

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 31, 2004

OR

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

Commission file number 1-6089

H&R BLOCK, INC.

(Exact name of registrant as specified in its charter)

MISSOURI
(State or other jurisdiction of
incorporation or organization)

44-0607856
(I.R.S. Employer
Identification No.)

4400 Main Street
Kansas City, Missouri 64111
(Address of principal executive offices, including zip code)

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

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

The number of shares outstanding of the registrant's Common Stock, without par value, at the close of business on August 31, 2004 was 164,886,060 shares.

H&R BLOCK, INC.
First Quarter Fiscal Year 2005 Form 10-Q

Table of Contents

	Page
PART I	
Financial Information	
Condensed Consolidated Balance Sheets July 31, 2004 and April 30, 2004	1
Condensed Consolidated Income Statements Three Months Ended July 31, 2004 and 2003	2
Condensed Consolidated Statements of Cash Flows Three Months Ended July 31, 2004 and 2003	3
Notes to Condensed Consolidated Financial Statements	4
Management's Discussion and Analysis of Results of Operations and Financial Condition	16
Quantitative and Qualitative Disclosures about Market Risk	29
Controls and Procedures	29
PART II	
Other Information	30
SIGNATURES	34
364-Day Credit and Gaurantee Agreement	
Five-Year Credit and Gaurantee Agreement	
License Agreement	
Employment Agreement	
302 Certification of Chief Executive Officer	
302 Certification of Principal Accounting Officer	
906 Certification of Chief Executive Officer	
906 Certification of Principal Accounting Officer	

H&R BLOCK, INC.**CONDENSED CONSOLIDATED BALANCE SHEETS**

Amounts in thousands, except share amounts

	July 31, 2004	April 30, 2004
	(Unaudited)	
ASSETS		
Cash and cash equivalents	\$ 317,100	\$ 1,071,676
Cash and cash equivalents - restricted	509,782	545,428
Receivables from customers, brokers, dealers and clearing organizations, net	626,215	625,076
Receivables, net	361,199	347,910
Prepaid expenses and other current assets	390,925	371,209
Total current assets	2,205,221	2,961,299
Residual interests in securitizations – available-for-sale	233,282	210,973
Beneficial interest in Trusts – trading	136,283	137,757
Mortgage servicing rights	123,980	113,821
Property and equipment, at cost less accumulated depreciation and amortization of \$597,743 and \$579,535	272,111	279,220
Intangible assets, net	312,506	325,829
Goodwill, net	960,275	959,418
Other assets	371,104	391,709
Total assets	<u>\$ 4,614,762</u>	<u>\$ 5,380,026</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Commercial paper	\$ 104,864	\$ —
Current portion of long-term debt	275,970	275,669
Accounts payable to customers, brokers and dealers	1,022,542	1,065,793
Accounts payable, accrued expenses and other	401,004	456,167
Accrued salaries, wages and payroll taxes	108,514	268,747
Accrued income taxes	238,232	405,667
Total current liabilities	2,151,126	2,472,043
Long-term debt	546,196	545,811
Other noncurrent liabilities	402,334	465,163
Total liabilities	<u>3,099,656</u>	<u>3,483,017</u>
Stockholders' equity:		
Common stock, no par, stated value \$.01 per share, 500,000,000 shares authorized, 217,945,398 shares issued at July 31, 2004 and April 30, 2004	2,179	2,179
Additional paid-in capital	543,897	545,065
Accumulated other comprehensive income	81,466	57,953
Retained earnings	2,703,649	2,781,368
Less cost of 51,708,328 and 44,849,128 shares of common stock in treasury	(1,816,085)	(1,489,556)
Total stockholders' equity	1,515,106	1,897,009
Total liabilities and stockholders' equity	<u>\$ 4,614,762</u>	<u>\$ 5,380,026</u>

See Notes to Condensed Consolidated Financial Statements

H&R BLOCK, INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS

Unaudited, amounts in thousands, except per share amounts

Three months ended July 31,	2004	2003
Revenues:		
Service revenues	\$239,757	\$214,958
Gains on sales of mortgage loans, net	137,470	182,333
Interest income	81,327	70,952
Other	24,157	27,141
	<u>482,711</u>	<u>495,384</u>
Operating expenses:		
Cost of services	271,439	238,565
Interest	19,090	23,197
Selling, general and administrative	266,754	216,488
	<u>557,283</u>	<u>478,250</u>
Operating income (loss)	(74,572)	17,134
Other income, net	2,008	1,695
Income (loss) before taxes	(72,564)	18,829
Income taxes (benefit)	(28,481)	7,310
Net income (loss) before cumulative effect of change in accounting principle	(44,083)	11,519
Cumulative effect of change in accounting principle for multiple deliverable revenue arrangements, less tax benefit of \$4,031	—	(6,359)
Net income (loss)	<u>\$ (44,083)</u>	<u>\$ 5,160</u>
Basic earnings (loss) per share:		
Before change in accounting principle	\$ (.26)	\$.06
Cumulative effect of change in accounting principle	—	(.03)
Net income (loss)	<u>\$ (.26)</u>	<u>\$.03</u>
Diluted earnings (loss) per share:		
Before change in accounting principle	\$ (.26)	\$.06
Cumulative effect of change in accounting principle	—	(.03)
Net income (loss)	<u>\$ (.26)</u>	<u>\$.03</u>
Dividends per share	<u>\$.20</u>	<u>\$.18</u>

See Notes to Condensed Consolidated Financial Statements

H&R BLOCK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited, amounts in thousands

Three months ended July 31,	2004	2003
Cash flows from operating activities:		
Net income (loss)	\$ (44,083)	\$ 5,160
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	37,137	35,930
Accretion of residual interests in securitizations	(25,663)	(34,063)
Impairments of residual interests in securitizations	3,435	10,743
Additions to trading securities - residual interests in securitizations	—	(145,522)
Proceeds from net interest margin transactions, net	—	145,522
Additions to mortgage servicing rights	(28,493)	(24,482)
Amortization of mortgage servicing rights	18,334	17,691
Net change in beneficial interest in Trusts	1,474	28,476
Other, net of acquisitions	(476,205)	(147,319)
Net cash used in operating activities	(514,064)	(107,864)
Cash flows from investing activities:		
Cash received from residual interests in securitizations	38,826	27,502
Purchases of property and equipment, net	(22,913)	(12,749)
Payments made for business acquisitions, net of cash acquired	(806)	(9,126)
Other, net	8,300	5,303
Net cash provided by investing activities	23,407	10,930
Cash flows from financing activities:		
Repayments of commercial paper	(314,836)	—
Proceeds from issuance of commercial paper	419,700	—
Dividends paid	(33,636)	(32,362)
Acquisition of treasury shares	(347,395)	(83,633)
Other, net	12,248	12,255
Net cash used in financing activities	(263,919)	(103,740)
Net decrease in cash and cash equivalents	(754,576)	(200,674)
Cash and cash equivalents at beginning of the period	1,071,676	875,353
Cash and cash equivalents at end of the period	\$ 317,100	\$ 674,679

See Notes to Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*Unaudited***1. Basis of Presentation**

The condensed consolidated balance sheet as of July 31, 2004, the condensed consolidated income statements for the three months ended July 31, 2004 and 2003, and the condensed consolidated statements of cash flows for the three months ended July 31, 2004 and 2003 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at July 31, 2004 and for all periods presented have been made.

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

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. These reclassifications had no effect on the results of operations or stockholders’ equity as previously reported. The previously reported International Tax Operations segment has been aggregated with U.S. Tax Operations in the Tax Services segment. We have modified our income statement to present aggregate costs related to our service revenues, rather than presenting operating expenses by their natural classification. All direct costs, both fixed and variable, of providing services to our customers are included in cost of services.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our April 30, 2004 Annual Report to Shareholders on Form 10-K.

Operating revenues of the Tax Services and Business Services segments are seasonal in nature with peak revenues occurring in the months of January through April. Therefore, results for interim periods are not indicative of results to be expected for the full year.

We file our Federal and state income tax returns on a calendar year basis. The condensed consolidated income statements reflect the effective tax rates expected to be applicable for the respective full fiscal years.

2. Earnings (Loss) Per Share

Basic earnings (loss) per share is computed using the weighted average shares outstanding during each period. The dilutive effect of potential common shares is included in diluted earnings (loss) per share except in those periods with a loss. The computations of basic and diluted earnings (loss) per share are as follows:

Three months ended July 31,	(in 000s, except per share amounts)	
	2004	2003
Net income (loss) before change in accounting principle	\$ (44,083)	\$ 11,519
Basic weighted average common shares	168,635	179,445
Dilutive potential shares from stock options and restricted stock	—	3,475
Convertible preferred stock	—	1
Dilutive weighted average common shares	168,635	182,921
Earnings (loss) per share before change in accounting principle:		
Basic	\$ (.26)	\$.06
Diluted	(.26)	.06

Diluted earnings per share excludes the impact of shares of common stock issuable upon the exercise of options to purchase 18.5 million shares of stock for the three months ended July 31, 2004, as the effect would be antidilutive. Diluted earnings per share for the three months ended July 31, 2003 excludes the impact of 5.2 million shares issuable upon the exercise of stock options as the options’

exercise prices were greater than the average market price of the common shares during the period and therefore, the effect would be antidilutive.

The weighted average shares outstanding for the three months ended July 31, 2004 decreased to 168.6 million from 179.4 million last year, primarily due to our purchases of treasury shares. The effect of these purchases was partially offset by the issuance of treasury shares related to our stock-based compensation plans.

During the three months ended July 31, 2004, we issued 602,634 shares of common stock pursuant to the exercise of stock options, employee stock purchases and awards of restricted shares, in accordance with our stock-based compensation plans. During the three months ended July 31, 2003, we issued 578,112 shares of common stock pursuant to the exercise of stock options, employee stock purchases and awards of restricted shares.

During the three months ended July 31, 2004, we acquired 7.5 million shares of our common stock at an aggregate cost of \$347.4 million. During the three months ended July 31, 2003, we acquired 1.9 million shares of our common stock at an aggregate cost of \$83.6 million.

3. Receivables

Receivables consist of the following:

	(in 000s)	
	July 31, 2004	April 30, 2004
Mortgage loans held for sale	\$135,300	\$ 64,136
Business Services accounts receivable	127,549	145,231
Participation in refund anticipation loans (RALs)	42,362	49,047
Loans to franchisees	36,728	35,872
Software receivables	2,589	20,882
Other	70,383	86,160
	414,911	401,328
Allowance for doubtful accounts	(38,558)	(38,266)
Lower of cost or market adjustment – mortgage loans	(15,154)	(15,152)
	<u>\$361,199</u>	<u>\$347,910</u>

4. Mortgage Banking Activities

Activity related to available-for-sale residual interests in securitizations consists of the following:

	(in 000s)	
Three months ended July 31,	2004	2003
Balance, beginning of period	\$210,973	\$264,337
Cash received	(38,826)	(27,502)
Accretion	25,663	34,063
Impairments of fair value	(3,435)	(10,743)
Other	—	(2,603)
Changes in unrealized holding gains arising during the period, net	38,907	33,302
Balance, end of period	<u>\$233,282</u>	<u>\$290,854</u>

We sold \$6.7 billion and \$5.3 billion of mortgage loans in whole loan sales to third-party trusts (Trusts) or other buyers during the three months ended July 31, 2004 and 2003, respectively, with gains totaling \$140.9 million and \$193.1 million, respectively, recorded on these sales.

We did not complete any securitizations or net interest margin (NIM) transactions during the three months ended July 31, 2004. Residual interests valued at \$145.5 million were securitized in NIM transactions during the prior year, with net cash proceeds of an equal amount received.

Cash flows of \$38.8 million and \$27.5 million were received from the securitization trusts for the three months ended July 31, 2004 and 2003, respectively. Cash received on residual interests is included in investing activities in the condensed consolidated statements of cash flows.

Aggregate net unrealized gains on residual interests, which had not yet been accreted into income, totaled \$151.3 million at July 31, 2004 and \$112.5 million at April 30, 2004. These unrealized gains are recorded net of deferred taxes in other comprehensive income, and may be recognized in income in

[Table of Contents](#)

future periods either through accretion or upon further securitization or sale of the related residual interest.

Activity related to mortgage servicing rights (MSRs) consists of the following:

Three months ended July 31,	(in 000s)	
	2004	2003
Balance, beginning of period	\$ 113,821	\$ 99,265
Additions	28,493	24,482
Amortization	(18,334)	(17,691)
Balance, end of period	<u>\$ 123,980</u>	<u>\$ 106,056</u>

Estimated amortization of MSRs for fiscal years 2005 through 2009 is \$65.3 million, \$34.9 million, \$14.1 million, \$5.0 million and \$1.1 million, respectively.

The key assumptions we used to estimate the cash flows and values of the residual interests and MSRs at July 31, 2004 and April 30, 2004 are as follows:

	July 31, 2004	April 30, 2004
Estimated annual prepayments	0.84% to 77.26%	25% to 90%
Estimated credit losses	3.29%	4.16%
Discount rate – residual interests	20.27%	19.09%
Discount rate – MSRs	12.80%	12.80%
Variable returns to third-party beneficial interest holders	LIBOR forward curve at valuation date	

Expected static pool credit losses are as follows:

	Mortgage Loans Securitized in			
	Prior to 2002	2002	2003	2004
April 30, 2004	4.46%	3.58%	4.35%	3.92%
July 31, 2004	4.58%	2.96%	2.47%	2.59%

Static pool credit losses are calculated by summing the actual and projected future credit losses and dividing them by the original balance of each pool of assets outstanding at July 31, 2004 and April 30, 2004.

[Table of Contents](#)

At July 31, 2004, the sensitivities of the current fair value of the residual interests and MSRs to 10% and 20% adverse changes in the above key assumptions are as follows:

(dollars in 000s)

	Residential Mortgage Loans		
	NIM Residuals	Beneficial Interest in Trusts ⁽¹⁾	Servicing Asset
Carrying amount/fair value	\$233,282	\$136,283	\$123,980
Weighted average remaining life (in years)	1.9	3.0	1.3
Prepayments (including defaults):			
Adverse 10% - - \$ impact on fair value	\$ (17,665)	\$ (16,573)	\$ (12,422)
Adverse 20% - - \$ impact on fair value	(33,073)	(30,874)	(19,556)
Credit losses:			
Adverse 10% - - \$ impact on fair value	\$ (40,713)	\$ (4,894)	Not applicable
Adverse 20% - - \$ impact on fair value	(77,879)	(9,779)	Not applicable
Discount rate:			
Adverse 10% - - \$ impact on fair value	\$ (6,746)	\$ (9,803)	\$ (1,612)
Adverse 20% - - \$ impact on fair value	(14,059)	(18,802)	(3,187)
Variable interest rates (LIBOR forward curve):			
Adverse 10% - - \$ impact on fair value	\$ (11,964)	\$ (21,414)	Not applicable
Adverse 20% - - \$ impact on fair value	(23,650)	(44,169)	Not applicable

⁽¹⁾ Adverse changes would be minimized by the Trusts' ability to deliver loans into forward loan sale commitments.

