, 2010, the covenants set forth in Section 13 of the Original Agreement would apply from that date through certain dates specified in the Final Award. To avoid future litigation regarding the enforceability of restrictive covenants governing the parties' relationship under the Original Agreement, the parties have taken the arbitration panel's decision and through negotiation and compromise agreed to modify the post-termination time periods applicable to the covenants as set forth in Section 10(b) hereof (the "Acknowledged Covenant Periods");

(iv) The Acknowledged Covenant Periods will apply and shall be enforceable regardless of the date of termination of the Administrative Services Agreement;

(v) The parties are bound by the covenants and to the enforceability of the covenants during the Acknowledged Covenant Periods as agreed in Section 10(b) hereof and will not challenge their enforceability again;

(vi) The parties each forever release and covenant not to bring any claim, known or unknown, challenging the interpretation, enforceability or scope of the covenants set forth in Section 10(b) hereof, and in the Final Award, regardless of the date of termination of the Administrative Services Agreement;

(vii) Enforcing the restrictive covenants under Section 10 for the entirety of the Acknowledged Covenant Periods is reasonable, necessary and essential to protect RSMM's investment in the goodwill associated with the portions of M&P's practice that RSMM acquired from M&P regardless of whether and when the relationship between M&P and RSMM terminates;

(viii) M&P's relationship with RSMM involves the understanding of and continued access to confidential and competitively sensitive information pertaining to the property, business and operations of RSMM and its Affiliates (as defined in Section 10(c) below), such that enforcing the covenants under Section 10 for the entirety of the Acknowledged Covenant Periods is reasonable, necessary and essential to protect against M&P gaining an unfair competitive advantage over RSMM, regardless of whether and when the relationship between M&P and RSMM terminates; and

(ix) M&P's covenants under this Section 10 and its release of any claim that the covenants are unenforceable are an essential part of the inducement to RSMM to enter into this Agreement.

(b) Scope. Informed by the Final Award and as consideration for the parties' mutual release and covenant not to bring claims challenging the enforceability of the Covenants, RSMM agreed to modify the Covenant Periods under the Original Agreement to the Acknowledged Covenant Periods as set forth below. Accordingly, M&P agrees as follows in consideration for entering into the Purchase Agreement, the Administrative Services Agreement, this Agreement, and for RSMM's withdrawal of its Termination Notice.

(i) The Acknowledged Covenant Period for this Section 10(b)(i) (the " Entity Services Non-Compete Covenant Period ") shall run until the date that is 17 months after the expiration or termination of the Administrative Services Agreement. Until expiration of the Entity Services Non-Compete Covenant Period, except with the prior written consent of RSMM, M&P shall not directly or indirectly, either individually or as a principal, partner, member, manager, agent, employee, employer, consultant, stockholder, joint venturer, or investor, or as a director or officer of any corporation, company, partnership or association, or in any other manner or capacity whatsoever, engage in, assist or have any active interest in a business located anywhere in the United States or in locations where RSMM has offices outside the United States, on its own behalf or for others, that provides, sells, develops, markets, designs, distributes, coordinates, conducts or publishes, to or for the benefit of any person or entity, investment advisory services, asset management services, financial planning services or products, estate planning services or products, seminars, training

materials, industry newsletters, practice development tools or programs, accounting services (not including Public Accounting Services (as defined in the Administrative Services Agreement)), consulting services, tax services (excluding any state tax services that are Public Accounting Services (as defined in the Administrative Services Agreement)), management advisory services or such other service or product that otherwise competes with or is substantially similar in concept, design, format or otherwise to the business conducted by RSMM on the date hereof, or at any time during the Entity Services Non-Compete Covenant Period. Notwithstanding the above, this paragraph shall not be construed to prohibit M&P from mere ownership of less than three percent (3%) of the outstanding securities of a corporation which is publicly traded on a securities exchange or through Nasdaq.

(ii) The Acknowledged Covenant Period for this Section 10(b)(ii) (the " Entity Client Non-Solicitation Covenant Period ") shall run until the date that is 29 months after the expiration or termination of the Administrative Services Agreement. Until expiration of the Entity Client Non-Solicitation Covenant Period, except with the prior written consent of RSMM, M&P shall not, directly or indirectly, either individually, or as a principal, partner, member, manager, agent, employer, consultant, stockholder, joint venturer, or investor, or in any other manner or capacity whatsoever,

(1) solicit, divert or take away, or attempt to solicit, divert or take away, from RSMM, or any direct or indirect subsidiary or Affiliate of RSMM, any business with any client of RSMM or any of its direct or indirect subsidiaries or Affiliates (other than for the provision of Public Accounting Services (as defined in the Administrative Services Agreement)),

(2) solicit, divert or take away, or attempt to solicit, divert or take away, from RSMM or any direct or indirect subsidiary or Affiliate of RSMM, any business with any person or entity who was being solicited as a potential client by, or is an Affiliate of a potential client of RSMM or any of its direct or indirect subsidiaries or Affiliates (other than for the provision of Public Accounting Services (as defined in the Administrative Services Agreement)), within one year prior to the commencement of this Agreement and during the Entity Client Non-Solicitation Covenant Period, or

(3) induce or cause, or attempt to induce or cause, any salesperson, distributor, supplier, vendor, manufacturer, representative, agent, or other person transacting business with RSMM or any of its direct or indirect subsidiaries or Affiliates to terminate or modify such relationship or association.

(iii) The Acknowledged Covenant Period for this Section 10(b)(iii) (the " Employee Non-Solicitation Covenant Period ") shall run until the

date that is 24 months after the expiration or termination of the Administrative Services Agreement. Until expiration of the Employee Non-Solicitation Covenant Period, except with the prior written consent of RSMM, M&P shall not, directly or indirectly, either individually, or as a principal, partner, member, manager, agent, employer, consultant, stockholder, joint venturer, or investor, or in any other manner or capacity whatsoever, induce or cause, or attempt to induce or cause, any employee, accountant, member, manager, shareholder, partner, director or officer of RSMM or any of its direct or indirect subsidiaries or Affiliates to leave the employ of RSMM or any of its direct or indirect subsidiaries or Affiliates; provided, however, that prior to the date on which the Administrative Services Agreement is terminated, M&P may solicit and extend employment offers to RSMM personnel who are M&P Partners or M&P employees.

(iv) If M&P violates any of the provisions of Section 10(b)(i), Section 10(b)(ii) or Section 10(b)(iii) after the date hereof, the applicable Covenant Period shall be extended for a period of time equal to the period of any such violation.

(v) In addition to any other rights or remedies RSMM may possess, RSMM shall be entitled to injunctive and other equitable relief to prevent any breach, threatened breach or continuing breach of any part of this Agreement.

(c) For purposes of this Agreement, an "Affiliate" means, with respect to any person, (i) any person which, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such person, or (ii) any person which RSMM or any of its affiliates have an alternative practice structure with. For purposes of this definition "control" of a person shall mean the power, direct or indirect to, (x) vote or direct the voting of 50% or more of the outstanding shares of voting stock or similar interests of such person, or (y) direct or cause the direction of the management of such person, whether by contract or otherwise.

11. **Compliance with Independence Policies**. RSMM and HRB agree that M&P retains the right and authority to (i) establish reasonable independence policies for the practice that provides Public Accounting Services and that such policies will be binding upon RSMM and HRB, and (ii) monitor and enforce the compliance with such policies within RSMM and HRB through the methodology deemed reasonably necessary by M&P to accomplish such objectives and to ensure that independence exists between M&P clients and RSMM and HRB and their respective officers, directors and employees, as appropriate. M&P will resign from any engagement where a satisfactory resolution cannot be achieved whereby M&P can retain its independence.

12. **Miscellaneous**.

(a) Termination. This Agreement will terminate automatically upon termination of the Administrative Services Agreement, except that Sections 10, 12(i) and 12(j) shall survive the termination of this Agreement.

(b) Amendment and Modification. This Agreement may be amended, modified and supplemented only by written agreement of the parties hereto.

(c) Waiver of Compliance; Consents. Any failure of any party to comply with any obligation, covenant, agreement or condition herein may be waived in writing by other benefited parties, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

(d) Notices. Any notice, request, consent or communication (collectively, a "Notice") under this Agreement shall be effective only if it is in writing and (a) personally delivered, (b) sent by certified or registered mail, return receipt requested, postage prepaid, (c) sent by a nationally recognized overnight delivery service, with delivery confirmed, (d) e-mailed (with a copy simultaneously sent by first class mail or any other delivery method permitted hereunder), or (e) telexed or telecopied, with receipt confirmed, addressed as follows:

If to HRB:	H&R Block, Inc. One H&R Block Way Kansas City, MO 64105 Attn.: Brian Woram Facsimile: (816) 854-8500 E-mail: Brian.Woram@hrblock.com
If to RSMM:	RSM McGladrey, Inc. One South Wacker Drive, Suite 800 Chicago, IL 60606 Attn.: Peter Fontaine Facsimile: (312) 634-5513 E-mail: Peter.Fontaine@rsmi.com
If to M&P:	McGladrey & Pullen, LLP 3600 American Blvd., Third Floor Bloomington, MN 55431-4502 Attn: David Scudder Facsimile: (847) 517-7067 E-mail: dave.scudder@rsmi.com
with a copy to:	Katten Muchin Rosenman, LLP 525 W. Monroe Street, Suite 1900 Chicago, IL 60661 Attn: Herbert S. Wander Facsimile: (312) 577-8885 E-mail: hwander@kattenlaw.com

or such other persons or addresses as shall be furnished in writing by any party to the other party. A Notice shall be deemed to have been given as of the date when (i)

personally delivered, (ii) three (3) days after the date when deposited with the United States mail properly addressed, (iii) when receipt of a Notice sent by an overnight delivery service is confirmed by such overnight delivery service, or (iv) when receipt of the e-mail, telex or telecopy is confirmed, as the case may be.

(e) Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party without the prior written consent of other parties; provided, however, that RSMM may, in its discretion, assign this Agreement to any other direct or indirect parent, subsidiary or affiliate of RSMM, or to any third party that in connection therewith is acquiring all or substantially all of the assets of RSMM used in connection with its relationship with M&P, and M&P shall be liable hereon to the same extent as if such agreement were originally made with such other person, firm or corporation.

(f) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(g) Neutral Interpretation. This Agreement constitutes the product of the negotiation of the parties hereto and the enforcement hereof shall be interpreted in a neutral manner, and not more strongly for or against any party based upon the source of the draftsmanship hereof.

(h) Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(i) Governing Law. This Agreement shall be governed and interpreted in all respects pursuant to the internal and substantive laws of the State of Missouri without regard to conflict of laws principles which might cause the law of another jurisdiction to apply.

(j) Arbitration; Interim Relief. Any controversy, claim or dispute arising out of or relating to this Agreement or any actual or alleged breach of any provisions hereof, including without limitation any dispute concerning the scope of the arbitration clause set forth below (a " Dispute"), shall be resolved as set forth below, except that (a) this Section 12(j) shall not apply to any controversy, claim or dispute asserted by either party hereto against the other arising out of or related to a controversy, claim or dispute asserted by a third person (other than M&P and/or any of its Partners or RSMM) against either or both parties to this Agreement, nor to any controversy, claim or dispute where a third party (other than M&P and/or any of its Partners or RSMM) would be an indispensable party under the Federal Rules of Civil Procedure and (b) any Dispute subject to Section 10(a)(i) shall be resolved as described in Section 8 of the Final Award.

(i) In the event a Dispute arises relating to this Agreement, the parties shall first negotiate in good faith to resolve such dispute in accordance with the dispute escalation and resolution process described in Section 1(e) hereof before proceeding to mediation pursuant to Section 12(j)(ii) hereof.

(ii) In the event that the parties have complied with Section 1(e) hereof and the Dispute has not been resolved within 60 days after service of the Dispute Notice, or in the event the parties failed to meet within 30 days after delivery of a Dispute Notice, either party may demand mediation in accordance with the CPR Institute for Dispute Resolution ("CPR") Mediation Procedure then currently in effect in the location where any arbitration would be conducted as set forth below, in writing with copies to all other parties involved in the Dispute. The notification will state with specificity the nature of the Dispute. Unless the parties agree otherwise, the parties will select a mediator from the CPR Panels of Distinguished Neutrals (the "Mediator"). If the parties do not agree on the Mediator within five (5) business days after either party delivers a demand for mediation, the CPR will provide the parties on an expedited basis a list of three candidates, with their resumes and hourly rates. If the parties are unable to agree on a candidate from the list within three (3) business days following receipt of the list, each party will, within five (5) business days following receipt of the list, send to CPR the list of candidates ranked by order of preference. The candidate with the lowest combined score will be appointed as the mediator by the CPR. The CPR will break any tie. Upon appointment, the Mediator will immediately convene a telephone conference of the parties hereto. The parties will make a representative, with full authority to settle, available for such a conference. During the initial telephone conference, the parties will agree on mediation procedures or, in the event they cannot agree, the Mediator will set the mediation procedures. The mediation procedures will provide for the mediation to be completed within thirty (30) business days after the date of the initial demand for mediation. The parties will participate in good faith in the mediation and will use their best efforts to reach a resolution within the thirty (30) day time period. Each party will make available in a timely fashion a representative with authority to resolve the Dispute. Absent agreement of the parties otherwise, in the event that the Dispute has not been resolved within thirty (30) days, the mediation shall be deemed terminated. In the event that the mediation continues beyond thirty (30) days by agreement of the parties, but is not resolved within what the Mediator believes is a reasonable time thereafter, the Mediator will declare the mediation terminated. Fees of the mediator shall be split equally between RSMM, on the one hand, and M&P, on the other hand. In the event one party fails to participate in the dispute resolution process set forth in Section 1(e), the other party can immediately initiate mediation.

(iii) Any Dispute that has not been resolved by negotiation or mediation as provided herein as of the termination of the mediation and no later than 45 days after delivery of a mediation demand shall be settled by binding arbitration in accordance with the CPR Rules for Non-Administered Arbitration then currently in effect, as supplemented or modified herein (the "Rules") by

three independent and impartial arbitrators of whom each party shall designate one , and those two arbitrators shall jointly select the third arbitrator, unless they are unable to agree on the selection of the third arbitrator, in which case the third arbitrator shall be determined pursuant to the Rules. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1 et seq., and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event one party fails to participate in accordance with the dispute resolution process set forth in Section 1(e) or in the mediation as set forth in Section 12(j)(ii) herein, the other party can immediately commence arbitration. The governing law of this Agreement shall be the law used by the arbitrators in rendering their award as set forth in Section 12(i), except that the Federal Rules of Evidence shall apply and that the parties have the right and shall be permitted to conduct and enforce full pre-hearing discovery in accordance with and to the same extent permitted by the Federal Rules of Civil Procedure. Pending final award, the compensation and expenses of the third arbitrator selected by the arbitrators designated by the parties shall be split equally between RSMM, on the one hand, and M&P, on the other hand, and each of the parties shall bear the compensation and expenses of its designated arbitrator. The CPR shall hold an administrative conference with counsel for the parties within twenty (20) days after the filing of the demand for arbitration by any one or more of the parties. The parties and the CPR shall thereafter cooperate in order to complete the appointment of three arbitrators as quickly as possible. Within fifteen (15) days after all three arbitrators have been appointed, an initial meeting (which, if the arbitrators so determine, may be by phone) among the arbitrators and counsel for the parties shall be held for the purpose of establishing a plan for administration of the arbitration, including: (1) definition of issues; (2) scope, timing, and types of discovery; (3) exchange of documents and filing of detailed statements of claims, pre-hearing memoranda and dispositive motions; (4) schedule and place of hearings; and (5) any other matters that may promote the efficient, expeditious, and cost effective conduct of the proceeding. The parties and the arbitrators shall endeavor in good faith to complete the arbitration as quickly as possible. Each party shall have the right to request that the arbitrators make specific findings of fact.

(iv) The majority decision of the arbitrators shall contain findings of fact on which the decision is based, including any specific factual findings requested by either party, and shall further contain the reasons for the decision with reference to the legal principles on which the arbitrators relied. Such decision of the arbitrators shall be final and binding upon the parties. Absent agreement of the parties otherwise, the arbitration shall take place in Minneapolis, Minnesota if the party requesting same is RSMM, or Kansas City, Missouri, if the party requesting same is M&P. The final award may grant such relief as authorized by the Rules, including damages and out-of-pocket costs but which may not include exemplary or punitive damages.

(v) Nothing in this Agreement shall limit, interfere or delay any party from seeking at any time interim relief from a court of competent jurisdiction.

(k) Integration; Termination of Original Agreement. This Agreement supersedes and replaces the Original Agreement and the Original Agreement is hereby terminated, without any further action being required.

[Signature Pages Follow]

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

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the date first written above.

RSM MCGLADREY, INC.

By: /s/ C.E. Andrews
Name: C.E. Andrews
Title: President

MCGLADREY & PULLEN, LLP

By: /s/ Dave Scudder
Name: Dave Scudder
Title: Managing Partner

H&R BLOCK, INC.

By: /s/ Becky Shulman
Name: Becky Shulman
Title: S.V.P. and C.F.O.