These sensitivities are hypothetical and should be used with caution. Changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also in this table, the effect of a variation of a particular assumption on the fair value of the retained interest is calculated without changing any other assumptions. It is likely that changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

Mortgage loans which have been securitized at July 31, 2004 and April 30, 2004, past due sixty days or more and the related credit losses are presented below:

(in 000s)

	Total Principal Amount of Loans Outstanding		Principal Amount of Loans 60 Days or More Past Due		Credit Losses (net of recoveries)	
	July 31, 2004	April 30, 2004	July 31, 2004	April 30, 2004	July 31, 2004	Period ended April 30, 2004
Securitized mortgage loans	\$14,421,720	\$15,732,953	\$1,231,065	\$1,286,069	\$44,629	\$46,606
Mortgage loans in warehouse						
Trusts	4,758,723	3,244,141	—	—	—	—
Total loans	\$19,180,443	\$18,977,094	\$1,231,065	\$1,286,069	\$44,629	\$46,606

5. Goodwill and Intangible Assets

Changes in the carrying amount of goodwill for the three months ended July 31, 2004, consist of the following:

(in 000s)

	April 30, 2004	Additions	Other	July 31, 2004
Tax Services	\$349,836	\$806	\$29	\$350,671
Mortgage Services	152,467	—	—	152,467
Business Services	311,175	22	—	311,197
Investment Services	145,732	—	—	145,732
Corporate	208	—	—	208
Total goodwill	\$959,418	\$828	\$29	\$960,275

[Table of Contents](#)

We test goodwill for impairment annually at the beginning of our fourth quarter, or more frequently if events occur indicating a potential reduction in the fair value of a reporting unit's net assets below its carrying value. No such impairment or events indicating potential impairment have been identified within any of our segments during the three months ended July 31, 2004.

Intangible assets consist of the following:

	July 31, 2004			April 30, 2004		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Tax Services:						
Customer relationships	\$ 18,167	\$ (4,016)	\$ 14,151	\$ 18,167	\$ (3,311)	\$ 14,856
Noncompete agreements	17,069	(7,112)	9,957	17,069	(5,690)	11,379
Business Services:						
Customer relationships	121,215	(59,457)	61,758	121,229	(56,313)	64,916
Noncompete agreements	27,418	(9,326)	18,092	27,424	(8,670)	18,754
Trade name – amortizing	1,450	(943)	507	1,450	(926)	524
Trade name – non-amortizing	55,637	(4,868)	50,769	55,637	(4,868)	50,769
Investment Services:						
Customer relationships	293,000	(136,733)	156,267	293,000	(129,408)	163,592
Corporate:						
Customer relationships	844	(87)	757	844	(66)	778
Noncompete agreements	295	(47)	248	295	(34)	261
Total intangible assets	<u>\$535,095</u>	<u>\$(222,589)</u>	<u>\$312,506</u>	<u>\$535,115</u>	<u>\$(209,286)</u>	<u>\$325,829</u>

Amortization of intangible assets for the three months ended July 31, 2004 and 2003 was \$13.3 million and \$11.1 million, respectively. Estimated amortization of intangible assets for fiscal years 2005 through 2009 is \$53.4 million, \$51.8 million, \$42.9 million, \$41.1 million and \$39.9 million, respectively.

6. Derivative Instruments

In the normal course of business, we enter into commitments with our customers to fund mortgage loans for specified periods of time at “locked-in” interest rates. These derivative instruments represent commitments (rate-lock equivalent) to fund loans. At July 31, 2004 and April 30, 2004, we recorded an asset of \$0.1 million and a liability of \$1.4 million, respectively, related to these commitments. Changes in fair value of \$1.5 million and \$2.6 million were recognized in gains on sales of mortgage assets for the three months ended July 31, 2004 and 2003, respectively. We adopted SEC Staff Accounting Bulletin No. 105, “Application of Accounting Principles to Loan Commitments,” as of March 31, 2004. Upon adoption, we can no longer record an asset and the related changes fair value for non-prime commitments to fund loans.

We sell short FNMA, FHLMC and GNMA mortgage-backed securities to reduce our risk related to our commitments to fund fixed-rate prime loans. The position on certain or all of the fixed-rate mortgage loans is closed approximately 10-15 days prior to standard Public Securities Association (PSA) settlement dates. At April 30, 2004 we recorded assets totaling \$2.1 million related to these instruments. Changes in the market value of these instruments are included in gains on sales of mortgage assets and totaled a loss of \$0.8 million and a gain of \$1.3 million for the three months ended July 31, 2004 and 2003, respectively.

We enter into forward loan commitments to sell our non-prime mortgage loans to manage interest rate risk. Forward loan sale commitments for non-prime loans are not considered derivative instruments and are therefore not recorded in our financial statements. The notional value and the contract value of the forward commitments at July 31, 2004 were \$6.5 billion and \$6.7 billion, respectively. Most of our forward commitments give us the option to under- or over-deliver by five to ten percent.

7. Comprehensive Income

The components of comprehensive income are:

Three months ended July 31,	(in 000s)	
	2004	2003
Net income (loss)	\$(44,083)	\$ 5,160
Change in unrealized gain on marketable securities, net	23,843	20,208
Change in foreign currency translation adjustments	(330)	5,643
Comprehensive income (loss)	<u>\$(20,570)</u>	<u>\$31,011</u>

8. Stock-Based Compensation

Effective May 1, 2003, we adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), under the prospective transition method as described in Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure" (SFAS 148). Had compensation cost for all stock-based compensation plan grants been determined in accordance with the fair value accounting method prescribed under SFAS 123, our net income (loss) and earnings (loss) per share would have been as follows:

Three months ended July 31,	(in 000s, except per share amounts)	
	2004	2003
Net income (loss) as reported	\$(44,083)	\$ 5,160
Add: Stock-based compensation expense included in reported net income, net of related tax effects	3,100	792
Deduct: Total stock-based compensation expense determined under fair value method for all awards, net of related tax effects	(5,781)	(5,065)
Pro forma net income (loss)	<u>\$(46,764)</u>	<u>\$ 887</u>
Basic earnings (loss) per share:		
As reported	\$ (.26)	\$.03
Pro forma	(.28)	—
Diluted earnings (loss) per share:		
As reported	\$ (.26)	\$.03
Pro forma	(.28)	—

9. Supplemental Cash Flow Information

During the three months ended July 31, 2004, we paid \$183.4 million and \$12.5 million for income taxes and interest, respectively. During the three months ended July 31, 2003, we paid \$73.1 million and \$16.8 million for income taxes and interest, respectively.

The following transactions were treated as non-cash investing activities in the condensed consolidated statement of cash flows:

Three months ended July 31,	(in 000s)	
	2004	2003
Residual interest mark-to-market	\$53,473	\$33,302

10. Commitments and Contingencies

At July 31, 2004, we maintained a \$2.0 billion unsecured committed line of credit (CLOC) to support our commercial paper program and for general corporate purposes. Subsequent to July 31, 2004, we replaced our \$2.0 billion CLOC with two CLOCs. The new CLOCs are from a consortium of thirty-one banks. The first \$1.0 billion CLOC is subject to annual renewal in August 2005 and has a one-year term-out provision with a maturity date in August 2006. A second \$1.0 billion CLOC has a maturity date of August 2009. These lines are subject to various affirmative and negative covenants, including a minimum net worth covenant.

We offer guarantees under our Peace of Mind (POM) program to tax clients whereby we will assume the cost of additional taxes attributable to tax return preparation error for which we are responsible. In

[Table of Contents](#)

August 2003, we adopted Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" (EITF 00-21). EITF 00-21 impacts revenue and expense recognition related to tax preparation in our premium tax offices where POM guarantees are included in the price of a completed tax return. Prior to the adoption of EITF 00-21, revenues and expenses related to POM guarantees at premium offices were recorded in the same period as tax preparation revenues. Beginning May 1, 2003, revenues and direct expenses related to POM guarantees are now initially deferred and recognized over the guarantee period based upon historic and actual payment of claims. As a result of the adoption of EITF 00-21, we recorded a cumulative effect of a change in accounting principle of \$6.4 million, net of a tax benefit of \$4.0 million, as of May 1, 2003. Our financial results for the three months ended July 31, 2003 have been restated to reflect both the cumulative effect of a change in accounting principle and the recognition of deferred revenues and expenses. Changes in the deferred revenue liability are as follows:

Three months ended July 31,	(in 000s)	
	2004	2003
Balance, beginning of period	\$123,048	\$ 49,280
Amounts deferred for new guarantees issued	369	487
Revenue recognized on previous deferrals	(22,613)	(19,907)
Adjustment resulting from change in accounting principle	—	61,487
Balance, end of period	<u>\$100,804</u>	<u>\$ 91,347</u>

We have commitments to fund mortgage loans to customers as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. The commitments to fund loans amounted to \$2.7 billion and \$2.6 billion at July 31, 2004 and April 30, 2004, respectively. External market forces impact the probability of commitments being exercised, and therefore, total commitments outstanding do not necessarily represent future cash requirements.

We have entered into whole loan sale agreements with investors in the normal course of business, which include standard representations and warranties customary to the mortgage banking industry. We have commitments to sell loans of \$6.5 billion and \$4.7 billion as of July 31, 2004 and April 30, 2004, respectively. Violations of these representations and warranties may require us to repurchase loans previously sold. A liability has been established related to the potential loss on repurchase of loans previously sold of \$31.2 million and \$25.2 million at July 31, 2004 and April 30, 2004, respectively. Repurchased loans are normally sold in subsequent sale transactions.

Option One Mortgage Corporation provides a guarantee up to a maximum amount equal to approximately 10% of the aggregate principal balance of mortgage loans held by the Trusts before ultimate disposition of the loans by the Trusts. This guarantee would be called upon in the event adequate proceeds were not available from the sale of the mortgage loans to satisfy the current or ultimate payment obligations of the Trusts. No losses have been sustained on this commitment since its inception. The total principal amount of Trust obligations outstanding as of July 31, 2004 and April 30, 2004 was \$4.7 billion and \$3.2 billion, respectively. The fair value of mortgage loans held by the Trusts as of July 31, 2004 and April 30, 2004 was \$4.8 billion and \$3.3 billion, respectively.

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 approximately \$7.6 million and \$7.8 million as of July 31, 2004 and April 30, 2004, respectively. 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. Such payments, if and when paid, would be recorded as additional goodwill.

We have contractual commitments to fund certain franchises requesting draws on Franchise Equity Lines of Credit (FELCs). Our commitment to fund FELCs as of July 31, 2004 and April 30, 2004 totaled \$63.4 million and \$27.0 million, respectively. We have a receivable of \$36.7 million and \$35.9 million, which represents the amounts drawn on the FELCs, as of July 31, 2004 and April 30, 2004, respectively.

We routinely enter into contracts that include embedded indemnifications that have characteristics similar to guarantees, including obligations to protect counter parties from losses arising from the following: (a) tax, legal and other risks related to the purchase or disposition of businesses; (b) penalties

and interest assessed by Federal and state taxing authorities in connection with tax returns prepared for clients; (c) indemnification of our directors and officers; and (d) 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 term of 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 that such claims will not be successfully asserted, we believe the fair value of these guarantees and indemnifications is not material as of July 31, 2004.

11. Litigation Commitments and Contingencies

We have been involved in a number of RAL class actions and putative RAL class action cases since 1990. Although we have successfully defended many such cases, we incurred a pretax expense of \$43.5 million in fiscal year 2003 in connection with the settlement of one such case. Several of these cases are still pending and the amounts claimed in some of them is very substantial. To avoid the uncertainty of litigation and the diversion of resources and personnel resulting from the lawsuits, we, the lending bank, and the plaintiffs in the case *Joel E. Zawikowski, et al. v. Beneficial National Bank, H&R Block, Inc., et al.* (renamed *Lynne A. Carnegie, et al. v. H&R Block, Inc., et al.*), Case No. 98-C-2178 in the United States District Court for Northern Illinois, had agreed to a settlement class and a settlement of RAL-related claims on a nationwide basis. Under that settlement, we and the lending bank agreed to each pay \$12.5 million toward a \$25.0 million settlement fund for the benefit of the class members. The settlement was approved by the District Court in February 2001. Certain class members who had objected to the settlement appealed the order approving the settlement to the Seventh Circuit Court of Appeals. In April 2002, the Court of Appeals reversed the District Court's order approving the settlement and remanded the matter back to the District Court for further consideration of the fairness and adequacy of the proposed settlement by a new District Court judge. In April 2003, the District Court judge declined to approve the \$25.0 million settlement, finding that counsel for the settlement plaintiffs had been inadequate representatives of the plaintiff class and failed to sustain their burden of showing that the settlement was fair. The judge subsequently appointed new counsel for the plaintiffs who filed an amended complaint and a motion for partial summary judgment. In March 2004, the court either dismissed or decertified all of the plaintiffs' claims other than part of one count alleging violations of the racketeering and conspiracy provision of the Racketeer Influenced and Corrupt Organizations act. We intend to continue defending the case and the remaining RAL class action litigation vigorously, but there are no assurances as to their outcome.

On September 8, 2004, our Board of Directors approved a settlement agreement of the case *Joyce Green, et al. v. H&R Block, Inc., Block Financial Corporation, et al.*, Case No. 97195023, in the Circuit Court for Baltimore City, Maryland. The settlement agreement provides for each class member to receive a small cash payment and a one-time rebate coupon for tax return preparation services and for the defendants to pay settlement administration costs and court-approved legal fees of class counsel. We estimate the eventual cost of this settlement to approximate \$1.5 million. The settlement agreement is subject to, and will not be final until receipt of, approval from the Circuit Court.

We and certain of our current and former officers and directors were named defendants in litigation entitled *Paul White, et al. v. H&R Block, et al.*, consolidated Case Numbers 02CV8965, 02CV9661, 02CV9682 and 02CV9830 pending in the United States District Court for the Southern District of New York. The plaintiffs in this litigation alleged that the defendants violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by failing to disclose to shareholders various cases in which we had been sued regarding the RAL program, by failing to set adequate reserves for those cases, and by failing to disclose the supposed implications of those cases for the future of the RAL program. On July 28, 2004, the defendants' motion to dismiss was granted and the plaintiffs' complaint was dismissed.