Annex A

HYPOTHETICAL SAMPLE CALCULATION – SECTION 2(B)

EXAMPLE OF GROWTH BONUS CALCULATION PURSUANT TO SECTION 2(B)

(in $ millions)

	Base Year	Year 1	Year 2	Year 3
Location Contribution (1)	360	375	410	485
Year-over-year growth in LC		4%	9%	18%
Managing Director Compensation				
67% of LC up to 6% growth		251	266	291
80% of growth > 6% and <= 10%		—	10	13
85% of growth >10% and <= 15%		—	—	17
90% of growth >15%		—	—	12
		251	276	334
RSMM Portion of Location Contribution				
33% of LC up to 6% growth		124	131	143
20% of growth > 6% and <= 10%		—	3	3
15% of growth >10% and <= 15%		—	—	3
10% of growth >15%		—	—	1
		124	134	151

(1) Location Contribution before return on partner capital, PMD retirement plan contributions and restricted stock awards. Excludes non-core businesses such as McGladrey Capital Markets, Provident, and Freed Maxick.

Annex B

HYPOTHETICAL SAMPLE CALCULATION – SECTION 2(D)(I)

Regular Compensation Plan Example:

Calculation of Location Contribution:

M&P Location Contribution	100,000,000
RSMM Location Contribution	300,000,000
Combined Location Contribution	400,000,000*
Return on M&P Partner Capital	10,000,000
Subtract amount in excess of Cap	(5,000,000)
Increase to Location Contribution	5,000,000
Combined Location Contribution for Calculation	405,000,000
RSMM 33% of Location Contribution	133,650,000
RSMM Retention of Return on Capital	(5,000,000)
RSMM Retained Location Contribution	128,650,000
Regular Compensation Plan	271,350,000
M&P Income Available for Distribution to Partners	100,000,000
RSMM Compensation to Managing Directors	171,350,000

* The $400,000,000 amount is after deduction for return on partner capital.

Annex C

AMENDED AND RESTATED TRADEMARK ASSIGNMENT AND JOINT OWNERSHIP AGREEMENT– SECTION 7(C)

AMENDED AND RESTATED TRADEMARK ASSIGNMENT AND JOINT OWNERSHIP AGREEMENT

This Amended and Restated Trademark Assignment and Joint Ownership Agreement (" **Agreement**") is made and entered into as of this 3rd day of February, 2010, by and between RSM McGladrey, Inc., a Delaware corporation, having its main office at 3600 American Boulevard West, Third Floor, Bloomington, MN 55431 ("**RSM**"), and McGladrey & Pullen, LLP, an Iowa limited liability partnership, having its main office also at 3600 American Boulevard West, Third Floor, Bloomington, MN 55431 ("**M&P**") (each of the foregoing a "**Party**" and, together, the "**Parties**").

WHEREAS, M&P is the owner of the service mark "McGladrey" as used in connection with Attest Services and Non-Attest Services, as defined below;

WHEREAS, pursuant to the Asset Purchase Agreement between M&P and H&R Block, Inc. dated June 28th 1999, RSM has used the designation "RSM McGladrey" in association with providing certain Non-Attest Services;

WHEREAS, RSM desires to continue to use the Mark (as defined below) and to invest in the advertising, promotion and use of the Mark in connection with Non-Attest Services throughout the world;

WHEREAS, in order to safeguard its investment in the Mark, RSM desires to obtain an ownership interest therein, subject to the terms and conditions hereof; and

WHEREAS, the Parties previously entered into a Trademark Assignment and Joint Ownership Agreement dated December 31, 2007 (the " **Prior Agreement**"), which the Parties desire to amend and restate (i) to clarify the meaning of "Mark" hereunder and (ii) to provide for a licensing mechanism to be utilized in jurisdictions in which joint registration of the Mark by the Parties is not permitted.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

I. DEFINITIONS

1.1 "**Administrative Services Agreement**" means the Amended and Restated Administrative Services Agreement between M&P and RSM dated February 3, 2010, as may be amended or extended from time to time and any successor agreement.

1.2 "**Affiliate**," in respect to a specified Person, means a Person that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, the Person specified.

1.3 "**Alternative Practice Structure**" means a relationship between firms licensed to provide Attest Services and firms providing Non-Attest Services, which relationship is coordinated and/or delivered in accordance with the principles set forth in the AICPA's Code of Conduct Section 101-14 or other generally accepted standards for firms operating in an alternative practice structure.

1.4 "**Attest Services**" means Public Accounting Services (as defined in the Administrative Services Agreement).

1.5 "**Change in Control**" means any occurrence of any of the following events: (i) an entity sells, leases, transfers or conveys to any other Person, in one transaction or a series of transactions, all or substantially all of the assets of such entity and any subsidiaries thereof, taken as a whole, (ii) a majority of the equity interests in such entity are sold or conveyed to any Person, or (iii) a transaction or series of transactions (including by way of merger, consolidation, recapitalization, reorganization or sale of stock or equity interests), the result of which is that the equity owners immediately prior to such transaction own, immediately after giving effect to such

transaction, less than a majority of the total voting power of the equity interests of the surviving entity (or its parent) or the purchasing entity (or its parent), as the case may be.

1.6 "**Designated Representative**" means the individual or individuals appointed by a Party to be responsible for communication with the other Party regarding issues arising under this Agreement.

1.7 "**Disclaimer**" comprises the following language and/or alternative language agreed to between the Parties: "RSM McGladrey, Inc. and McGladrey & Pullen, LLP operate in an alternative practice structure. RSM McGladrey, Inc. provides tax, consulting and business services. McGladrey & Pullen, LLP is a licensed CPA firm which provides audit and assurance services. Through separate and independent legal entities, the two firms work together to serve clients' business needs."

1.8 "**Encumbrances**" means any and all pledges, liens, encumbrances and security interests of any kind or nature whatsoever.

1.9 "**Mark**" means (i) the service mark "McGladrey"; (ii) the "Rothko design; (iii) the "McGladrey" and "Rothko" design logo; (iv) any other logo comprised of the mark "McGladrey" as the Parties may devise; and (v) any additional marks or names as the Parties may adopt or have an intention of adopting during the term of this Agreement as an indicia of the origin of services offered under the Parties' Alternative Practice Structure. Notwithstanding the foregoing, "Mark" does not include the M&P Mark, or any other marks or trade names used by the Parties, as of December 31, 2007, in branding their respective services, including logos, numbers, sounds, slogans/taglines, colors, shapes, trade dress, and nicknames.

1.10 "**M&P Mark**" means the service mark "McGladrey & Pullen," and any and all other trademarks, service marks, domain names, company names, and trade names comprising

the terms “McGladrey” and “Pullen,” whether existing as of the effective date of this Agreement or created subsequent thereto, including logos, sounds, slogans, taglines, and trade dress.

1.11 “**Non-Attest Services**” means any and all professional services (i) which are not Attest Services, and (ii) which are currently provided by RSM or which may be provided in the future by RSM or its Affiliates or permitted licensees of the Mark.

1.12 “**Person**” means any individual, corporation, company, partnership, joint venture, association, limited liability company, trust, estate, firm or other entity, enterprise or organization.

II. ASSIGNMENTS OF THE MARK

2.1 Assignment of the Mark to RSM. M&P hereby assigns and transfers to RSM an undivided 50% interest, free and clear of any and all Encumbrances, in and to: (i) the Mark, (ii) the goodwill associated therewith and symbolized thereby, and (iii) subject to **Article VI** hereof, all rights to sue and recover for past or future infringements and other violations thereof. This assignment does not convey to RSM any rights in or to the mark MCGLADREY & PULLEN or to United States Service Mark Registration No. 1,633,380 for the mark MCGLADREY & PULLEN. M&P does not grant to RSM any rights or licenses in or to any trademarks or other intellectual property, whether by implication, estoppel, or otherwise, *except* to the extent expressly provided for under this Agreement.

2.2 Retention of Rights by M&P. M&P retains for itself an undivided 50% interest in and to: (i) the Mark, (ii) the goodwill associated therewith and symbolized thereby, and (iii) subject to **Article VI** hereof, all rights to sue and recover for past or future infringements and other violations thereof.

2.3 Assignment of the Mark to M&P. RSM hereby assigns and transfers to M&P an undivided 50% interest, free and clear of all Encumbrances, in and to: (i) any and all common

law rights it has acquired through use of the Mark in the United States or elsewhere, (ii) the goodwill associated therewith and symbolized thereby, and (iii) subject to **Article VI** hereof, all rights to sue and recover for past or future infringements and other violations thereof. This assignment does not convey to M&P any rights in or to the mark "RSM".