In addition to the aforementioned cases, we have from time to time been parties to claims and lawsuits arising out of our business operations, including other claims and lawsuits relating to RALs, and claims and lawsuits concerning the preparation of customers' income tax returns, the electronic filing of income tax returns, the fees charged customers for various services, the Peace of Mind guarantee program associated with income tax return preparation services, the Express IRA program,

[Table of Contents](#)

relationships with franchisees, contract disputes and civil actions, arbitrations, regulatory inquiries and class actions arising out of our business as a broker-dealer and as a servicer of mortgage loans. Such lawsuits include actions by individual plaintiffs, as well as cases in which plaintiffs seek to represent a class of similarly situated customers. The amounts claimed in these claims and lawsuits are substantial in some instances, and the ultimate liability with respect to such litigation and claims is difficult to predict. We consider these cases to be ordinary, routine litigation incidental to our business, and we believe we have meritorious defenses to each of them and we are defending, or intend to defend, them vigorously. While we cannot provide assurance that we will ultimately prevail in each instance, we believe that amounts, if any, required to be paid by us in the discharge of liabilities or settlements will not have a material adverse effect on our consolidated results of operations, cash flows or financial position. Regardless of outcome, claims and litigation can adversely affect us due to defense costs, diversion of management and publicity related to such matters.

It is our policy to accrue for amounts related to legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable. Many of the various legal proceedings are covered in whole, or in part, by insurance.

12. Segment Information

Information concerning our operations by reportable operating segment is as follows:

	(in 000s)	
Three months ended July 31,	2004	2003
Revenues:		
Tax Services	\$ 50,447	\$ 45,981
Mortgage Services	268,133	292,589
Business Services	109,102	98,499
Investment Services	53,581	56,987
Corporate	1,448	1,328
	<u>\$ 482,711</u>	<u>\$495,384</u>
Pretax income (loss):		
Tax Services	\$(112,989)	\$ (99,580)
Mortgage Services	93,540	163,829
Business Services	(10,071)	(6,679)
Investment Services	(18,271)	(13,757)
Corporate	(24,773)	(24,984)
Income (loss) before taxes	<u>\$ (72,564)</u>	<u>\$ 18,829</u>

Our international operations contributed \$5.8 million and \$5.5 million in revenues for the three months ended July 31, 2004 and 2003, respectively, and \$7.8 million and \$6.4 million in pretax losses, respectively. The previously reported International Tax Operations segment has been aggregated with U.S. Tax Operations in the Tax Services segment, and prior year results have been restated to reflect this change.

13. New Accounting Pronouncements

Exposure Draft – Amendment of SFAS 140

The Financial Accounting Standards Board (FASB) intends to reissue the exposure draft, “Qualifying Special Purpose Entities and Isolation of Transferred Assets, an Amendment of FASB Statement No. 140,” during the first quarter of calendar year 2005. The purpose of the proposal is to provide more specific guidance on the accounting for transfers of financial assets to a qualifying special purpose entity (QSPE).

Provisions in the first exposure draft, as well as tentative decisions reached by the Board during its deliberations, may require us to consolidate our current QSPEs (the Trusts) established in our Mortgage Services segment. As of July 31, 2004, the Trusts had assets and liabilities of \$4.7 billion. The provisions of the exposure draft are subject to FASB due process and are subject to change. We will continue to monitor the status of the exposure draft, and consider changes, if any, to current structures as a result of the proposed rules.

14. Condensed Consolidating Financial Statements

Block Financial Corporation (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 October 21, 1997 and April 13, 2000. 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 stockholder's equity and other intercompany balances and transactions. The income statement and statement of cash flows for the three months ended July 31, 2003 and balance sheet as of April 30, 2004 have been adjusted to reflect intercompany royalties between BFC and other subsidiaries. These adjustments have no effect on H&R Block, Inc. (Guarantor) or Consolidated H&R Block.

Condensed Consolidating Income Statements

(in 000s)

	Three months ended July 31, 2004				
	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	\$ —	\$324,762	\$ 161,216	\$ (3,267)	\$482,711
Cost of services	—	95,482	175,911	46	271,439
Other	—	173,326	115,831	(3,313)	285,844
Total expenses	—	268,808	291,742	(3,267)	557,283
Operating income (loss)	—	55,954	(130,526)	—	(74,572)
Other income, net	(72,564)	—	2,008	72,564	2,008
Income (loss) before taxes	(72,564)	55,954	(128,518)	72,564	(72,564)
Income taxes (benefit)	(28,481)	24,359	(52,840)	28,481	(28,481)
Net income (loss)	<u>\$ (44,083)</u>	<u>\$ 31,595</u>	<u>\$ (75,678)</u>	<u>\$ 44,083</u>	<u>\$ (44,083)</u>
	Three months ended July 31, 2003				
	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	\$ —	\$355,025	\$ 142,843	\$ (2,484)	\$495,384
Cost of services	—	83,574	155,198	(207)	238,565
Other	—	143,721	98,406	(2,442)	239,685
Total expenses	—	227,295	253,604	(2,649)	478,250
Operating income (loss)	—	127,730	(110,761)	165	17,134
Other income, net	18,829	—	1,695	(18,829)	1,695
Income (loss) before taxes	18,829	127,730	(109,066)	(18,664)	18,829
Income taxes (benefit)	7,310	52,144	(44,898)	(7,246)	7,310
Net income (loss) before cumulative effect of change in accounting	11,519	75,586	(64,168)	(11,418)	11,519
Cumulative effect of change in accounting	(6,359)	—	(6,359)	6,359	(6,359)
Net income (loss)	<u>\$ 5,160</u>	<u>\$ 75,586</u>	<u>\$ (70,527)</u>	<u>\$ (5,059)</u>	<u>\$ 5,160</u>

Condensed Consolidating Balance Sheets

(in 000s)

	July 31, 2004				
	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Cash & cash equivalents	\$ —	\$ 189,421	\$ 127,679	\$ —	\$ 317,100
Cash & cash equivalents- restricted	—	496,137	13,645	—	509,782
Receivables from customers, brokers and dealers, net	—	626,215	—	—	626,215
Receivables, net	562	225,272	135,365	—	361,199
Intangible assets and goodwill, net	—	454,466	818,315	—	1,272,781
Investments in subsidiaries	4,275,177	210	389	(4,275,177)	599
Other assets	(97)	1,141,367	385,816	—	1,527,086
Total assets	<u>\$4,275,642</u>	<u>\$3,133,088</u>	<u>\$ 1,481,209</u>	<u>\$(4,275,177)</u>	<u>\$4,614,762</u>
Commercial paper	\$ —	\$ 104,864	\$ —	\$ —	\$ 104,864
Accts. payable to customers, brokers and dealers	—	1,022,542	—	—	1,022,542
Long-term debt	—	498,375	47,821	—	546,196
Other liabilities	443	520,020	905,451	140	1,426,054
Net intercompany advances	2,760,093	(335,084)	(2,424,869)	(140)	—
Stockholders' equity	1,515,106	1,322,371	2,952,806	(4,275,177)	1,515,106
Total liabilities and stockholders' equity	<u>\$4,275,642</u>	<u>\$3,133,088</u>	<u>\$ 1,481,209</u>	<u>\$(4,275,177)</u>	<u>\$4,614,762</u>
	April 30, 2004				
	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Cash & cash equivalents	\$ —	\$ 132,076	\$ 939,600	\$ —	\$1,071,676
Cash & cash equivalents- restricted	—	532,201	13,227	—	545,428
Receivables from customers, brokers and dealers, net	—	625,076	—	—	625,076
Receivables, net	180	168,879	178,851	—	347,910
Intangible assets and goodwill, net	—	461,791	823,456	—	1,285,247
Investments in subsidiaries	4,291,693	205	297	(4,291,693)	502
Other assets	(145)	1,115,435	389,270	(373)	1,504,187
Total assets	<u>\$4,291,728</u>	<u>\$3,035,663</u>	<u>\$ 2,344,701</u>	<u>\$(4,292,066)</u>	<u>\$5,380,026</u>
Accts. payable to customers, brokers and dealers	\$ —	\$1,065,793	\$ —	\$ —	\$1,065,793
Long-term debt	—	498,225	47,586	—	545,811
Other liabilities	15,879	509,151	1,345,822	561	1,871,413
Net intercompany advances	2,378,840	(304,432)	(2,073,847)	(561)	—
Stockholders' equity	1,897,009	1,266,926	3,025,140	(4,292,066)	1,897,009
Total liabilities and stockholders' equity	<u>\$4,291,728</u>	<u>\$3,035,663</u>	<u>\$ 2,344,701</u>	<u>\$(4,292,066)</u>	<u>\$5,380,026</u>

Condensed Consolidating Statements of Cash Flows

(in 000s)

	Three months ended July 31, 2004				
	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Net cash used in operating activities:	\$ (8,544)	\$ (55,856)	\$ (449,664)	\$ —	\$ (514,064)
Cash flows from investing:					
Cash received on residuals	—	38,826	—	—	38,826
Purchase property & equipment	—	(5,207)	(17,706)	—	(22,913)
Payments for business acquisitions	—	—	(806)	—	(806)
Net intercompany advances	377,200	—	—	(377,200)	—
Other, net	—	5,370	2,930	—	8,300
Net cash provided by (used in) investing activities	377,200	38,989	(15,582)	(377,200)	23,407
Cash flows from financing:					
Repayments of commercial paper	—	(314,836)	—	—	(314,836)
Proceeds from commercial paper	—	419,700	—	—	419,700
Dividends paid	(33,636)	—	—	—	(33,636)
Acquisition of treasury shares	(347,395)	—	—	—	(347,395)
Net intercompany advances	—	(30,652)	(346,548)	377,200	—
Other, net	12,375	—	(127)	—	12,248
Net cash provided by (used in) financing activities	(368,656)	74,212	(346,675)	377,200	(263,919)
Net increase (decrease) in cash	—	57,345	(811,921)	—	(754,576)
Cash - beginning of period	—	132,076	939,600	—	1,071,676
Cash - end of period	\$ —	\$ 189,421	\$ 127,679	\$ —	\$ 317,100

	Three months ended July 31, 2003				
	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Net cash provided by (used in) operating activities:	\$ 18,703	\$ 57,711	\$ (184,278)	\$ —	\$ (107,864)
Cash flows from investing:					
Cash received on residuals	—	27,502	—	—	27,502
Purchase property & equipment	—	(5,350)	(7,399)	—	(12,749)
Payments for business acquisitions	—	—	(9,126)	—	(9,126)
Net intercompany advances	83,200	—	—	(83,200)	—
Other, net	—	8,461	(3,158)	—	5,303
Net cash provided by (used in) investing activities	83,200	30,613	(19,683)	(83,200)	10,930
Cash flows from financing:					
Dividends paid	(32,362)	—	—	—	(32,362)
Acquisition of treasury shares	(83,633)	—	—	—	(83,633)
Net intercompany advances	—	(64,231)	(18,969)	83,200	—
Other, net	14,092	—	(1,837)	—	12,255
Net cash used in financing activities	(101,903)	(64,231)	(20,806)	83,200	(103,740)
Net increase (decrease) in cash	—	24,093	(224,767)	—	(200,674)
Cash - beginning of period	—	180,181	695,172	—	875,353
Cash - end of period	\$ —	\$ 204,274	\$ 470,405	\$ —	\$ 674,679

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

H&R Block is a diversified company delivering tax services and financial advice, investment and mortgage services, and business and consulting services. For nearly 50 years, we have been developing relationships with millions of tax clients and our strategy is to expand on these relationships. Our Tax Services segment provides income tax return preparation services, electronic filing services and other services and products related to income tax return preparation to the general public in the United States, Canada, Australia and the United Kingdom. We also offer investment services through H&R Block Financial Advisors, Inc. (HRBFA). Our Mortgage Services segment offers a full range of home mortgage services through Option One Mortgage Corporation (OOMC) and H&R Block Mortgage Corporation (HRBMC). RSM McGladrey Business Services, Inc. (RSM) is a national accounting, tax and consulting firm primarily serving mid-sized businesses.

Our Mission

*To help our clients achieve their financial objectives
by serving as their tax and financial partner.*

Key to achieving our mission is the enhancement of client experiences through consistent delivery of valuable services and advice. Operating through multiple lines of business allows us to better meet the changing financial needs of our clients.

The analysis that follows should be read in conjunction with the tables below and the condensed consolidated income statements found on page 2.

Consolidated H&R Block, Inc. – Operating Results

Three months ended July 31,	(in 000s, except per share amounts)	
	2004	2003
Revenues:		
Tax Services	\$ 50,447	\$ 45,981
Mortgage Services	268,133	292,589
Business Services	109,102	98,499
Investment Services	53,581	56,987
Corporate	1,448	1,328
	<u>\$ 482,711</u>	<u>\$495,384</u>
Pretax income (loss):		
Tax Services	\$(112,989)	\$ (99,580)
Mortgage Services	93,540	163,829
Business Services	(10,071)	(6,679)
Investment Services	(18,271)	(13,757)
Corporate	(24,773)	(24,984)
	<u>(72,564)</u>	<u>18,829</u>
Income taxes (benefit)	<u>(28,481)</u>	<u>7,310</u>
Net income (loss) before change in accounting principle	(44,083)	11,519
Cumulative effect of change in accounting principle	—	(6,359)
Net income (loss)	<u>\$ (44,083)</u>	<u>\$ 5,160</u>
Basic earnings (loss) per share	<u>\$ (.26)</u>	<u>\$.03</u>
Diluted earnings (loss) per share	<u>\$ (.26)</u>	<u>\$.03</u>

OVERVIEW

A summary of our results for the three months ended July 31, 2004 compared to the prior year is as follows:

ⁿ The net loss was \$44.1 million, compared to net income, before the change in accounting principle, of \$11.5 million.

ⁿ Revenues declined \$12.7 million, or 2.6%.

[Table of Contents](#)

- ▯ Tax Services' pretax loss increased \$13.4 million to \$113.0 million primarily due to off-season expenses related to the former major franchise territories acquired in the second quarter of last year.
- ▯ Mortgage Services' revenues and pretax earnings decreased \$24.5 million and \$70.3 million, respectively. The decline is due to increased direct loan origination expenses and lower margins on loan sales, partially offset by increased origination volume.
- ▯ Mortgage originations totaled \$6.8 billion, an increase of 28.4%.
- ▯ Business Services' revenues increased \$10.6 million, or 10.8%, due to our core tax, accounting and consulting business, resulting in part from our strategic growth initiatives during the quarter.
- ▯ Investment Services' revenues declined \$3.4 million, consistent with the weak investment climate.

TAX SERVICES

This segment primarily consists of our income tax preparation businesses – retail, online and software.

Tax Services – Operating Results

	Three months ended July 31,	2004	2003
(in 000s)			
Service revenues:			
Tax preparation and related fees		\$ 19,162	\$ 16,248
Online tax services		701	547
Other services		24,257	21,461
		<u>44,120</u>	<u>38,256</u>
Software sales		1,345	117
Royalties		1,612	1,567
RAL participation fees		164	—
RAL waiver fees		—	4,114
Other		3,206	1,927
Total revenues		<u>50,447</u>	<u>45,981</u>
Cost of services:			
Compensation and benefits		30,684	27,814
Occupancy		50,671	44,003
Depreciation		8,978	8,411
Supplies		2,261	1,614
Other		29,822	27,256
		<u>122,416</u>	<u>109,098</u>
Cost of software sales		3,270	2,083
Selling, general and administrative		37,750	34,380
Total expenses		<u>163,436</u>	<u>145,561</u>
Pretax loss		<u>\$ (112,989)</u>	<u>\$ (99,580)</u>

Three months ended July 31, 2004 compared to July 31, 2003

Tax Services' revenues increased \$4.5 million, or 9.7%, for the three months ended July 31, 2004 compared to the prior year.

Tax preparation and related fees increased \$2.9 million, or 17.9%, for the three months ended July 31, 2004. This increase is primarily due to the former major franchise territories now being operated as company-owned, which contributed \$1.2 million in additional tax preparation and related fees.

Other service revenues increased \$2.8 million as a result of additional revenues associated with POM guarantees.

Revenues earned during the current quarter in connection with RALs declined \$4.0 million as a result of non-recurring revenues in the prior year pursuant to an agreement with Household Tax Masters, Inc.

Total expenses for the three months ended July 31, 2004 were up \$17.9 million, or 12.3%, from the prior year. Compensation and benefits increased \$2.9 million primarily due to additional off-season expenses related to the former major franchise territories acquired in the second quarter of fiscal year 2004. Occupancy expenses increased \$6.7 million as a result of a 4.0% increase in company-owned offices under lease and a 4.4% increase in the average rent. Other service expenses increased primarily

[Table of Contents](#)

as a result of increases in insurance costs and stock-based compensation, partially offset by lower expenses related to our POM guarantee. Intangible amortization, which is included in selling, general and administrative expenses, increased \$2.1 million over the prior year's first quarter as a result of the acquired major franchise territories.

The pretax loss of \$113.0 million for the three months ended July 31, 2004, represents a 13.5% increase over the prior year loss of \$99.6 million.

Due to the seasonal nature of this segment's business, operating results for the three months ended July 31, 2004 are not comparable to the three months ended April 30, 2004 and are not indicative of the expected results for the entire fiscal year.

Fiscal 2005 outlook

Our fiscal year 2005 outlook for our Tax Services segment is unchanged from the discussion in our April 30, 2004 Form 10-K.

RAL Litigation

We have been named as a defendant in a number of lawsuits alleging that we engaged in wrongdoing with respect to the RAL program. We believe we have strong defenses to the various RAL cases and will vigorously defend our position. Nevertheless, the amounts claimed by the plaintiffs are, in some instances, very substantial, and there can be no assurances as to the ultimate outcome of the pending RAL cases, or as to the impact of the RAL cases on our financial statements. See additional discussion of RAL Litigation in note 11 to the condensed consolidated financial statements.

MORTGAGE SERVICES

This segment is primarily engaged in the origination of non-prime mortgage loans through an independent broker network, the origination of prime and non-prime mortgage loans through a retail office network, the sale and securitization of mortgage loans and residual interests, and the servicing of non-prime loans.

Mortgage Services – Operating Statistics

Three months ended	(dollars in 000s)		
	July 31, 2004	July 31, 2003	April 30, 2004
Number of loans originated:			
Wholesale (non-prime)	37,487	28,494	34,951
Retail: Prime	1,697	4,005	2,523
Non-prime	4,742	3,004	4,281
	<u>43,926</u>	<u>35,503</u>	<u>41,755</u>
Volume of loans originated:			
Wholesale (non-prime)	\$5,981,104	\$4,405,224	\$5,410,469
Retail: Prime	215,287	540,326	312,923
Non-prime	620,126	365,331	523,438
	<u>\$6,816,517</u>	<u>\$5,310,881</u>	<u>\$6,246,830</u>
Loan sales	\$6,744,056	\$5,301,341	\$6,294,346
Weighted average FICO score ⁽¹⁾	609	607	607
Execution price ⁽²⁾	4.12%	4.42%	3.96%
Net gain on sale – gross margin ⁽³⁾	2.07%	3.64%	2.89%
Weighted average interest rate for borrowers ⁽¹⁾	7.21%	7.54%	7.06%
Weighted average loan-to-value ⁽¹⁾	78.0%	78.3%	78.0%

(1) Represents non-prime production.

(2) Defined as total premium received divided by total balance of loans delivered to third party investors or securitization vehicles (excluding mortgage servicing rights and the effect of loan origination expenses).

(3) Defined as gain on sale of mortgage loans (including mortgage servicing rights and net of direct origination expenses) divided by origination volume.

Mortgage Services – Operating Results

	(in 000s)		
Three months ended	July 31, 2004	July 31, 2003	April 30, 2004
Components of gains on sales:			
Gains on mortgage loans	\$140,905	\$193,076	\$180,641
Gains on residual interests	—	—	23,689
Impairment of residual interests	(3,435)	(10,743)	(4,613)
	<u>137,470</u>	<u>182,333</u>	<u>199,717</u>
Interest income:			
Accretion - residual interests	25,663	34,063	49,640
Accretion - beneficial interest	44,623	27,064	41,778
Other interest income	1,439	210	2,021
	<u>71,725</u>	<u>61,337</u>	<u>93,439</u>
Loan servicing revenue	58,855	48,317	56,662
Other	83	602	496
Total revenues	<u>268,133</u>	<u>292,589</u>	<u>350,314</u>
Cost of services	52,113	42,681	46,332
Compensation and benefits	76,157	52,468	80,396
Occupancy	9,964	9,297	10,274
Other	36,359	24,314	37,382
Total expenses	<u>174,593</u>	<u>128,760</u>	<u>174,384</u>
Pretax income	<u>\$ 93,540</u>	<u>\$163,829</u>	<u>\$175,930</u>

Three months ended July 31, 2004 compared to July 31, 2003

Mortgage Services' revenues decreased \$24.5 million, or 8.4%, for the three months ended July 31, 2004 compared to the prior year. Revenues decreased primarily as a result of a decline in gains on sales of mortgage loans.

The following table summarizes the key drivers of gains on sales of mortgage loans:

	(dollars in 000s)	
Three months ended July 31,	2004	2003
Number of sales associates ⁽¹⁾	3,117	2,330
Total number of applications	74,492	62,544
Closing ratio ⁽²⁾	59.0%	56.8%
Total number of originations	43,926	35,503
Average loan size	\$ 155	\$ 150
Total originations	\$6,816,517	\$5,310,881
Non-prime / prime origination ratio	30.7 : 1	8.8 : 1
Loan sales	\$6,744,056	\$5,301,341
Net gain on sale – gross margin ⁽³⁾	2.07%	3.64%
Direct origination expenses, net	\$ 102,878	\$ 56,468

⁽¹⁾ Includes all direct sales and back office sales support associates.

⁽²⁾ Percentage of loans funded divided by total applications in the period.

⁽³⁾ Defined as gain on sale of mortgage loans (including mortgage servicing rights and net of direct origination expenses) divided by origination volume.

Gains on sales of mortgage loans declined \$52.2 million as a result of a decline in our gross margin, partially offset by a 28.4% increase in origination volume. Our net gain on sale, or gross margin, on mortgage loans originated and sold during the quarter declined from 3.64% in the prior year to 2.07% in the current quarter. This decline is due to increased direct loan origination expenses and the timing of increases in the rates we charge to borrowers compared with increases in market interest rates. Direct origination expenses increased \$46.4 million, primarily due to the increases in broker incentives and origination volume. In times of rapidly rising interest rates, our loan sale pricing tends to decline as increases in our borrower interest rates generally lag market rate increases. Market interest rates, based on a two-year swap, increased from 1.88% in April to 3.14% at the end of the current quarter, up 126 basis points. However, our weighted average coupon charged to borrowers increased only 15 basis points, from 7.06% to 7.21%, resulting in lower margins on loan sales.

[Table of Contents](#)

Impairments of residual interests in securitizations of \$3.4 million were recognized in the current period, compared to \$10.7 million for the three months ended July 31, 2003.

The following table summarizes the key drivers of loan servicing revenues:

	(dollars in 000s)	
Three months ended July 31,	2004	2003
Average servicing portfolio:		
With related MSR	\$37,524,221	\$28,466,571
Without related MSR	10,012,639	4,290,654
	<u>\$47,536,860</u>	<u>\$32,757,225</u>
Number of loans serviced	344,659	261,344
Average delinquency rate	5.01%	6.60%
Value of MSR	\$ 123,980	\$ 106,056

Loan servicing revenues increased \$10.5 million, or 21.8%, compared to the prior year. The increase reflects a higher loan servicing portfolio. The average servicing portfolio for the three-month period ended July 31, 2004 increased \$14.8 billion, or 45.1%, to \$47.5 billion.

Accretion of residual interests of \$25.7 million for the three months ended July 31, 2004 represents a decrease of \$8.4 million from prior year accretion of \$34.1 million. This decrease is primarily due to two factors. First, the sale of previously securitized residual interests during fiscal year 2004 eliminated future accretion on those residual interests. Second, over the past two fiscal years, the residuals we have retained from our securitizations were initially recorded at little to no value. As we recognize write-ups in value related to these residual interests, income recognition is initially low, but increases as the timing of cash flows approaches.

During the first quarter of fiscal year 2005, our residual interests continued to perform better than expected compared to internal valuation models, primarily due to lower than originally modeled credit losses. We recorded favorable pretax mark-to-market adjustments, which increased the fair value of our residual interests \$66.4 million during the quarter. These adjustments were recorded, net of write-downs of \$12.9 million and deferred taxes of \$20.4 million, in other comprehensive income and will be accreted into income throughout the remaining life of those residual interests. Future changes in interest rates or other assumptions, based on market conditions or actual loan pool performance, could cause additional adjustments to the fair value of the residual interests and could cause changes to the accretion of these residual interests in future periods. Favorable mark-to-market adjustments on low original value residuals will generally not be accreted into revenues until the residual interest begins to cash flow.

Accretion of beneficial interest in Trusts increased \$17.6 million, or 64.9%, over the prior year due primarily to a higher balance of loans held by the Trusts, partially offset by a decline in the interest margin earned. The average balance of loans held by the Trusts increased to \$4.0 billion from \$2.0 billion in the prior year. The interest margin, the difference between the rate on the underlying loans and the financing costs of the Trusts, decreased to 4.78% during the current period, from 5.51% in the prior year.

Total expenses for the three months ended July 31, 2004, increased \$45.8 million, or 35.6%, over the year-ago quarter. This increase is primarily due to \$23.7 million in increased compensation and benefits as a result of a 30.4% increase in sales associates needed to support higher loan production volumes and bonuses paid in the current quarter. Costs related to servicing of mortgage loans increased \$9.4 million as a result of a higher average servicing portfolio during the three months ended July 31, 2004. Other expenses increased \$12.0 million for the current quarter, primarily due to increases in consulting, travel and stock-based compensation expenses.

Pretax income decreased \$70.3 million to \$93.5 million for the three months ended July 31, 2004.

Three months ended July 31, 2004 compared to April 30, 2004

Mortgage Services' revenues decreased \$82.2 million, or 23.5%, for the three months ended July 31, 2004, compared to the preceding quarter. Revenue decreased due to lower gains on sales of mortgage assets and lower accretion income.

[Table of Contents](#)

The following table summarizes the key drivers of gains on sales of mortgage loans:

Three months ended	(dollars in 000s)	
	July 31, 2004	April 30, 2004
Number of sales associates ⁽¹⁾	3,117	2,812
Total number of applications	74,492	74,537
Closing ratio ⁽²⁾	59.0%	56.0%
Total number of originations	43,926	41,755
Average loan size	\$ 155	\$ 150
Total originations	\$6,816,517	\$6,246,830
Non-prime / prime origination ratio	30.7 : 1	19.0 : 1
Loan sales	\$6,744,056	\$6,294,346
Net gain on sale – gross margin ⁽³⁾	2.07%	2.89%
Direct origination expenses, net	\$ 102,878	\$ 97,629

(1) Includes all direct sales and back office sales support associates.

(2) Percentage of loans funded divided by total applications in the period.

(3) Defined as gain on sale of mortgage loans (including mortgage servicing rights and net of direct origination expenses) divided by origination volume.

Gains on sales of mortgage loans declined \$39.7 million as a result of a decrease in the net gain on sale, or gross margin, from 2.89% in the preceding quarter to 2.07% in the current quarter, which was partially offset by a 9.1% increase in originations. The decline in the net gain on sale is due to the timing of increases in the rates we charge to borrowers compared with increases in market interest rates. In times of rapidly rising interest rates, our loan sale pricing tends to decline as increases in our borrower interest rates generally lag market rate increases. Market interest rates, based on a two-year swap, increased from 1.88% in early April to 3.14% at the end of July, up 126 basis points. However, our coupon charged to borrowers increased only 15 basis points, from 7.06% to 7.21%, resulting in lower margins on loan sales.

During the fourth quarter of fiscal year 2004 we recorded \$23.7 million in gains on sales of previously securitized residual interests. There were no such gains in the current quarter.

Impairments of residual interests in securitizations of \$3.4 million were recognized during the first quarter, compared to \$4.6 million for the three months ended April 30, 2004.

The following table summarizes the key drivers of loan servicing revenues:

Three months ended	(dollars in 000s)	
	July 31, 2004	April 30, 2004
Average servicing portfolio:		
With related MSRs	\$37,524,221	\$35,417,936
Without related MSRs	10,012,639	8,062,494
	<u>\$47,536,860</u>	<u>\$43,480,430</u>
Number of loans serviced	344,659	324,364
Average delinquency rate	5.01%	5.47%
Value of MSRs	\$ 123,980	\$ 113,821

Loan servicing revenues increased \$2.2 million, or 3.9%, compared to the fourth quarter of fiscal year 2004. The increase reflects a higher loan-servicing portfolio. The average servicing portfolio for the three months ended July 31, 2004 increased \$4.1 billion, or 9.3%, to \$47.5 billion.

Accretion of residual interests of \$25.7 million represents a decrease of \$24.0 million from the preceding quarter's accretion of \$49.6 million. This decrease is due to two factors. First, the sale of previously securitized residual interests during the fourth quarter eliminated future accretion on those residual interests. Second, over the past two fiscal years, the residuals we have retained from our securitizations were initially recorded at little to no value. As we recognize write-ups in value related to these residual interests, income recognition is initially low, but increases as the timing of cash flows approaches.