2.4 Retention of Rights by RSM. RSM retains for itself an undivided 50% interest in and to: (i) any and all common law rights it may have acquired through use of the Mark in the United States or elsewhere, (ii) the goodwill associated therewith and symbolized thereby, and (iii) subject to **Article VI** hereof, all rights to sue and recover for past or future infringements and other violations thereof.

III. ASSIGNMENTS AND USE OF DOMAIN NAMES

3.1 McGladrey.com. RSM hereby assigns and transfers to M&P, free and clear of all Encumbrances, (i) any and all rights, title and interest as RSM possesses in and to the registration for the domain name *mcgladrey.com*; together with (ii) an undivided 50% interest in and to the domain name *mcgladrey.com*, the goodwill associated therewith and symbolized thereby, and, subject to **Article VI** hereof, all rights to sue and recover for past or future infringements and other violations thereof. RSM agrees to execute and deliver to M&P any such documents and take such other reasonable actions as may be required to transfer such rights, title and interest to M&P, including coordinating with M&P's domain name or website administrators and with the registrar of the domain name. RSM will immediately discontinue linking the domain name *mcgladrey.com* to RSM's website, and shall cause the *mcgladrey.com* domain name to link to a landing page with equally prominent links to both M&P's and RSM's separate websites for (a) the duration of this Agreement and (b) the term of any license granted pursuant to **Section 9.2** or **Section 9.3** below. The appearance and content of such landing page shall be mutually agreed upon by M&P and RSM.

3.2 McGladreyandPullen.com and McGladreyPullen.com . RSM hereby assigns and transfers to M&P, free and clear of all Encumbrances, all rights, title and interest as RSM possesses in and to (i) the registrations for the domain names *mcgladreyandpullen.com* and *mcgladreypullen.com*; together with (ii) the domain names *mcgladreyandpullen.com* and *mcgladreypullen.com,* the goodwill associated therewith and symbolized thereby, and, subject to **Article VI** hereof, all rights to sue and recover for past or future infringements and other violations thereof. RSM agrees to execute and deliver to M&P any such documents and take such other reasonable actions as may be required to transfer to M&P such domain names and the registrations therefor, including coordinating with M&P's domain name or website administrators and with the registrar(s) of the domain names.

3.3 Use by RSM. All uses by RSM of the *mcgladrey.com* domain name, and any other domain names containing the term "mcgladrey", shall comply with the applicable provisions of **Articles IV** and **V** herein.

3.4 Ownership. Except as set forth in this **Article III**, RSM and M&P shall each own an undivided 50% interest in any domain name registered or controlled by RSM or M&P that contains the term "mcgladrey." RSM and M&P agree to assign, and hereby assign, to the other an undivided 50% interest in and to any such domain name. Notwithstanding the above, RSM shall not register or own any interest in domain names containing the term "Pullen", and M&P shall not register or own any interest in domain names containing the term "RSM."

IV. **USAGE AND REGISTRATION RIGHTS**

4.1 RSM.

4.1.1 Composite Marks. Subject to **Section 5.2**, RSM may use the Mark (i) alone or (ii) in combination with another word or words that are not confusingly similar to "Pullen", *provided that* the resulting composite mark or name is not confusingly similar to

"McGladrey & Pullen" or any other M&P Mark in existence at the time such composite term is adopted.

4.1.2 Non-Attest Services. Subject to **Section 5.2**, RSM may use the Mark (i) throughout the world in connection with any and all Non-Attest Services, and (ii) with M&P's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed, in any part of the world other than the United States, in connection with Attest Services. RSM may not use the Mark with Attest Services in the United States. Notwithstanding the foregoing, either Party may use the Mark to promote the services of the other Party, and/or the relationship between the Parties, anywhere in the world.

4.1.3 Prosecution of New Applications by RSM. Subject to the terms of this Agreement, RSM shall bear primary responsibility for filing, prosecuting and maintaining any applications and registrations for the Mark (" **New Applications**"), and all costs and fees related thereto. RSM shall (i) design and implement a commercially reasonable international registration strategy; (ii) inform M&P of RSM's desire to file any New Application; (iii) keep M&P informed regarding the status and activity of any New Application; (iv) promptly provide M&P with a copy of any document or correspondence received from an associated trademark office; (v) promptly provide M&P with a copy of any document or correspondence RSM intends to file with an associated trademark office prior to any such filing, and accept any reasonable comments or edits to such document or correspondence delivered to RSM in writing within five (5) business days of delivery to M&P; and (vi) promptly notify M&P if RSM determines that it does not desire to file, prosecute or maintain a New Application. Subject to **Section 4.1.4** below, all New Applications will be filed in the name of both Parties as joint owners. M&P shall provide reasonable assistance to RSM in connection with RSM's efforts to register the Mark

anywhere in the world, including executing appropriate Powers of Attorney, letters of consent, and other documents that may be required by the registration authority in a particular jurisdiction. In the event that United States Reg. No. 1,633,380 is cited as a bar to registration of the Mark in the United States, M&P shall sign a Letter of Consent in such form as is agreed by the Parties.

4.1.4 License in Foreign Jurisdictions. Notwithstanding the foregoing, if any foreign jurisdiction in which the Parties seek to file a New Application prohibits (or does not recognize) joint ownership and/or joint registration of trademarks and service marks (each such jurisdiction, a " **Special Jurisdiction**"):

(i) RSM shall be the sole owner of the Mark and any registration application or registration therefor in such Special Jurisdiction;

(ii) M&P hereby grants and assigns to RSM (a) any and all rights, title and interest in and to the Mark in such Special Jurisdiction as M&P possesses, (b) the goodwill associated therewith and symbolized thereby, and (c) subject to **Article VI** hereof, all rights to sue and recover for past or future infringements or other violations of the Mark in such Special Jurisdiction; and

(iii) RSM hereby grants to M&P a worldwide, irrevocable, perpetual, non-exclusive, royalty-free, transferable (subject to **Section 11.4**) and sublicenseable (subject to **Section 4.2.3**) right and license to use the Mark in such Special Jurisdiction in accordance with the terms and conditions of this Agreement.

Promptly upon RSM's discovery of any circumstances prohibiting the Parties' joint ownership and/or registration of the Mark in any Special Jurisdiction, RSM shall so notify M&P. Thereafter, RSM shall (i) keep M&P informed regarding the status and activity of any and all New Applications filed in any Special Jurisdiction; (ii) promptly provide M&P with a copy of any document or correspondence received from an associated trademark office; (iii) promptly provide M&P with a copy of any document or correspondence RSM intends to file with an associated trademark office in respect of any Special Jurisdiction prior to any such filing, and accept any reasonable comments or edits to such document or correspondence delivered to RSM in writing within five (5) business days of delivery to M&P; and (iv) promptly notify M&P if RSM determines that it does not desire to file, prosecute or maintain any registration or registration application in any Special Jurisdiction.

4.1.5 Prosecution of New Applications by M&P. If RSM notifies M&P that RSM does not desire to file, prosecute or maintain a New Application for the Mark, M&P shall have the right, in its sole discretion, to file, prosecute and/or maintain such New Application, at M&P's sole cost and expense. RSM shall provide reasonable assistance to M&P in connection with M&P's efforts to register the Mark and/or the M&P Mark anywhere in the world, including executing appropriate Powers of Attorney, letters of consent, and other documents that may be required by the registration authority in a particular jurisdiction. Notwithstanding the foregoing, if RSM notifies M&P that RSM does not desire to file, prosecute or maintain a New Application in any Special Jurisdiction, effective as of the date of such notice: (i) M&P shall be the sole owner of the Mark and any registration application or registration therefor in such Special Jurisdiction; (ii) RSM hereby grants and assigns to M&P (a) any and all rights, title and interest in and to the Mark and any then existing registration or registration application therefor in such

Special Jurisdiction as RSM possesses, (b) the goodwill associated therewith and symbolized thereby, and (c) subject to **Article VI** hereof, all rights to sue and recover for past or future infringements or other violations of the Mark in such Special Jurisdiction; and (iii) M&P hereby grants to RSM a worldwide, irrevocable, perpetual, non-exclusive, royalty-free, transferable (subject to **Section 11.4**) and sublicenseable (subject to **Section 4.1.7**) right and license to use the Mark in such Special Jurisdiction in accordance with the terms and conditions of this Agreement.

4.1.6 RSM's Corporate Name. RSM may not adopt or use the corporate name "McGladrey, Inc." or any other name incorporating the Mark *except* in combination with another term that is not confusingly similar to the name "Pullen", including, but not limited to, terms generic to the business of RSM, such as "tax", "consulting", "capital markets", "financial services", and "wealth management."