Accretion of beneficial interest in Trusts increased \$2.8 million, or 6.8%, for the quarter ended July 31, 2004, due to a 16.2% increase in the average balance on loans held by the Trusts, partially offset

[Table of Contents](#)

by a decrease in the interest margin to 4.78% during the three months ended July 31, 2004, from 5.06% in the fourth quarter.

Total expenses of \$174.6 million for the current quarter were basically flat compared to the fourth quarter of fiscal year 2004. Costs related to servicing mortgage loans increased \$5.8 million, or 12.5%, resulting from the increased servicing portfolio. This increase was partially offset by a \$4.2 million decline in compensation and benefits.

Pretax income decreased \$82.4 million, or 46.8%, for the three months ended July 31, 2004 compared to the preceding quarter.

Fiscal 2005 outlook

Our fiscal year 2005 outlook for our Mortgage Services segment is generally unchanged from the discussion in our April 30, 2004 Form 10-K. In both rising and declining interest rate environments, our interest rates charged to borrowers lag the secondary market rates, as we experienced during the first quarter of fiscal year 2005. To the extent we are able to adjust rates charged to borrowers, relative to prevailing market rates, we expect to recover approximately 50 basis points of margin during our second quarter, and return to a more normalized level during the third and fourth quarters.

Based on these assumptions, we still expect our mortgage segment pretax income to be flat to slightly down from fiscal year 2004, excluding the gain on sale of previously securitized residual interests.

BUSINESS SERVICES

This segment offers middle-market companies accounting, tax and consulting services, wealth management, retirement resources, payroll services, corporate finance and financial process outsourcing.

Business Services – Operating Statistics

Three months ended July 31,	2004	2003
Accounting, tax and consulting:		
Chargeable hours	537,035	516,386
Chargeable hours per person	269	263
Net collected rate per hour	\$ 126	\$ 122
Average margin per person	\$ 16,327	\$ 15,826

Business Services – Operating Results

Three months ended July 31,	2004	2003
(in 000s)		
Service revenues:		
Accounting, tax and consulting	\$ 68,360	\$ 60,901
Capital markets	15,777	16,630
Payroll, benefits and retirement services	4,654	4,558
Other services	2,463	—
	91,254	82,089
Other	17,848	16,410
Total revenues	<u>109,102</u>	<u>98,499</u>
Cost of services:		
Compensation and benefits	44,408	37,522
Occupancy	4,606	4,947
Other	8,541	6,802
	57,555	49,271
Selling, general and administrative	61,618	55,907
Total expenses	<u>119,173</u>	<u>105,178</u>
Pretax loss	<u>\$ (10,071)</u>	<u>\$ (6,679)</u>

Three months ended July 31, 2004 compared to July 31, 2003

Business Services' revenues for the three months ended July 31, 2004 increased \$10.6 million, or 10.8%, from the prior year. This increase was primarily due to a \$7.5 million increase in accounting, tax and consulting revenues, resulting from a 4.0% increase in chargeable hours in part related to our strategic growth

[Table of Contents](#)

initiatives, an increase in the net collected rate per hour and the acquisition of tax businesses in fiscal year 2004. The acquisition of Tax Services' former major franchises allowed us to acquire the tax businesses associated with the original McGladrey & Pullen, LLP acquisition. We were previously unable to acquire and operate these businesses in direct competition with major franchise territories. Other service revenues increased \$2.5 million from growth in our financial process outsourcing business.

Total expenses increased \$14.0 million, or 13.3%, for the three months ended July 31, 2004 compared to the prior year. Compensation and benefits costs increased \$6.9 million, primarily as a result of the tax and outsourcing businesses acquired in fiscal year 2004 and an increase in the number of professional personnel. Selling, general and administrative expenses increased \$5.7 million primarily due to additional costs associated with our strategic growth initiatives.

The pretax loss for the three months ended July 31, 2004 was \$10.1 million compared to \$6.7 million in the prior year.

Due to the seasonal nature of this segment's business, operating results for the three months ended July 31, 2004 are not comparable to the three months ended April 30, 2004 and are not indicative of the expected results for the entire fiscal year.

Fiscal 2005 outlook

Our fiscal year 2005 outlook for our Business Services segment is unchanged from the discussion in our April 30, 2004 Form 10-K.

INVESTMENT SERVICES

This segment is primarily engaged in offering advice-based brokerage services and investment planning. Our integration of investment advice and new offerings are allowing us to shift our focus from a transaction-based client relationship to a more advice-based focus.

Investment Services – Operating Statistics

Three months ended	July 31, 2004	July 31, 2003	April 30, 2004
Customer trades ⁽¹⁾	205,948	240,469	259,470
Customer daily average trades	3,269	3,589	4,119
Average revenue per trade ⁽²⁾	\$ 119.71	\$ 126.97	\$ 121.58
Active accounts:			
Traditional brokerage	394,852	462,549	438,730
Express IRAs	396,878	247,847	391,046
	<u>791,730</u>	<u>710,396</u>	<u>829,776</u>
Ending balance of assets under administration (billions)	\$ 26.6	\$ 24.3	\$ 26.7
Average assets per active account	\$ 33,592	\$ 34,160	\$ 32,215
Ending margin balances (millions)	\$ 604	\$ 517	\$ 608
Ending customer payable balances (millions)	\$ 973	\$ 923	\$ 1,007
Number of advisors	997	932	1,009
Included in the numbers above are the following relating to fee-based accounts:			
Customer accounts	7,688	4,894	6,964
Average revenue per account	\$ 1,848	\$ 1,701	\$ 2,027
Ending balance of assets under administration (millions)	\$ 1,547	\$ 916	\$ 1,494
Average assets per active account	<u>\$201,198</u>	<u>\$187,064</u>	<u>\$214,537</u>

(1) Includes only trades on which commissions are earned ("commissionable trades").

(2) Calculated as total commissions divided by commissionable trades.

Investment Services – Operating Results

(in 000s)

	Three months ended		
	July 31, 2004	July 31, 2003	April 30, 2004
Service revenue:			
Transactional revenue	\$ 19,952	\$ 25,456	\$ 24,901
Annuitized revenue	18,533	12,843	18,805
Production revenue	38,485	38,299	43,706
Other service revenue	6,262	7,976	9,047
	<u>44,747</u>	<u>46,275</u>	<u>52,753</u>
Margin interest revenue	8,760	8,530	8,459
Less: interest expense	(299)	(610)	(293)
Net interest revenue	<u>8,461</u>	<u>7,920</u>	<u>8,166</u>
Other	<u>74</u>	<u>2,182</u>	<u>815</u>
Total revenues ⁽¹⁾	<u>53,282</u>	<u>56,377</u>	<u>61,734</u>
Cost of services:			
Compensation and benefits	28,848	25,389	31,816
Occupancy	5,688	6,115	5,816
Depreciation	1,064	2,009	1,259
Other	3,755	4,002	4,849
	<u>39,355</u>	<u>37,515</u>	<u>43,740</u>
Selling, general and administrative	<u>32,198</u>	<u>32,619</u>	<u>40,536</u>
Total expenses	<u>71,553</u>	<u>70,134</u>	<u>84,276</u>
Pretax loss	<u>\$ (18,271)</u>	<u>\$ (13,757)</u>	<u>\$ (22,542)</u>

⁽¹⁾ Total revenues, less interest expense.

Three months ended July 31, 2004 compared to July 31, 2003

Investment Services' revenues, net of interest expense, for the three months ended July 31, 2004 decreased \$3.1 million, or 5.5%. The decrease is primarily due to the weak investment climate.

Transactional revenue, which is based on transaction or trade quantities, decreased \$5.5 million, or 21.6%, from the prior year due primarily to a 14.4% decline in trading volume. Additionally, the average revenue per trade declined 5.7% over the prior year.

Annuitized revenues increased \$5.7 million, or 44.3%, due to increased sales of annuities and mutual funds. The shift in revenues between transactional and annuitized revenues shows our continued move toward an advice-based focus.

Other service revenue declined \$1.7 million, or 21.5%, from the prior year's first quarter due to lower underwriting fees primarily related to fixed income product sales.

Margin interest revenue increased 2.7% from the prior year, which is primarily a result of a 19.4% increase in average margin balances. Margin balances have increased from an average of \$501.1 million for the three months ended July 31, 2003 to \$598.1 million in the current period.

Total expenses increased \$1.4 million, or 2.0%, primarily as a result of \$3.5 million of additional compensation and benefits primarily due to a higher commission rate than the prior year and new financial advisors. This increase was partially offset by a decline in depreciation costs as a result of the consolidation of field offices.

The pretax loss for Investment Services for the first quarter of fiscal year 2005 was \$18.3 million compared to the prior year loss of \$13.8 million.

Three months ended July 31, 2004 compared to April 30, 2004

Investment Services' revenues, net of interest expense, for the three months ended July 31, 2004 decreased \$8.5 million, or 13.7%, compared to the preceding quarter. The decrease is primarily due to the impact of market conditions on advisor productivity and fewer advisors.

Transactional revenue decreased \$4.9 million, or 19.9%, primarily due to the 20.6% decline in trading volume and a decline in the average revenue per trade. Productivity averaged \$155,000 per advisor during the first quarter compared to \$177,000 per advisor in the fourth quarter of fiscal year 2004. This decline is attributable to market conditions. We recruited a total of 55 new advisors during the quarter and expect to continue to increase our recruiting efforts throughout the year. However, our total

[Table of Contents](#)

advisor count declined from 1,009 to 997 during the period as our recruiting efforts were offset by advisor attrition.

Total expenses decreased \$12.7 million from the preceding quarter, partially due to the disposition of certain assets in the first quarter. Additionally, compensation and benefits decreased \$3.0 million, primarily as a result of the decline in transactional revenues.

The pretax loss for the Investment Services segment was \$18.3 million, compared to a loss of \$22.5 million in the fourth quarter of fiscal year 2004.

Fiscal 2005 outlook

Our fiscal year 2005 outlook for our Investment Services segment is unchanged from the discussion in our April 30, 2004 Form 10-K.

CORPORATE

This segment consists primarily of corporate support departments, which provide services to our operating segments. These support departments consist of marketing, information technology, facilities, human resources, executive, legal, finance, government relations and corporate communications. Support department costs are generally allocated to our operating segments. Our captive insurance, franchise financing and small business initiative subsidiaries are also included within this segment.

Corporate — Operating Results

	(in 000s)	
	Three months ended July 31,	
	2004	2003
Operating revenues	\$ 4,433	\$ 2,728
Eliminations	(2,985)	(1,400)
Total revenues	<u>1,448</u>	<u>1,328</u>
Corporate expenses:		
Compensation and benefits	3,441	3,069
Interest expense on acquisition debt	17,143	17,672
Other	6,788	7,316
	<u>27,372</u>	<u>28,057</u>
Support departments:		
Information technology	25,178	23,213
Marketing	3,571	2,664
Finance	8,807	6,899
Other	20,229	10,823
	<u>57,785</u>	<u>43,599</u>
Allocation of corporate and shared costs	(57,804)	(43,777)
Investment income, net	1,132	1,567
Pretax loss	<u>\$ (24,773)</u>	<u>\$ (24,984)</u>

Three months ended July 31, 2004 compared to July 31, 2003

Information technology department expenses increased \$2.0 million, or 8.5%, primarily due to an increase in resources needed to support additional projects on behalf of operating segments and other support departments. Finance department expenses increased as a result of higher insurance costs. Other department expenses increased primarily due to \$3.4 million of additional stock-based compensation expenses and increases in the cost of employee insurance and supply sales to franchises.

The pretax loss was \$24.8 million, compared with last year's first quarter loss of \$25.0 million.

Due to the nature of this segment, the three months ended July 31, 2004 are not comparable to the three months ended April 30, 2004 and are not indicative of the expected results for the entire fiscal year.

FINANCIAL CONDITION

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

CAPITAL RESOURCES & LIQUIDITY BY SEGMENT

Our sources of capital include cash from operations, issuances of common stock and debt. We use capital primarily to fund working capital requirements, pay dividends, repurchase our shares and acquire businesses.

Cash From Operations. Cash used in operations totaled \$514.1 million and \$107.9 million for the three months ended July 31, 2004 and 2003, respectively. The increase in cash used in operating activities is primarily due to Mortgage and Tax Services. Mortgage Services used \$50.8 million in operations in the current quarter, compared to providing \$106.6 million in the first quarter of fiscal year 2004, while Tax Services used \$90.4 million more in cash for off-season costs and working capital requirements. Additionally, income tax payments during the current quarter increased \$110.3 million due to a change in a tax accounting method, which resulted in an acceleration of taxable income.

Issuance of Common Stock. We issue shares of common stock, in accordance with our stock-based compensation plans, out of treasury shares. Proceeds from the issuance of common stock totaled \$12.4 million and \$14.1 million for the three months ended July 31, 2004 and 2003, respectively.

Debt. As of July 31, 2004, we had commercial paper borrowings of \$104.9 million outstanding. Commercial paper issuance during the quarter supported various cash requirements including share repurchases, income taxes, annual incentive compensation obligations and other off-season working capital needs.

Dividends. Dividends paid totaled \$33.6 million and \$32.4 million for the three months ended July 31, 2004 and 2003, respectively.

Share Repurchases. On June 9, 2004, our Board of Directors approved an authorization to repurchase 15 million shares. This authorization is in addition to the authorization of 20 million shares on June 11, 2003. During the three months ended July 31, 2004, we repurchased 7.4 million shares pursuant to these authorizations at an aggregate price of \$345.3 million or an average price of \$46.55 per share. There are 18.9 million shares remaining under these authorizations at July 31, 2004. We plan to continue to purchase shares on the open market in accordance with these authorizations, subject to various factors including the price of the stock, the availability of excess cash, our ability to maintain liquidity and financial flexibility, securities laws restrictions and other investment opportunities available.

Restricted Cash. We hold certain cash balances that are restricted as to use. Cash and cash equivalents — restricted totaled \$509.8 million at July 31, 2004. Investment Services held \$482.0 million of this total segregated in a special reserve account for the exclusive benefit of customers. Investment Services' restricted cash balance has fallen from \$531.6 million at the beginning of fiscal year 2005. Restricted cash of \$13.6 million at July 31, 2004 held by Business Services is related to funds held to pay payroll taxes on behalf of its customers. Restricted cash held by Mortgage Services totaled \$14.1 million and is held for outstanding commitments to fund mortgage loans.

Fiscal Year 2005 Outlook. Our \$250.0 million 63/4% Senior Notes are due in November 2004. In August 2004 we filed a shelf registration statement with the SEC for up to \$1.0 billion in debt securities. Combined with the unused allotment from a prior shelf registration statement, we have up to \$1.25 billion available for issuance of debt securities under shelf registration statements. We may choose to issue registered notes in October 2004 to refinance the Senior Notes currently outstanding.