4.1.7 Right to License. RSM may license the right to use the Mark (*but* may not grant others the right to sublicense use of the Mark), alone or in combination with other words that are not confusingly similar to the word "Pullen," to current and future members of what is known currently as the RSM McGladrey Network, and to Persons that are or become Affiliates of RSM, (i) with Non-Attest Services anywhere in the world; and (ii) with Attest Services anywhere in the world with the prior written consent of M&P, which consent shall not be unreasonably withheld, conditioned, or delayed. Any license granted under this **Section 4.1.7** must be governed by a written agreement between RSM and the applicable Affiliate (a) containing terms at least as protective of the value of the Mark and the rights of M&P as the terms of this Agreement and (b) specifying that M&P shall be a third party beneficiary thereunder. RSM shall provide M&P a copy of each agreement granting any license pursuant to this **Section 4.1.7**, together with any and all amendments thereto, and shall notify M&P promptly

of any breach of the license granted under such agreement, and any other act or omission of the licensee that RSM reasonably believes has caused, or is reasonably likely to cause, a material and substantial diminution of the value of the Mark.

4.1.8 Other Uses. Other than as specifically provided under this Agreement, RSM shall not, without the prior written consent of M&P, (i) license use of the Mark in association with Non-Attest Services or Attest Services, or (ii) sell, assign, transfer, dispose of, pledge or encumber the Mark or any of RSM's rights therein. Any act in violation of the foregoing shall be void *ab initio.*

4.2 M&P.

4.2.1 Composite Marks. Subject to **Section 5.2**, M&P may use the Mark alone or in combination with another word or words that are not confusingly similar to the name "RSM."

4.2.2 Attest Services. Subject to **Section 5.2**, M&P may use the Mark in connection with any and all Attest Services, but not in connection with Non-Attest Services.

4.2.3 Licenses. Other than as specifically provided under this Agreement, M&P shall not, without the prior written consent of RSM (which consent shall not be unreasonably withheld, conditioned or delayed), (i) license use of the Mark in association with Attest or Non-Attest Services, or (ii) sell, assign, transfer, dispose of, pledge or encumber the Mark or any of M&P's rights therein. Any act in violation of the foregoing shall be void *ab initio.* Any license granted under this **Section 4.2.3** must be governed by a written agreement between M&P and the applicable licensee (a) containing terms at least as protective of the value of the Mark and the rights of RSM as the terms of this Agreement and (b) specifying that RSM shall be a third party beneficiary thereunder. M&P shall provide RSM a copy of each agreement granting any license

pursuant to this **Section 4.2.3**, together with any and all amendments thereto, and shall notify RSM promptly of any breach of the license granted under such agreement, and any other act or omission of the licensee that M&P reasonably believes has caused, or is reasonably likely to cause, a material and substantial diminution of the value of the Mark.

4.2.4 M&P Mark. M&P shall be the sole owner of the M&P Mark, and, subject to **Section 4.1.4**, shall be solely responsible for all costs relating to registration, prosecution, maintenance and renewal of the M&P Mark anywhere in the world.

V. UNDERTAKINGS REGARDING USE OF THE MARK

5.1 Quality Control Standards. In the interest of preserving the reputation for quality, integrity and value of the goodwill associated with the Mark, each Party shall at all times use good faith efforts (i) to ensure that the quality of services offered under the Mark will, at a minimum, be materially commensurate with the quality of such services provided, and the general professional image and reputation enjoyed, by such Party as of the effective date of this Agreement; (ii) to comply with all laws, rules and regulations applicable to their respective services and businesses; and (iii) to avoid undertaking or approving any act or omission reasonably likely to disparage the other Party or adversely affect the prestige or value of the Mark (the " **Quality Control Standards**").

5.2 Avoidance of Confusion. The Parties shall each use good faith efforts to avoid confusion as to the source of their respective services offered under the Mark by complying strictly with the terms of this **Article V**. In the event a Party becomes aware of the existence of actual confusion or a likelihood of confusion in connection with either Party's use of the Mark, (i) such Party shall promptly, but in any event within two (2) business days, provide written notice to the Designated Representative of the other Party of the circumstances of such

confusion, and (ii) both Parties shall thereafter use reasonable commercial efforts to work together to dispel such actual confusion or avoid such likelihood of confusion.

5.3 Benefit to Parties. The Parties acknowledge that use of the Mark by either Party shall inure to the legal benefit of both Parties in accordance with their share of ownership set forth in **Article II** above.

5.4 Branding Guidelines. The Parties shall (i) display the Disclaimer on their respective websites and, whenever feasible, on all printed materials bearing the Mark; (ii) where reasonably feasible, include a service mark notice as follows in connection with all uses of the Mark:

"McGladrey" is a **[registered]** service mark jointly owned by RSM McGladrey, Inc. and McGladrey & Pullen, LLP in the United States and elsewhere.

and (iii) otherwise display the Mark in accordance with such guidelines as are agreed by the Parties, as such guidelines may be amended from time to time ((i) – (iii), collectively, the "**Branding Guidelines**"). Notwithstanding the foregoing, for materials created for use exclusively in a Special Jurisdiction, the service mark notice may identify the Party that is the registrant of the Mark in such Special Jurisdiction as the sole owner of the Mark in such Special Jurisdiction.

5.5 Representative Samples. Either Party may request in writing from the other samples of advertising and promotional materials bearing the Mark. The Party receiving the request will furnish, without cost to the requesting Party, such samples, within seven (7) days of receipt of such request. If, after reviewing such samples, the requesting Party believes the other Party is not in compliance with the Quality Control Standards or the Branding Guidelines, it shall so notify the Designated Representative of the other Party in a writing setting forth the specific reasons why it believes such use is non-compliant. Within seven (7) days of receipt of such

notice, the Party receiving such notice shall either cure such non-compliance or provide a written response to the Designated Representative of the requesting Party setting forth the reason(s) that it believes it is in compliance with the Quality Control Standards or the Branding Guidelines. If the Party that raised the issue of non-compliance is not satisfied with such explanation, the dispute shall be submitted for resolution in accordance with the dispute resolution process set forth in **Article X** herein. In the event that a QCS Dispute (as defined below) involving a breach of this **Section 5.5** results in a ruling against the Party alleged to be non-compliant, such ruling shall be considered a "Catastrophic Event" under **Section 9.2**.

5.6 Designated Representatives. The Designated Representatives shall meet regularly, but no less frequently than annually, to (i) review performance under this Agreement, (ii) consider any proposed changes to the Branding Guidelines, and (iii) discuss any other issues that may arise regarding the use, registration and/or enforcement of the Mark.

VI. ENFORCEMENT

6.1 Investigation of Third-Party Infringers. In the event that a Party learns of any actual or suspected infringement of the Mark, such Party shall promptly notify the Designated Representative of the other Party, and the Parties shall cooperate in a commercially reasonable manner, *excluding* formal legal action, to investigate and terminate any suspected or actual infringement of the Mark. The Parties shall share equally (i) all costs associated with investigating and terminating any suspected or actual infringement of the Mark and (ii) all proceeds recovered in association with such enforcement activities less the costs incurred by the Parties in connection with such enforcement activities.

6.2 Legal Action by RSM. Subject to **Section 6.1** and **Section 6.3**, RSM will have control over and will conduct any formal legal action(s) as it reasonably deems necessary to protect the Parties' interests in and to the Mark. RSM shall (i) keep M&P informed as to, and

provide M&P the opportunity to participate in and/or otherwise cooperate with respect to, any formal legal action regarding enforcement of the Mark; and (ii) not enter into any settlement or other compromise in respect of such action without the prior written consent of M&P, which consent shall not be unreasonably withheld. Subject to the foregoing, M&P shall undertake to, at its own expense, render reasonable assistance to RSM in connection with any such legal action including (a) furnishing documents, records, files and other information, (b) making available its employees, (c) executing all necessary documents, and (d) providing its consent to be joined as a Party to any legal proceedings as RSM may reasonably request. Notwithstanding the foregoing, M&P may, in its sole discretion and at M&P's expense, join RSM as a party to any formal legal action against an infringer, in which event the Parties shall cooperate in respect of prosecution thereof. Each Party will be solely responsible for the costs incurred by such Party in prosecuting any formal legal action against an infringer. In the event either Party collects any damages, costs and/or settlement proceeds pursuant to any formal legal action, (x) the amount received will be applied toward reimbursement of each Party for any costs incurred by such Party in connection with such action, and (y) any remaining amount will be shared equally by the Parties.

6.3 Legal Action by M&P. In the event that RSM elects not to take formal legal action pursuant to **Section 6.2** and in respect of legal actions with respect to the Mark in Special Jurisdictions in which M&P owns all rights, title and interest thereto in accordance with **Section 4.1.5**, M&P may take such action, and RSM undertakes to, at its own expense, render reasonable assistance to M&P in connection with such legal action including (i) furnishing documents, records, files and other information, (ii) making available its employees, (iii) executing all necessary documents, and (iv) providing its consent to be joined as a Party to any legal proceedings as M&P may reasonably request. Each Party will be solely responsible for its costs

associated in prosecuting such an action. In the event either Party collects any damages, costs and/or settlement proceeds pursuant to any formal legal action, (a) the amount received will be applied toward reimbursement of each Party for any costs incurred by such Party in connection with such action, and (b) any remaining amounts will be shared equally by the Parties.

6.4 M&P Mark. The Parties hereby acknowledge and agree that nothing herein shall prohibit, restrict or otherwise limit, in any manner whatsoever, M&P's right (i) to protect and enforce its rights in the M&P Mark, as M&P determines necessary or appropriate, in its sole discretion, and (ii) to receive the entirety of any damages, costs and/or settlement proceeds collected in connection with any informal or formal legal action in respect of the M&P Mark, less any reasonable expenses incurred by RSM in assisting M&P in such legal action.

VII. WARRANTIES, REPRESENTATIONS AND AGREEMENTS

7.1 By RSM. RSM represents, warrants and agrees that:

7.1.1 RSM (a) is a corporation duly organized, validly existing and in good standing under the laws of Delaware, with full power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and (b) maintains an executive office at the address set forth herein. The execution, delivery and performance of this Agreement has been duly authorized by all necessary actions of RSM, and this Agreement constitutes a valid and binding obligation of RSM enforceable against RSM in accordance with its terms;

7.1.2 The making of this Agreement does not violate any rights or obligations existing between RSM and any other Person;

7.1.3 RSM has all necessary rights, power and authority to make the assignments in accordance with the terms and conditions of **Articles II** and **III** of this Agreement;

7.1.4 During the term of this Agreement, RSM shall promote the Mark with a level of effort which is greater than the level of effort with which it promotes the "RSM McGladrey" mark.

7.1.5 As of the effective date of this Agreement, (i) RSM does not possess any right, title or interest in or to any domain name registrations comprised of "McGladrey" other than *mcgladrey.com*, *mcgladreyandpullen.com*, and *mcgladreypullen.com*, and (ii) to the knowledge of RSM, no Affiliate of RSM possesses any right, title or interest in or to any domain name registration comprised of "McGladrey."

7.2 By M&P. M&P represents and warrants that:

7.2.1 M&P (i) is a limited liability partnership duly organized, validly existing and in good standing under the laws of Iowa, with full power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and (ii) maintains an executive office at the address set forth herein. The execution, delivery and performance of this Agreement has been duly authorized by all necessary actions of M&P, and this Agreement constitutes a valid and binding obligation of M&P enforceable against M&P in accordance with its terms;

7.2.2 The making of this Agreement does not violate any regulations or agreements existing between M&P and any other Person; and

7.2.3 M&P has all necessary rights, power and authority to make the assignments in accordance with the terms and conditions of **Article II** of this Agreement.

7.2.4 Notwithstanding the foregoing, M&P does not represent or warrant that its execution, delivery or performance of or under this Agreement does not violate any statute, rule, regulation or interpretation thereof relating to the regulation of certified public accountants or

auditors, or, if any such violation occurs, that M&P has the power, right or authority to make the foregoing representations or warranties or that this Agreement would be enforceable against M&P.

VIII. INDEMNITIES

8.1 By RSM. RSM shall indemnify and hold harmless M&P and its partners, officers, directors, employees and agents from any liability, loss, expense (including reasonable attorneys' fees and disbursements) or claim by any third party resulting from or arising out of: (i) any allegation that RSM's use of any trademark or service mark, excluding the Mark, infringes or otherwise violates any trademark, trade name, service mark, or registration therefor of any third party; or (ii) any breach by RSM of any warranties, covenants or agreements under this Agreement; *provided, however*, that RSM's obligations hereunder shall in no way require defense or indemnification regarding any liability, loss, expense or claim to the extent that the same arises out of: (a) any breach by M&P of any warranties, covenants or agreement in the performance of its obligations under this Agreement; or (b) the provision of any goods or services by M&P under the Mark.

8.2 By M&P. M&P shall indemnify and hold harmless RSM and its officers, directors, employees and agents from any liability, loss, expense (including reasonable attorneys' fees and disbursements) or claim by any third party resulting from or arising out of; (i) any allegation that M&P's use of any trademark or service mark, excluding the Mark, infringes or otherwise violates any trademark, trade name, service mark, or registration therefor of any third party; or (ii) any breach by M&P of any warranties, covenants or agreements under this Agreement; *provided, however*, that M&P's obligations hereunder shall in no way require defense or indemnification regarding any liability, loss, expense or claim to the extent that the same arises out of: (a) any breach by RSM of any warranties, covenants or agreement in the

performance of its obligations under this Agreement; or (b) the provision of any goods or services by RSM under the Mark.

IX. TERM, TERMINATION, CONSEQUENCES OF TERMINATION

9.1 Term. This Agreement shall remain in effect in perpetuity unless terminated by the mutual written agreement of the Parties or as otherwise provided in this **Article IX**.

9.2 Termination for Catastrophic Event. In the event (i) the Parties agree in writing that a Party's failure to comply with the Quality Control Standards has resulted in a material, substantial, and irreparable diminution of the value of the Mark (a " **Catastrophic Event**"), or (ii) pursuant to **Section 10.1** below, an arbitration panel determines that a Catastrophic Event has occurred, the non-breaching Party shall have the right to terminate this Agreement immediately upon notice to the other Party. Upon termination pursuant to this **Section 9.2**, the non-breaching Party hereby grants to the breaching Party a license to continue using the Mark for one (1) year immediately following the effective date of termination of this Agreement.

9.3 Additional Termination Events.

9.3.1 M&P may terminate this Agreement, immediately upon notice to RSM, in the event (i) RSM ceases to use the Mark as a primary brand of the company, (ii) RSM notifies M&P of RSM's decision to cease use of the Mark, (iii) pursuant to **Section 10.2**, an arbitration panel finds RSM materially breached its promotional services obligations under the Agreement, (iv) RSM is wound up or liquidated, or files a voluntary petition in bankruptcy, or other action is taken voluntarily or involuntarily under any statute for the protection of RSM's creditors, or (v) of a final, non-appealable judgment or decision by any of M&P's accounting regulators, or by a court or administrative body of competent jurisdiction (excluding the U.S. Patent and Trademark Office and comparable trademark offices in other jurisdictions), opposing the Parties' joint ownership of the Mark or otherwise ruling that a likelihood of confusion exists, or would result

from, the Parties' joint ownership and/or use of the Mark. *Provided that* RSM has not ceased all uses of the Mark prior to the effective date of termination of this Agreement pursuant to this **Section 9.3.1**, M&P hereby grants to RSM a license to continue using the Mark for one (1) year immediately following such effective date of termination.

9.3.2 RSM may terminate this Agreement, immediately upon notice to M&P, in the event (i) M&P ceases to use the M&P Mark as a primary brand of the company, (ii) M&P notifies RSM of M&P's decision to cease use of the M&P Mark, or (iii) M&P is wound up or liquidated, or files a voluntary petition in bankruptcy, or other action is taken voluntarily or involuntarily under any statute for the protection of M&P's creditors. *Provided that* M&P has not ceased all uses of the Mark prior to the effective date of termination of this Agreement pursuant to this **Section 9.3.2**, RSM hereby grants to M&P a license to continue using the Mark for one (1) year immediately following such effective date of termination.

9.4 Damages. Subject to any indemnification payments provided for in **Article VIII**, in no event shall damages be awarded in respect of the cause or exercise of any right of termination under this Agreement.

9.5 Assignment. Upon the effective date of termination of this Agreement for any reason, (i) the non-terminating Party (hereinafter the " **Licensee Party**") hereby assigns and transfers to the Party exercising its termination rights under this **Article IX** (hereinafter the "**Licensor Party**"), free and clear of all Encumbrances, the Licensee Party's undivided 50% interest in the Mark, and any registration or registration application therefor and the domain name *mcgladrey.com* (and, if applicable, all rights, title and interest as the Licensee Party possesses in the Mark, and any registration or registration application therefor, in any Special Jurisdiction), including all goodwill associated therewith and symbolized thereby, and all rights

to sue and recover for past or future infringements or other violations thereof; and (ii) except as expressly provided in this **Article IX**, (a) the Licensee Party shall make no further use of the Mark or the domain name *mcgladrey.com,* and (b) the Licensee Party shall cause its licensees of the Mark to cease all uses thereof. After termination, the Parties will cooperate in executing and recording appropriate documents to effect and record the aforementioned assignments, and to take all other steps necessary to confer and record in the Licensor Party sole ownership of the Mark, and all registrations and registration applications therefor, and the domain name *mcgladrey.com*, as provided under this **Section 9.5**. In the event the Licensee Party fails to respond to any reasonable request of the Licensor Party therefore within five (5) business days following such request, the Licensee Party hereby appoints the Licensor Party as the Licensee Party's attorney-in-fact, with full power of substitution, to execute, acknowledge, deliver and record any and all such documents as the Licensor Party deems reasonably necessary to confirm sole ownership of the Mark in the Licensor Party, and the foregoing appointment shall be a power coupled with an interest and is irrevocable. Following the effective date of termination of this Agreement, the Licensee Party shall not at any time, directly or indirectly, do or cause to be done any act contesting or in any way impairing the Licensor Party's rights, title or interest in or to the Mark or any registrations or registration applications therefor.