Segment Cash Flows. A condensed consolidating statement of cash flows by segment for the three months ended July 31, 2004 follows. Generally, interest is not charged on intercompany activities between segments.

						(in 000s)
	Tax Services	Mortgage Services	Business Services	Investment Services	Corporate	Consolidated H&R Block
Cash provided by (used in):						
Operations	\$(227,977)	\$(50,808)	\$ 6,674	\$(10,571)	\$(231,382)	\$(514,064)
Investing	(2,036)	27,572	(3,302)	9,561	(8,388)	23,407
Financing	—	—	(194)	—	(263,725)	(263,919)
Net intercompany	224,571	78,152	(2,481)	5,140	(305,382)	—

[Table of Contents](#)

Net intercompany activities are excluded from investing and financing activities within the segment cash flows. We believe that by excluding intercompany activities, the cash flows by segment more clearly depicts the cash generated and used by each segment. Had intercompany activities been included, those segments in a net lending situation would have been included in investing activities, and those in a net borrowing situation would have been included in financing activities.

Tax Services. Tax Services has historically been our largest provider of annual operating cash flows. The seasonal nature of Tax Services generally results in a large positive operating cash flow in the fourth quarter. Tax Services used \$228.0 million in its first quarter operations to cover off-season costs and working capital requirements.

Mortgage Services. This segment primarily generates cash as a result of the sale and securitization of mortgage loans and residual interests, and as its residual interests mature. Mortgage Services used \$50.8 million in cash from operating activities primarily due to lower income during the quarter and an increase in loans held for sale. This segment also generated \$27.6 million in cash from investing activities primarily related to cash received from residual interests.

Gains on sales. Gains on sales of mortgage loans and related assets totaled \$137.5 million, of which 82% was received as cash. The cash was primarily recorded as operating activities. The percent of gains on sales of mortgage assets received as cash is calculated as follows:

Three months ended July 31,	(in 000s)	
	2004	2003
Cash:		
Whole loans sold by the Trusts	\$ 216,261	\$154,415
Loans securitized	—	98,649
Direct origination expenses, net	(102,878)	(56,468)
	<u>113,383</u>	<u>196,596</u>
Non-cash:		
Retained mortgage servicing rights	28,493	24,482
Changes in beneficial interest in Trusts	(1,647)	(25,353)
Impairments to fair value of residual interests	(3,435)	(10,743)
Net change in fair value of rate-lock commitments	676	(2,649)
	<u>24,087</u>	<u>(14,263)</u>
Reported gains on sales of mortgage assets	<u>\$ 137,470</u>	<u>\$182,333</u>
Percent of gains received as cash	82%	108%

Another important measure of cash generation is the percentage of cash proceeds we receive from our capital market transactions. These amounts are also included within the gain on sale of mortgage assets as reconciled below. The percent calculation is as follows:

Three months ended July 31,	(in 000s)	
	2004	2003
Cash proceeds:		
Whole loans sold by the Trusts	\$ 216,261	\$154,415
Loans securitized	—	98,649
	<u>216,261</u>	<u>253,064</u>
Non-cash:		
Retained mortgage servicing rights	<u>28,493</u>	<u>24,482</u>
Portion of gain on sale related to capital market transactions	<u>244,754</u>	<u>277,546</u>
Other items included in gain on sale:		
Changes in beneficial interest in Trusts	(1,647)	(25,353)
Impairments to fair value of residual interests	(3,435)	(10,743)
Net change in fair value of rate-lock commitments	676	(2,649)
Direct origination expenses, net	(102,878)	(56,468)
	<u>(107,284)</u>	<u>(95,213)</u>
Reported gains on sales of mortgage assets	<u>\$ 137,470</u>	<u>\$182,333</u>
Percent of gain on sale related to capital market transactions received as cash ⁽¹⁾	88%	91%

⁽¹⁾ Cash proceeds divided by portion of gain on sale related to capital market transactions.

[Table of Contents](#)

Warehouse Funding. To finance our prime originations, we utilize an on-balance sheet warehouse facility with capacity up to \$50 million. This annual facility is currently in the final stage of renegotiation, during which time the original maturity has been extended on a month-to-month basis. This facility bears interest at one-month LIBOR plus 64 to 175 basis points. As of July 31, 2004 and April 30, 2004 the balance outstanding under this facility was \$2.2 million and \$4.0 million, respectively.

To fund our non-prime originations, we utilize five off-balance sheet warehouse Trusts. The facilities used by the Trusts had a total capacity of \$7.0 billion as of July 31, 2004. See discussion below in "Off-Balance Sheet Financing Arrangements."

We believe the sources of liquidity available to the Mortgage Services segment are sufficient for its needs.

Business Services. Business Services funding requirements are largely related to receivables for completed work and "work in process." We provide funding sufficient to cover their working capital needs. This segment provided \$6.7 million in operating cash flows during the first quarter.

Investment Services. Investment Services, through HRBFA, is subject to regulatory requirements intended to ensure the general financial soundness and liquidity of broker-dealers.

At July 31, 2004, HRBFA's net capital of \$117.4 million, which was 17.7% of aggregate debit items, exceeded its minimum required net capital of \$13.3 million by \$104.1 million. During the first quarter, we contributed additional capital of \$5.0 million, even though HRBFA was in excess of the minimum net capital requirement, and we may continue to do so in the future.

In fiscal year 2004, Investment Services used \$10.6 million in its operating activities primarily due to increased operating costs and lower revenues.

Liquidity needs relating to client trading and margin-borrowing activities are met primarily through cash balances in client brokerage accounts and working capital. We believe these sources of funds will continue to be the primary sources of liquidity for Investment Services. Stock loans have historically been used as a secondary source of funding and could be used in the future, if warranted.

Pledged securities at July 31, 2004 totaled \$46.2 million, an excess of \$6.7 million over the margin requirement. Pledged securities at the end of fiscal year 2004 totaled \$46.3 million, an excess of \$7.9 million over the margin requirement.

We believe the funding sources for Investment Services are stable. Liquidity risk within this segment is primarily limited to maintaining sufficient capital levels to obtain securities lending liquidity to support margin borrowing by customers.

OFF-BALANCE SHEET FINANCING ARRANGEMENTS

Substantially all non-prime mortgage loans we originate are sold daily to the Trusts. The Trusts purchase the loans from us utilizing five warehouse facilities, arranged by us. These warehouse facilities were increased to \$8.0 billion subsequent to the end of the first quarter. These various facilities bear interest at one-month LIBOR plus 50 to 100 basis points and expire on various dates during the year.

There have been no other material changes in our off-balance sheet financing arrangements from those reported at April 30, 2004 in our Annual Report on Form 10-K.

COMMERCIAL PAPER ISSUANCE

Borrowings of \$104.9 million were outstanding at July 31, 2004, with zero outstanding at April 30, 2004.

Our U.S. commercial paper issuances are supported by an unsecured CLOC from a consortium of twenty-four banks. The \$2.0 billion CLOC is subject to annual renewal in August 2004 and has a one-year term-out provision with a maturity date in August 2005. This line is subject to various affirmative and negative covenants, including a net worth covenant. The CLOC was undrawn at July 31, 2004.

Subsequent to July 31, 2004, we replaced our \$2.0 billion CLOC with two CLOCs. The new CLOCs are from a consortium of thirty-one banks. The first \$1.0 billion CLOC is subject to annual renewal in August 2005 and has a one-year term-out provision with a maturity date in August 2006. A second \$1.0 billion CLOC has a maturity date of August 2009. These lines are subject to various affirmative and negative covenants, including a minimum net worth covenant. These CLOCs are for working capital use, general corporate purposes and commercial paper back-up.

[Table of Contents](#)

At July 31, 2004, there was no commercial paper outstanding under the Block Canada commercial paper program.

There have been no other material changes in our commercial paper program from those reported at April 30, 2004 in our Annual Report on Form 10-K.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

There have been no material changes in our contractual obligations and commercial commitments from those reported at April 30, 2004 in our Annual Report on Form 10-K.

REGULATORY ENVIRONMENT

There have been no material changes in our regulatory environment from those reported at April 30, 2004 in our Annual Report on Form 10-K.

FORWARD-LOOKING INFORMATION

In this report, and from time to time throughout the year, we share our expectations for our future performance. These forward-looking statements are based upon current information, expectations, estimates and projections regarding the Company, the industries and markets in which we operate, and our assumptions and beliefs at that time. These statements speak only as of the date on which they are made, are not guarantees of future performance, and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results could materially differ from what is expressed, implied or forecast in these forward-looking statements. Words such as “believe,” “will,” “plan,” “expect,” “intend,” “estimate,” “approximate,” and similar expressions may identify such forward-looking statements.

There have been no material changes in our risk factors from those reported at April 30, 2004 in our Annual Report on Form 10-K.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risks from those reported at April 30, 2004 in our Annual Report on Form 10-K.

CONTROLS AND PROCEDURES

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, such as this Form 10-Q, is recorded, processed, summarized and reported in accordance with the SEC’s rule. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer or persons performing similar functions, as appropriate, to allow timely decisions regarding disclosure.

Our Disclosure Controls were designed to provide reasonable assurance that the controls and procedures would meet their objectives. Our management, including the CEO and Principal Accounting 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 errors or mistakes. 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.

[Table of Contents](#)

As of July 31, 2004, we evaluated the effectiveness of the design and operation of our Disclosure Controls. The controls evaluation was done under the supervision and with the participation of management, including our CEO and Principal Accounting Officer.

The evaluation of our Disclosure Controls included a review of the controls' objectives and design, our implementation of the controls and the effect of the controls on the information generated for use in this Form 10-Q. In our Form 10-K for the year ended April 30, 2004, we reported a series of control weaknesses related to our corporate tax accounting function. These weaknesses related specifically to the reconciliation and level of detailed support of both current and deferred income tax accounts. We also determined an acceleration of taxable income was warranted in one of our segments, although there was no change to our total income tax provision. Upon identification of these control weaknesses, immediate corrective action was undertaken. Our efforts to strengthen financial and internal controls continue. We expect these efforts to be completed by the end of fiscal year 2005.

Based on this evaluation, other than the item described above, our CEO and Principal Accounting Officer have concluded these controls are effective. There have been no significant changes in internal controls, or in other factors, which would significantly affect these controls subsequent to the date of evaluation.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

RAL Litigation

We reported in current reports on Forms 8-K, previous quarterly reports on Form 10-Q and in our annual report on Form 10-K for the year ended April 30, 2004, certain events and information regarding lawsuits throughout the country regarding our refund anticipation loan programs (collectively, "RAL Cases"). The RAL Cases have involved a variety of legal theories asserted by plaintiffs. These theories include allegations that, among other things, disclosures in the RAL applications were inadequate, misleading and untimely, the RAL interest rates were usurious and unconscionable, we did not disclose that we would receive part of the finance charges paid by the customer for such loans, breach of state laws on credit service organizations, breach of contract, unjust enrichment, unfair and deceptive acts or practices, violations of the Racketeer Influenced and Corrupt Organizations (RICO) Act, violations of the Fair Debt Collection Practices Act and we owe and breached a fiduciary duty to our customers in connection with the RAL program.

The amounts claimed in the RAL Cases have been substantial in some instances. We have successfully defended against numerous RAL Cases, although several of the RAL Cases are still pending. Of these RAL Cases that are no longer pending, some were dismissed on our motions for dismissal or summary judgment and others were dismissed voluntarily by the plaintiffs after denial of class certification. Other cases were settled, with one settlement resulting in a pretax expense of \$43.5 million in fiscal year 2003 (the "Texas RAL Settlement").

We continue to believe we have meritorious defenses to the RAL Cases, and we intend to defend the remaining RAL Cases vigorously. There can be no assurances, however, as to the outcome of the pending RAL Cases individually or in the aggregate. Furthermore, there can be no assurances regarding the impact of the RAL Cases on our financial statements. We have accrued our best estimate of the probable loss related to the RAL Cases. The following is updated information regarding the pending RAL Cases in which developments occurred during or after the three months ended July 31, 2004:

Lynne A. Carnegie, et al. v. Household International, Inc., H&R Block, Inc., et al., (formerly Joel E. Zawikowski, et al. v. Beneficial National Bank, H&R Block, Inc., Block Financial Corporation, et al.) Case No. 98 C 2178, United States District Court for the Northern District of Illinois, Eastern Division, instituted on April 18, 1998. On April 15, 2003, the District Court judge declined to approve a \$25.0 million settlement of this matter, finding that counsel for the settlement plaintiffs had been inadequate representatives of the plaintiff class and failed to sustain their burden of showing that the settlement was fair. The judge subsequently appointed new counsel for the plaintiffs who filed an amended complaint and a motion for partial summary judgment. On March 29, 2004, the court either dismissed or

[Table of Contents](#)

decertified all of the plaintiffs' claims other than part of one count alleging violations of the racketeering and conspiracy provisions of the RICO Act. The United States Court of Appeals for the Seventh Circuit subsequently affirmed the trial court's certification of a nationwide class on the RICO count. We intend to continue defending the case vigorously, but there are no assurances as to its outcome.

Joyce Green, et al. v. H&R Block, Inc., Block Financial Corporation, et al., Case No. 97195023, in the Circuit Court for Baltimore City, Maryland, instituted on July 14, 1997. On September 8, 2004, our Board of Directors approved a settlement agreement that provides for each class member to receive a small cash payment and a one-time rebate coupon for tax return preparation services and for the defendants to pay settlement administration costs and court-approved legal fees of class counsel. We estimate the eventual cost of this settlement to approximate \$1.5 million. The settlement agreement is subject to, and will not be final until receipt of, approval from the Circuit Court.

Lynn Becker v. H&R Block, Case No. CV-2004-03-1680 in the Court of Common Pleas, Summit County, Ohio, instituted on April 15, 2004. Plaintiffs filed an amended complaint on May 3, 2004, containing class allegations. Defendants removed the case to federal court and moved for enforcement of the RAL application's arbitration provisions. Plaintiffs moved to remand the case back to state court and all action in the case has been stayed pending determination of the remand motion.