9.6 License. Notwithstanding the foregoing, in the event either Party is granted any license under this **Article IX**, such license shall be non-exclusive, royalty-free, nontransferable, and non-sublicenseable; *except that* the Licensee Party may sublicense its rights under such license to any Affiliate to which it has granted a license to the Mark prior to serving or receiving notice of termination of this Agreement (" **Termination Notice**"), *provided that* such sublicense is memorialized in a written agreement consistent with the terms of this Agreement, and a copy

of is provided to the Licensor Party. Such license shall additionally relate only to the geographic territory in which the Licensee Party and its licensees permitted hereunder are using the Mark as of the date of the Termination Notice. During the term of any such license, the Licensee Party shall (i) comply with the Quality Control Standards and the Branding Guidelines, and any modifications thereof as may be reasonably prescribed by the Licensor Party from time to time; (ii) make available to representatives of the Licensor Party information related to the Licensee Party's use of the Mark and representative samples, as described in **Section 5.5**; and (iii) promptly notify the Licensor Party of any and all suspected infringements or other violations of the Mark of which the Licensee Party becomes aware. The Licensor Party shall have the sole right, but no obligation, to investigate, prosecute, and otherwise take action in respect of any suspected violation of which the Licensee Party notifies the Licensor Party during the term of any license hereunder. The Licensor Party may terminate any license granted under this **Article IX** in the event (a) the Parties agree in writing that the Licensee Party has materially breached such license, or pursuant to **Section 10.2**, an arbitration panel determines that the Licensee Party has materially breached such license, and (b) the Licensee Party fails to cure such breach within thirty (30) days from the date of such written agreement or determination. The Licensee Party shall in any event cease (and cause any of the Licensee Party's sublicensees of the Mark to cease) all uses of the Mark on or before the effective date of expiration of any license granted under this Agreement. The Licensee Party acknowledges and agrees that any and all uses of the Mark pursuant to any license granted under this **Article IX** inure solely to the benefit of the Licensor Party.

9.7 Right to Use the M&P Mark and RSM McGladrey Mark . Notwithstanding any provision of this Agreement to the contrary, after termination of this Agreement for any reason,

RSM may continue using the mark "RSM McGladrey," or other marks or names comprised of "RSM McGladrey," for Non-Attest Services, and M&P may continue using the M&P Mark, or other marks or names comprised of McGladrey & Pullen, for Attest Services, in perpetuity.

9.8 Change in Control; Termination of the Alternative Practice Structure . The Parties agree that neither a Change in Control involving one or both of the Parties, nor the termination of the Administrative Services Agreement, nor the termination of the Alternative Practice Structure between the Parties, shall alter in any way the rights or obligations of the Parties under this Agreement. Promptly following any such event, the Parties shall use good faith efforts to make any modifications to the Disclaimer necessitated by such event and to undertake any other actions they deem reasonably necessary or desirable to avoid confusion as to the source of their respective services offered under the Mark.

X. DISPUTE

10.1 QCS Dispute. In the event of any controversy, claim or dispute arising out of or relating to an allegation that a Party has breached its obligations under **Section 5.1** or failed to cure any such breach (a **"QCS Dispute**"), the Designated Representatives of the Parties shall promptly confer and attempt to resolve such QCS Dispute between them. If the Parties fail to resolve such QCS Dispute within thirty (30) days following notice of such dispute by one Party to the other, the Parties shall attempt to resolve the QCS Dispute in accordance with the procedures described in **Section 10.2** below. The Parties acknowledge and agree that the analysis and conclusions contained within any M&P internal inspection report, peer review report, PCAOB inspection report, or any such analogous report or inspection, shall not alone constitute evidence of M&P's breach of the Quality Control Standards or any applicable law, rule or regulation; *provided, however,* that the foregoing shall not prohibit any facts which are the subject matter of any such report or inspection from being propounded as evidence of M&P's

acts or omissions. Absent a Catastrophic Event (as defined above), the sole remedy under this Agreement for breach of the Quality Control Standards shall be to require the breaching Party to use its best efforts to cure such breach within a reasonable period of time, as agreed by the Parties.

10.2 Mediation and Arbitration. The provisions of Section 14 of the Administrative Services Agreement are hereby incorporated into this Agreement *mutatis mutandis*, *except that* (i) the governing law of this Agreement, as stated in **Section 11.1** hereof, rather than the law governing the Administrative Services Agreement, shall be the law used by the arbitrators in rendering their award; (ii) any mediator and/or arbitrators addressing any QCS Dispute shall possess expertise in trademark law and shall give due consideration to the prestige and value of the Mark and the effect thereon of the alleged act or omission; and (iii) in the event of a Party's failure to comply with any order by the arbitration panel, the non-breaching Party may seek specific performance or other equitable relief before a court of competent jurisdiction.

XI. MISCELLANEOUS PROVISIONS

11.1 Governing Law. This Agreement shall be governed and construed in accordance with Minnesota law, without regard to any principles of conflicts of law, and the Parties hereby consent to the exclusive jurisdiction of the state and federal courts located in Hennepin County or Ramsey County, Minnesota, over any dispute arising hereunder that is not otherwise resolved pursuant to **Article X**.

11.2 Entire Agreement; Amendment. This Agreement, and all Appendices hereto, constitute the entire understanding of the Parties with respect to the subject matter hereof and supersede all previous agreements and understandings between them as to the subject matter hereof. This Agreement be amended or modified only by a writing signed by an authorized representative of each Party.

11.3 Confidentiality. The provisions of Section 6 of the Administrative Services Agreement are hereby incorporated into this Agreement *mutatis mutandis*.

11.4 Assignment. The Parties recognize that the nature of this Agreement is personal and that neither Party shall assign or otherwise transfer its respective rights in this Agreement without the express prior written consent of the other Party. Any purported assignment without consent shall be null and void. A permitted license or sublicense hereunder shall not constitute an assignment.

11.5 Relationship. Nothing contained in this Agreement shall be construed as creating any agency, partnership, joint venture or other form of joint enterprise between the Parties. RSM is not authorized to make any statements or take any action on behalf of M&P without M&P's consent, and M&P is not authorized to make any statements or take any actions on behalf of RSM or its licensees without their consent.

11.6 Severability. The provisions of this Agreement are independent of each other, and the invalidity of any provision or a portion hereof shall not affect the validity or enforceability of any other provision.

11.7 Waiver. Any delay or failure on the part of either Party to exercise or enforce any rights or remedies hereunder to which it may be entitled shall not be construed as a waiver thereof. No waiver hereunder shall be effective unless in writing and signed by an authorized representative of the waiving Party.

11.8 Beneficiaries. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective agents, representatives, permitted successors and assigns. Nothing in this agreement, express or implied, is intended to or shall

confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

11.9 Survival. All terms which by their nature are intended to survive the expiration or termination of this Agreement in order to give effect to their meaning, shall survive any expiration or other termination of the Agreement, including **Sections 9.2-9.8,** and **Articles VII, VIII, X** and **XI**.

11.10 Notices. All notices and statements required under this Agreement shall be in writing addressed to the Parties' Designated Representatives as set forth below and shall be sent by email and by certified mail, return receipt requested or by overnight delivery service that provides evidence of receipt, in either case also by facsimile with a simultaneous confirmation copy. The date of mailing or sending shall be deemed the date the notice or statement is given.