Peace of Mind Litigation

Lorie J. Marshall, et al. v. H&R Block Tax Services, Inc., et al., Civil Action 2002L000004, in the Circuit Court of Madison County, Illinois, is a class action case filed on January 18, 2002, as to which the court granted plaintiffs' first amended motion for class certification on August 27, 2003. Plaintiffs' claims consist of five counts relating to the defendants' Peace of Mind program under which the applicable tax return preparation subsidiary assumes liability for the cost of additional tax assessments attributable to tax return preparation error. The plaintiffs allege that defendants' sale of its Peace of Mind guarantee constitutes statutory fraud by selling insurance without a license, an unfair trade practice, by omission and by "cramming" (i.e., charging customers for the guarantee even though they did not request it and/or did not want it), and constitutes a breach of fiduciary duty. In August 2003, the court certified the following plaintiff classes: (1) all persons who were charged a separate fee for Peace of Mind by "H&R Block" or a defendant H&R Block class member from January 1, 1997 to final judgment; (2) all persons who reside in certain class states and who were charged a separate fee for Peace of Mind by "H&R Block," or a defendant H&R Block class member, and that was not licensed to sell insurance, from January 1, 1997 to final judgment; and (3) all persons who had an unsolicited charge for Peace of Mind posted to their bills by "H&R Block" or a defendant H&R Block class member from January 1, 1997, to final judgment. Among those excluded from the plaintiff classes are all persons who received the Peace of Mind guarantee through an H&R Block Premium office and all persons who reside in Texas and Alabama. The court also certified a defendant class consisting of any entity with the names "H&R Block" or "HRB" in its name, or otherwise affiliated or associated with H&R Block Tax Services, Inc., and which sold or sells the Peace of Mind product. The trial court subsequently denied the defendants' motion asking the trial court to certify the class certification issues for interlocutory appeal. Discovery is proceeding.

There is one other putative class action pending against us in Texas that involves the Peace of Mind guarantee. This case is being tried before the same judge that presided over the Texas RAL Settlement and involves the same plaintiffs attorneys that are involved in the Marshall litigation in Illinois and substantially similar allegations. No class has been certified in this case.

We believe the claims in these Peace of Mind actions are without merit and we intend to defend them vigorously. However, there can be no assurances as to the outcome of these pending actions individually or in the aggregate, and there can be no assurances on the impact of these actions on our consolidated results of operations or financial position.

Other Claims and Litigation

As with other broker-dealers that distribute mutual fund shares, HRBFA is the subject of an investigation by the National Association of Securities Dealers, Inc. (NASD) into activities characterized as "market timing" and "late trading" of mutual fund shares by HRBFA. The NASD staff has notified HRBFA that on the basis of its investigation it has preliminarily determined to recommend a disciplinary action against HRBFA for violating various federal securities laws and

[Table of Contents](#)

NASD rules in connection with market timing activities that took place primarily in one of HRBFA's offices. HRBFA has provided the NASD a written response to its allegations. HRBFA is cooperating with the NASD and has conducted its own internal investigation. While we cannot provide assurance regarding the ultimate resolution of this matter, we believe the resolution of this matter will not have a material adverse effect on our financial statements.

As part of an industry-wide review, the Internal Revenue Service (IRS) is investigating tax-planning strategies that certain RSM clients utilized during fiscal years 2000 through 2003. Specifically, the IRS is examining these strategies to determine whether RSM complied with tax shelter registration and listing regulations and whether such strategies were appropriate. If the IRS were to determine that these strategies were inappropriate, clients that utilized the strategies could face penalties and interest for underpayment of taxes and may attempt to seek recovery from RSM. While there can be no assurance regarding the outcome of this matter, we do not believe its resolution will have a material adverse effect on our operations, consolidated results of operations or financial position.

As reported in current report on Form 8-K dated December 12, 2003, the United States SEC informed outside counsel to the Company on December 11, 2003 that the Commission had issued a Formal Order of Investigation concerning our disclosures, in and before November 2002, regarding RAL litigation to which we were and are a party. There can be no assurances as to the outcome and resolution of this matter.

We have from time to time been party to claims and lawsuits not discussed herein arising out of our business operations, including additional claims and lawsuits concerning RALs, the Peace of Mind guarantee program, the Express IRA program and claims and lawsuits concerning the preparation of customers' income tax returns, the electronic filing of customers' tax returns, the fees charged customers for various products and services, losses incurred by customers with respect to their investment accounts, relationships with franchisees, denials of mortgage loans, contested mortgage foreclosures, other aspects of the mortgage business, intellectual property disputes, and contract disputes. Such lawsuits include actions by individual plaintiffs, as well as cases in which plaintiffs seek to represent a class of similarly situated customers. The amounts claimed in these claims and lawsuits are substantial in some instances and the ultimate liability with respect to such litigation and claims is difficult to predict. We consider these cases to be ordinary, routine litigation incidental to our business, we believe we have meritorious defenses to each of them, and we are defending, or intend to defend, them vigorously. 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 matters will not have a material adverse effect on our consolidated results of operations or financial position.

ITEM 2. CHANGES IN SECURITIES AND USES OF PROCEEDS

A summary of our purchases of H&R Block common stock during the first quarter of fiscal year 2005 is as follows:

	(shares in 000s)			
	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 Number of Shares that May Be Purchased Under the Plans or Programs ⁽²⁾
May 1 – May 31	4,837	\$46.11	4,837	6,495
June 1 – June 30	1,613	\$47.28	1,613	19,882
July 1 – July 31	1,012	\$47.55	969	18,913

⁽¹⁾ Of the total number of shares purchased, 42,934 shares were purchased in connection with the funding of employee income tax withholding obligations arising upon the exercise of stock options or the lapse of restrictions on restricted shares.

⁽²⁾ On June 11, 2003 and June 9, 2004, our Board of Directors approved the repurchase of 20 million shares and 15 million shares, respectively, of H&R Block, Inc. common stock. These authorizations have no expiration dates.

[Table of Contents](#)

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

- 10.1 364-Day Credit and Guarantee Agreement dated as of August 11, 2004 among Block Financial Corporation, H&R Block, Inc., Bank of America, N.A., Barclays Bank PLC, HSBC Bank USA, National Association, The Royal Bank of Scotland PLC, JPMorgan Chase Bank, J.P. Morgan Securities, Inc. and other lending parties thereto.
- 10.2 Five-Year Credit and Guarantee Agreement dated as of August 11, 2004 among Block Financial Corporation, H&R Block, Inc., Bank of America, N.A., Barclays Bank PLC, HSBC Bank USA, National Association, The Royal Bank of Scotland PLC, JPMorgan Chase Bank, J.P. Morgan Securities, Inc. and other lending parties thereto.
- 10.3 License Agreement dated as of June 30, 2004 by and between Sears, Roebuck and Co. and H&R Block Services, Inc.
- 10.4 Employment Agreement dated as of June 28, 2004 by and between H&R Block Services, Inc. and Timothy C. Gokey.
- 31.1 Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification by Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification by Chief Executive Officer furnished pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification by Principal Accounting Officer furnished pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.

b) Reports on Form 8-K

The registrant filed a current report on Form 8-K dated June 9, 2004, reporting under Item 12 thereof its issuance of a press release announcing the results of operations for its fourth quarter and fiscal year ending April 30, 2004.

The registrant filed a current report on Form 8-K dated July 29, 2004, reporting under Item 5 thereof its issuance of a press release announcing the dismissal of certain litigation.

SIGNATURES

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

		H&R BLOCK, INC. _____ (Registrant)
DATE 9/8/04	BY	/s/ Mark A. Ernst _____ Mark A. Ernst Chairman of the Board, President and Chief Executive Officer
DATE 9/8/04	BY	/s/ Melanie K. Coleman _____ Melanie K. Coleman Vice President and Corporate Controller

=====

364-DAY CREDIT AND GUARANTEE AGREEMENT

dated as of

August 11, 2004

among

BLOCK FINANCIAL CORPORATION,
as Borrower,

H&R BLOCK, INC.,
as Guarantor,

The Lenders Party Hereto,

BANK OF AMERICA, N.A.,

BARCLAYS BANK PLC,

HSBC BANK USA, NATIONAL ASSOCIATION, and

ROYAL BANK OF SCOTLAND PLC,
as Syndication Agents,

JPMORGAN CHASE BANK,
as Administrative Agent,

and

J.P. MORGAN SECURITIES INC.,
as Lead Arranger and Sole Bookrunner

\$1,000,000,000 364-DAY REVOLVING CREDIT FACILITY

=====

TABLE OF CONTENTS

	Page

ARTICLE I DEFINITIONS.....	1
SECTION 1.1. Defined Terms.....	1
SECTION 1.2. Terms Generally.....	16
SECTION 1.3. Classification of Loans and Borrowings.....	17
SECTION 1.4. Accounting Terms; GAAP.....	17
ARTICLE II THE CREDITS.....	17
SECTION 2.1. Commitments; Increases in Revolving Facility.....	17
SECTION 2.2. Loans and Borrowings.....	18
SECTION 2.3. Requests for Revolving Borrowings.....	19
SECTION 2.4. Swingline Loans.....	19
SECTION 2.5. Funding of Borrowings.....	21
SECTION 2.6. Interest Elections.....	21
SECTION 2.7. Termination and Reduction of Commitments.....	23
SECTION 2.8. Repayment of Loans; Term-Out Option; Evidence of Debt.....	23
SECTION 2.9. Prepayment of Loans.....	24
SECTION 2.10. Fees.....	25
SECTION 2.11. Interest.....	26
SECTION 2.12. Alternate Rate of Interest.....	26
SECTION 2.13. Increased Costs.....	27
SECTION 2.14. Break Funding Payments.....	28
SECTION 2.15. Taxes.....	28
SECTION 2.16. Payments Generally; Pro Rata Treatment; Sharing of Set-offs.....	29
SECTION 2.17. Mitigation Obligations; Replacement of Lenders.....	31
SECTION 2.18. Extension of Revolving Termination Date.....	31
ARTICLE III REPRESENTATIONS AND WARRANTIES.....	33
SECTION 3.1. Organization; Powers.....	33
SECTION 3.2. Authorization; Enforceability.....	33
SECTION 3.3. Governmental Approvals; No Conflicts.....	33
SECTION 3.4. Financial Condition; No Material Adverse Change.....	33
SECTION 3.5. Properties.....	34
SECTION 3.6. Litigation and Environmental Matters.....	34
SECTION 3.7. Compliance with Laws and Agreements.....	34
SECTION 3.8. Investment and Holding Company Status.....	35
SECTION 3.9. Taxes.....	35
SECTION 3.10. ERISA.....	35
SECTION 3.11. Disclosure.....	35
SECTION 3.12. Federal Regulations.....	35

	Page

SECTION 3.13. Subsidiaries.....	36
SECTION 3.14. Insurance.....	36
ARTICLE IV CONDITIONS.....	36
SECTION 4.1. Effective Date.....	36
SECTION 4.2. Closing Date.....	36
SECTION 4.3. Each Loan.....	37
ARTICLE V AFFIRMATIVE COVENANTS.....	37
SECTION 5.1. Financial Statements and Other Information.....	38
SECTION 5.2. Notices of Material Events.....	39
SECTION 5.3. Existence; Conduct of Business.....	39
SECTION 5.4. Payment of Taxes.....	39
SECTION 5.5. Maintenance of Properties; Insurance.....	39
SECTION 5.6. Books and Records; Inspection Rights.....	40
SECTION 5.7. Compliance with Laws.....	40
SECTION 5.8. Use of Proceeds.....	40
SECTION 5.9. Cleardown.....	40
ARTICLE VI NEGATIVE COVENANTS.....	40
SECTION 6.1. Adjusted Net Worth.....	40
SECTION 6.2. Indebtedness.....	40
SECTION 6.3. Liens.....	43
SECTION 6.4. Fundamental Changes; Sale of Assets.....	44
SECTION 6.5. Transactions with Affiliates.....	45
SECTION 6.6. Restrictive Agreements.....	45
ARTICLE VII GUARANTEE.....	46
SECTION 7.1. Guarantee.....	46
SECTION 7.2. Delay of Subrogation.....	47
SECTION 7.3. Amendments, etc. with respect to the Obligations; Waiver of Rights.....	48
SECTION 7.4. Guarantee Absolute and Unconditional.....	48
SECTION 7.5. Reinstatement.....	49
SECTION 7.6. Payments.....	49
ARTICLE VIII EVENTS OF DEFAULT.....	49
ARTICLE IX THE ADMINISTRATIVE AGENT.....	52
ARTICLE X MISCELLANEOUS.....	54
SECTION 10.1. Notices.....	54
SECTION 10.2. Waivers; Amendments.....	54
SECTION 10.3. Expenses; Indemnity; Damage Waiver.....	55

	Page

SECTION 10.4. Successors and Assigns.....	56
SECTION 10.5. Survival.....	59
SECTION 10.6. Counterparts; Integration; Effectiveness.....	59
SECTION 10.7. Severability.....	60
SECTION 10.8. Right of Setoff.....	60
SECTION 10.9. Governing Law; Jurisdiction; Consent to Service of Process.....	60
SECTION 10.10. WAIVER OF JURY TRIAL.....	61
SECTION 10.11. Headings.....	61
SECTION 10.12. Confidentiality.....	61
SECTION 10.13. Interest Rate Limitation.....	62
SECTION 10.14. Termination of Existing Agreement.....	62
SECTION 10.15. USA Patriot Act.....	62

SCHEDULES:

Schedule 2.1	Commitments
Schedule 3.4(a)	Guarantee Obligations
Schedule 3.6	Disclosed Matters
Schedule 3.13	Subsidiaries
Schedule 6.2	Existing Indebtedness
Schedule 6.3	Existing Liens
Schedule 6.4(b)	Additional Businesses
Schedule 6.6	Existing Restrictions

EXHIBITS:

Exhibit A	Form of Assignment and Acceptance
Exhibit B-1	Form of Opinion of Mayer, Brown, Rowe & Maw LLP
Exhibit B-2	Form of Opinion of Bryan Cave LLP
Exhibit C	Form of Extension Request
Exhibit D	Form of New Lender Supplement
Exhibit E	Form of Increased Facility Activation Notice

364-DAY CREDIT AND GUARANTEE AGREEMENT, dated as of August 11, 2004, among BLOCK FINANCIAL CORPORATION, a Delaware corporation, as Borrower, H&R BLOCK, INC., a Missouri corporation, as Guarantor, the LENDERS party hereto, and JPMORGAN CHASE BANK, a New York banking corporation, as Administrative Agent.

WHEREAS, the parties hereto desire to terminate the Existing Agreement (as defined below); and

WHEREAS, the Borrower has requested that the Lenders provide a 364-day revolving credit facility in an amount of \$1,000,000,000;

NOW, THEREFORE, in consideration of the agreements herein and in reliance upon the representations and warranties set forth herein, the parties agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted Net Worth" means, at any time, Consolidated Net Worth of the Guarantor without giving effect to reductions in stockholders' equity as a result of repurchases by the Guarantor of its own Capital Stock subsequent to April 30, 2004 in an aggregate amount not exceeding \$350,000,000.

"Administrative Agent" means JPMorgan Chase Bank, a New York banking corporation, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied 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.