If to RSM:

RSM McGladrey, Inc.
One South Wacker Drive, Suite 800
Chicago, IL 60606
Attention: R. Peter Fontaine, Chief Legal Officer
peter.fontaine@rsmi.com
Fax: (312) 634-5513

With copy to:

Finnegan, Henderson, Farabow, Garrett & Dunner, LLP
55 Cambridge Parkway
Cambridge, MA 02142
Attention: Lawrence R. Robins, Esq.
larry.robins@finnegan.com
Fax: (617) 452-1666

If to M&P:

McGladrey & Pullen, LLP
20 N. Martingale Rd.
Suite 500
Schaumburg, IL 60173
Attention: David Scudder

dave.scudder@rsmi.com
Fax: 847-517-7067

With copies to:

Fredrikson & Byron, P.A.
200 South Sixth Street, Suite 4000
Minneapolis, MN 55402
Attention: Quentin T. Johnson, Esq.
qjohnson@fredlaw.com
Fax: 612-492-7077; and

Katten Muchin Rosenman, LLP
525 W. Monroe Street, Suite 1900
Chicago, IL 60661
Attention: Herbert S. Wander
hwander@kattenlaw.com
Fax: 312-577-8885

11.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document.

11.12 Interpretation. This Agreement shall be considered to have been drafted by the Parties hereto and no rule of strict construction will be applied. The article and section headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement. As used in this Agreement, unless otherwise provided to the contrary, (a) all references to days will be deemed references to calendar days and (b) any reference to an "Article," "Section," or "Appendix" will be deemed to refer to an article, section or exhibit of or to this Agreement. Unless the context otherwise requires, as used in this Agreement, all terms used in the singular will be deemed to refer to the plural as well, and vice versa. The words "hereof," "herein" and "hereunder" and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. The words "include," "includes" and "including" will be deemed to be followed by

the phrase “without limitation.” The word “trademarks” will be deemed to mean both trademarks and service marks.

IN WITNESS WHEREOF, authorized representatives of the Parties hereto have executed this Agreement, effective the day and year first above written.

RSM McGLADREY, INC.	McGLADREY & PULLEN, LLP
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

EXHIBIT 12

H&R BLOCK
Computation of Ratio of Earnings to Fixed Charges
(Dollars in thousands)

	2010	2009	2008	2007	2006
Pretax income from continuing operations	$ 784,135	$ 839,370	$ 735,071	$627,261	$ 531,320
FIXED CHARGES:					
Interest expense	80,395	89,959	64,509	91,134	69,724
Interest on deposits	10,174	14,069	42,878	32,128	—
Interest portion of net rent expense (a)	96,541	102,685	99,871	94,978	95,189
Total fixed charges	187,110	206,713	207,258	218,240	164,913
Earnings before income taxes and fixed charges	$971,245	$1,046,083	$942,329	$ 845,501	$696,233
Ratio of earnings to fixed charges					
Including interest on deposits	5.2	5.1	4.5	3.9	4.2
Excluding interest on deposits	5.4	5.4	5.7	4.5	4.2

(a) One-third of net rent expense is the portion deemed representative of the interest factor.

Note: In computing the ratio of earnings to fixed charges: (a) earnings have been based on income from continuing operations before income taxes and fixed charges (exclusive of interest capitalized) and (b) fixed charges consist of interest expense and the estimated interest portion of rents. Interest expense on uncertain tax positions has been excluded from fixed charges, as it is included as a component of income taxes in the consolidated financial statements.

Subsidiaries of H&R Block, Inc.

The following is a list of the direct and indirect subsidiaries of H&R Block, Inc., a Missouri corporation.

Company Name	Domestic Jurisdiction
0374257 B.C. Ltd.	British Columbia
Aculink Mortgage Solutions, LLC	Florida
AcuLink of Alabama, LLC	Alabama
Ada Services Corporation	Massachusetts
BFC Transactions, Inc.	Delaware
Birchtree Financial Services, Inc.	Oklahoma
Birchtree Insurance Agency, Inc.	Missouri
Block Financial LLC	Delaware
CFS-McGladrey, LLC	Massachusetts
Cfstaffing, Ltd.	British Columbia
Companion Insurance, Ltd.	Bermuda
Companion Mortgage Corporation	Delaware
Creative Financial Staffing of Western Washington, LLC	Massachusetts
EquiCo, Inc.	California
Express Tax Service, Inc.	Delaware
Financial Marketing Services, Inc.	Michigan
FM Business Services, Inc.	Delaware
Franchise Partner, Inc.	Nevada
H&R Block (India) Private Limited	India
H&R Block (Nova Scotia), Incorporated	Nova Scotia
H&R Block Bank	Missouri
H&R Block Canada Financial Services, Inc.	Federally Chartered
H&R Block Canada, Inc.	Federally Chartered
H&R Block Eastern Enterprises, Inc.	Missouri
H&R Block Enterprises LLC	Missouri
H&R Block Global Solutions (Hong Kong) Limited	Hong Kong
H&R Block Group, Inc.	Delaware
H&R Block Insurance Agency, Inc.	Delaware
H&R Block Limited	New South Wales
H&R Block Management, LLC	Delaware
H&R Block Tax and Business Services, Inc.	Delaware

Company Name	Domestic Jurisdiction
H&R Block Tax Institute, LLC	Missouri
H&R Block Tax Services LLC	Missouri
HRB Advance LLC	Delaware
HRB Center LLC	Missouri
HRB Concepts LLC	Delaware
HRB Corporate Enterprises LLC	Delaware
HRB Corporate Services LLC	Missouri
HRB Digital LLC	Delaware
HRB Digital Technology Resources LLC	Delaware
HRB Expertise LLC	Missouri
HRB Innovations, Inc.	Delaware
HRB International LLC	Missouri
HRB Products LLC	Missouri
HRB Support Services LLC	Delaware
HRB Tax & Technology Leadership LLC	Missouri
HRB Tax Group, Inc.	Missouri
HRB Technology Holding LLC	Delaware
HRB Technology LLC	Missouri
McGladrey Capital Markets Canada Inc.	Federally Chartered
McGladrey Capital Markets Europe Limited	United Kingdom
McGladrey Capital Markets LLC	Delaware
OOMC Holdings LLC	Delaware
OOMC Residual Corporation	New York
O'Rourke Career Connections, LLC	California
Pension Resources, Inc.	Illinois
Provident Mortgage Services, Inc.	Delaware
RedGear Technologies, Inc.	Missouri
RSM Employer Services Agency of Florida, Inc.	Florida
RSM Employer Services Agency, Inc.	Georgia
RSM EquiCo, Inc.	Delaware
RSM McGladrey Business Services, Inc.	Delaware
RSM McGladrey Business Solutions, Inc.	Delaware
RSM McGladrey Employer Services, Inc.	Georgia
RSM McGladrey Insurance Services, Inc.	Delaware
RSM McGladrey TBS, LLC	Delaware
RSM McGladrey, Inc.	Delaware
Sand Canyon Acceptance Corporation	Delaware

Company Name	Domestic Jurisdiction
Sand Canyon Corporation	California
Sand Canyon Securities Corp.	Delaware
Sand Canyon Securities II Corp.	Delaware
Sand Canyon Securities III Corp.	Delaware
Sand Canyon Securities IV LLC	Delaware
ServiceWorks, Inc.	Delaware
TaxNet Inc.	California
TaxWorks, Inc.	Delaware
West Estate Investors, LLC	Missouri
Woodbridge Mortgage Acceptance Corporation	Delaware

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-118020 on Form S-3 of Block Financial Corporation and Registration Statement Nos. 333-118020-01 and 333-154611 on Form S-3 and Nos. 333-160957, 333-119070, 333-42143, 333-42736, 333-56400, 333-70420, and 333-106710 on Form S-8 of H&R Block, Inc. of our reports dated June 28, 2010, relating to the financial statements and financial statement schedule of H&R Block, Inc., (which report expresses an unqualified opinion and includes an explanatory paragraph regarding H&R Block, Inc.'s adoption of an accounting standard for uncertainty in income taxes on May 1, 2007) and the effectiveness of H&R Block Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K of H&R Block, Inc. for the year ended April 30, 2010.

DELOITTE & TOUCHE LLP

Kansas City, Missouri
June 28, 2010

Exhibit 31.1

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

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

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

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

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

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

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

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

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

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

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

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

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

Date: June 28, 2010

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

Exhibit 31.2

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

I, Jeffrey T. Brown, acting Chief Financial Officer, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: June 28, 2010

/s/ Jeffrey T. Brown
Jeffrey T. Brown
Vice President, Corporate Controller,
Acting Chief Financial Officer
H&R Block, Inc.

Exhibit 32.1

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

In connection with the annual report of H&R Block, Inc. (the "Company") on Form 10-K for the fiscal year ending April 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Russell P. Smyth, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Russell P. Smyth
Russell P. Smyth
Chief Executive Officer
H&R Block, Inc.
June 28, 2010

Exhibit 32.2

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

In connection with the annual report of H&R Block, Inc. (the "Company") on Form 10-K for the fiscal year ending April 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey T. Brown, acting Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Jeffrey T. Brown
Jeffrey T. Brown
Vice President, Corporate Controller,
Acting Chief Financial Officer
H&R Block, Inc.
June 28, 2010