"Agreement" means this 364-Day Credit and Guarantee Agreement, as amended, restated, supplemented or otherwise modified from time to time.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day, and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" means, with respect to any Lender, the percentage of the total 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			
		ABR Loans	Eurodollar Loans	Facility Fees Payable Hereunder	Utilization Fees Payable Hereunder
I	Higher than: A by S&P or A2 by Moody's	0%	0.18%	0.07%	0.125%
II	A by S&P or A2 by Moody's	0%	0.27%	0.08%	0.125%
III	A- by S&P and A3 by Moody's	0%	0.31%	0.09%	0.125%
IV	A - or BBB+by S&P or A3 or Baa1 by Moody's	0%	0.40%	0.10%	0.125%
V	BBB by S&P or Baa2 by Moody's	0%	0.50%	0.125%	0.125%
VI	Lower than: BBB by S&P or Baa2 by Moody's	0%	0.60%	0.150%	0.125%

; 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 either S&P or 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; provided further that for all Revolving Loans outstanding on and after the Revolving Termination Date (and deemed to be term loans pursuant to the proviso set forth in Section 2.8(a)(i)) the Applicable Rate for utilization fees payable pursuant to Section 2.10(b) shall be increased by 0.25% over such Applicable Rate otherwise then in effect as set forth above.

"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 10.4), and accepted by the Administrative Agent, substantially in the form of Exhibit A or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the Closing Date to but excluding the earlier of the Revolving Termination Date and the date of termination of the Commitments.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means Block Financial Corporation, a Delaware corporation and a wholly-owned indirect Subsidiary of the Guarantor.

"Borrowing" means (a) Revolving Loans of the same Type made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect or (b) a Swingline Loan.

"Borrowing Request" means a request by the Borrower for a Revolving Borrowing in accordance with Section 2.3.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank 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 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, as amended, (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, as amended, 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 2.13(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 10.13.

"Class" when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Swingline Loans.

"Closing Date" means the date on which the conditions specified in Section 4.2 are satisfied (or waived in accordance with Section 10.2).

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans hereunder and to acquire participations in Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (i) reduced from time to time pursuant to Section 2.7, (ii) increased from time to time pursuant to Section 2.1(b) and (iii) changed from time to time pursuant to assignments by or to such Lender pursuant to Section 10.4. The initial amount of each Lender's Commitment is set forth on Schedule 2.1 under the heading "Commitment", or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable.

"Commitment Expiration Date" has the meaning assigned to such term in Section 2.18(a).

"Confidential Information Memorandum" means the Confidential Information Memorandum dated July 2004 and furnished to the Lenders.

"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.

"Disclosed Matters" means (a) matters disclosed in the Borrower's public filings with the Securities and Exchange Commission prior to August 10, 2004 and (b) the actions, suits, proceedings and environmental matters disclosed in Schedule 3.6.

"dollars" or "\$" refers to lawful money of the United States of America.

"Effective Date" means the date on which the conditions specified in Section 4.1 are satisfied (or waived in accordance with Section 10.2).

"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 Credit Party or any Subsidiary 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, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with any 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) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or

Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by any 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 any 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 incurrence by any 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 (g) the receipt by any Credit Party or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from any 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", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the LIBO Rate.

"Events of Default" has the meaning assigned to such term in Article VIII.

"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 2.17(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 2.15(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 2.15(a).

"Existing Agreement" means the Credit and Guarantee Agreement, dated as of August 12, 2003, among the Borrower, the Guarantor, the lenders parties thereto, The Royal Bank of Scotland plc, as syndication agent, Bank of America, N.A., as documentation agent, JPMorgan Chase Bank, as Administrative Agent and J.P. Morgan Securities Inc., as lead arranger and sole book manager.

"Extension Request" has the meaning assigned to such term in Section 2.18.

"Federal Funds Effective Rate" means (a) for the first day of a Borrowing, the rate per annum which is the average of the rates on the offered side of the Federal funds

market quoted by three interbank Federal funds brokers, selected by the Administrative Agent, at approximately the time the Borrower requests such Borrowing, for dollar deposits in immediately available funds, in an amount, comparable to the principal amount of such Borrowing and (b) for each day of such Borrowing thereafter, or for any other amount hereunder which bears interest at the Alternate Base Rate, the rate per annum which is the average of the rates on the offered side of the Federal funds market quoted by three interbank Federal funds brokers, selected by the Administrative Agent, at approximately 2:00 p.m., New York City time, on such day for dollar deposits in immediately available funds, in an amount, comparable to the principal amount of such Borrowing or other amount, as the case may be; in the case of both clauses (a) and (b), as determined by the Administrative Agent and rounded upwards, if necessary, to the nearest 1/100 of 1%.

"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.

"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.

"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, without limitation, 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" means H&R Block, Inc., a Missouri corporation.

"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.

"Increased Facility Activation Notice" means a notice substantially in the form of Exhibit E.

"Increased Facility Closing Date" means any Business Day designated as such in an Increased Facility Activation Notice.

"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 and (k) for purposes of Section 6.2 only, all preferred stock issued by a Subsidiary of such Person. 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 10.3(b).

"Information" has the meaning assigned to such term in Section 10.12.

"Interest Election Request" means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.6.

"Interest Payment Date" means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period and (c) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

"Interest Period" means, with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one week, two weeks or one, two, three or six months thereafter, as the Borrower may elect; provided that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Lenders" means the Persons listed on Schedule 2.1 and any other Person that shall have become a party hereto pursuant to a New Lender Supplement and/or an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Dow Jones Markets screen at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"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 Documents" means this Agreement and the Notes, if any.

"Loans" means the loans made by the Lenders (including the Swingline Lender) to the Borrower pursuant to this Agreement.

"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, property or condition (financial or otherwise) of the Guarantor and the Subsidiaries taken as a whole, (b) the ability of any 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 any one or more of the Credit Parties and any Subsidiaries in an aggregate principal amount exceeding

\$40,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of any Credit Party or any Subsidiary in respect of any Hedging Agreement at any time shall be the aggregate amount (giving effect to any netting agreements) that the Credit Party or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Material Subsidiary" means any Subsidiary of any 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 5.1(a) or (b), when aggregated with the assets or revenues of all other Subsidiaries with respect to which the actions contemplated by Section 6.4 are taken, 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 August 10, 2006 or such later date as shall be determined pursuant to the provisions of Section 2.18.

"Maximum Rate" has the meaning assigned to such term in Section 10.13.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Notes" means the collective reference to any promissory note evidencing Loans.

"Objecting Lender" has the meaning assigned to such term in Section 2.18(a).

"Obligations" means, collectively, the unpaid principal of and interest on the Loans and all other obligations and liabilities of the Borrower (including, without limitation, 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, without limitation, 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 Credit Agreement" means the Five-Year Credit and Guarantee Agreement, dated as of August 11, 2004, among the Borrower, the Guarantor, various financial institutions and JPMorgan Chase Bank, as administrative agent, and any amendments

thereto and any restatements, extensions, renewals and replacements thereof (regardless of whether the amount available thereunder is increased or the term thereof is modified).

"Other Taxes" means any and 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 10.4(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 5.4;

(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 5.4;

(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 the Credit Parties or any Subsidiary;

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, and in respect of which any Credit Party or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"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 one or more third parties in one or more RAL Receivables Transactions, at or prior to such time, minus (ii) the aggregate amount received by such one or more third parties with respect to the transferred refund anticipation loans, or participation interests in refund anticipation loans (and/or related rights and interests), in such one or more RAL Receivables Transactions, at or prior to such time, excluding from the amounts received by such one or more 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 such one or more third parties in connection with such one or more RAL Receivables Transactions.

"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 10.4(c).

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing at least 51% of the sum of the total Revolving Credit Exposures and unused Commitments at such time.

"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 6.3 and 6.4.

"Revolving Borrowing" means a Borrowing comprised of Revolving Loans.

"Revolving Credit Exposure" means with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans and Swingline Exposure.

"Revolving Loans" has the meaning given to it in Section 2.1(a).

"Revolving Termination Date" means August 10, 2005 or such later date as shall be determined pursuant to the provisions of Section 2.18.

"RSM" has the meaning assigned to such term in Section 5.1(e).

"S&P" means Standard & Poor's Ratings Services.

"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, 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. For the avoidance of doubt, the Loans, the loans made under the Other Credit Agreement, and any loans made under any amended, replacement or successor credit facilities hereunder or under the Other Credit Agreement shall be considered Short-Term Debt for purposes of this Agreement.

"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 Statement of Financial Accounting Standards No. 46. 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, without limitation, the Borrower and the Subsidiaries of the Borrower.

"Swingline Exposure" means, at any time with respect to all Lenders, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

"Swingline Lender" means JPMorgan Chase Bank, in its capacity as lender of Swingline Loans hereunder.

"Swingline Loan" means a Loan made pursuant to Section 2.4(a).

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Total Facility Commitments" means the sum of (a) the total Commitments plus (b) the total "Commitments" under and as defined in the Other Credit Agreement.

"Total Facility Loan Outstandings" has the meaning assigned to such term in Section 6.2.

"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", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the LIBO Rate or the Alternate Base Rate.

"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 1.2. Terms Generally. 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 (a) 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), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) 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, (d) 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 and (e) 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.

SECTION 1.3. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

SECTION 1.4. 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.

ARTICLE II

THE CREDITS

SECTION 2.1. Commitments; Increases in Revolving Facility. (a) Subject to the terms and conditions set forth herein (including the proviso at the end of Section 6.2), each Lender severally agrees to make revolving loans ("Revolving Loans") to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (i) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (ii) the total Revolving Credit Exposures exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

(b) The Borrower and any one or more Lenders (including New Lenders) may from time to time agree that such Lenders shall make, obtain or increase the amount of their Commitments by executing and delivering to the Administrative Agent an Increased Facility

Activation Notice specifying (i) the amount of such increase and (ii) the applicable Increased Facility Closing Date. Notwithstanding the foregoing, without the consent of the Required Lenders, (x) in no event shall the aggregate amount of the Commitments exceed \$1,250,000,000, (y) each increase effected pursuant to this paragraph shall be in a minimum amount of \$10,000,000 and (z) no more than three Increased Facility Closing Dates may be selected by the Borrower after the Effective Date. No Lender shall have any obligation to participate in any increase described in this paragraph unless it agrees to do so in its sole discretion. Any additional bank, financial institution or other entity which, with the consent of the Borrower and the Administrative Agent (which consent shall not be unreasonably withheld or delayed), elects to become a "Lender" under this Agreement in connection with any transaction described in this Section 2.1(b) shall execute a New Lender Supplement (each, a "New Lender Supplement"), substantially in the form of Exhibit D, whereupon such bank, financial institution or other entity (a "New Lender") shall become a Lender for all purposes and to the same extent as if originally a party hereto and shall be bound by and entitled to the benefits of this Agreement. The effectiveness of any Increased Facility Activation Notice shall be subject to the receipt by the Administrative Agent of such evidence as it shall reasonably request of the due authorization, execution and delivery by the Borrower of such Increased Facility Activation Notice. On each Increased Facility Closing Date, the Borrower shall make such Borrowings and/or prepayments of Loans such that, after giving effect thereto, the Revolving Credit Exposure of each Lender shall be the same percentage of such Lender's Commitment as the Revolving Credit Exposure of each other Lender is of such other Lender's Commitment.

SECTION 2.2. Loans and Borrowings. (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.12, each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Each Swingline Loan shall 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 Alternate Base Rate; provided that, if the Swingline Lender shall require other Lenders to acquire participations in such Swingline Loan pursuant to Section 2.4(c) or (d), then such Swingline Loan shall bear interest at the Alternate Base Rate. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$25,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$25,000,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments.

Each Swingline Loan shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of twelve Eurodollar Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Revolving Termination Date, provided that the Borrower may elect to convert the Revolving Loans to term loans as provided in the proviso to Section 2.8(a)(i).

SECTION 2.3. Requests for Revolving Borrowings. To request a Revolving Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.2:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;
- (iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and
- (v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.5(a).

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.4. Swingline Loans. (a) Subject to the terms and conditions set forth herein (including the proviso at the end of Section 6.2), the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (x) the aggregate

principal amount of outstanding Swingline Loans exceeding \$100,000,000 or (y) the total Revolving Credit Exposures exceeding the total Commitments; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 4:00 p.m., New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day), and amount of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a wire transfer sent to an account specified by the Borrower by 5:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require (i) the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans.

(d) Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to paragraph (c) above, as applicable, is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.5 with respect to Loans made by such Lender (and Section 2.5 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Borrower of any participation in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

SECTION 2.5. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; provided that, in the case of an ABR Borrowing, if notice of a Borrowing Request was given before the date of the proposed Borrowing, each Lender shall make such ABR Loan on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, and in the event notice was given on the date of the proposed Borrowing, each Lender shall make such ABR Loan on the proposed date thereof by wire transfer of immediately available funds by 1:00 p.m., New York City Time; provided further that Swingline Loans shall be made as provided in Section 2.4. The Administrative Agent will make such Loans available to the Borrower by wire transfer of the amounts so received, in like funds, to an account specified by the Borrower by 5:00 p.m., New York City time (to the extent funds in respect thereof are received by the Administrative Agent reasonably prior to such time) on the date of each requested Borrowing.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing (or, in the event notice was given on the date of the proposed Borrowing, prior to the proposed time of such funding) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section 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 Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the Federal Funds Effective Rate or (ii) in the case of the Borrower, the interest rate then applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.6. Interest Elections. (a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request or determined pursuant to the penultimate sentence of Section 2.3. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Swingline Borrowings. For the avoidance of doubt, the foregoing applies to Borrowings that have been converted to term loans pursuant to Section 2.8(a)(i).

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would

be required under Section 2.3 if the Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.2:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.7. Termination and Reduction of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Revolving Termination 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 2.9, the Revolving Credit Exposures would exceed the total Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) or (c) of this Section 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 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 2.8. Repayment of Loans; Term-Out Option; 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 Revolving Loan on the Revolving Termination Date, provided that, if prior to the Revolving Termination Date the Borrower gives the Administrative Agent at least one Business Day's notice that the Borrower elects that all or any portion (allocated pro rata among the Lenders based on their Commitments immediately prior to the Revolving Termination Date) of the Revolving Loans that are to be outstanding on the Revolving Termination Date be converted to term loans, then on the Revolving Termination Date such Revolving Loans will be deemed to be term loans payable in full on the Maturity Date and (ii) to the Swingline Lender or to the Administrative Agent pursuant to Section 2.4(c) the then unpaid principal amount of each Swingline Loan on the earlier of the first Business Day prior to the Revolving Termination Date and the first date after such Swingline Loan is made that is five Business Days after such Swingline Loan is made; provided that on each date that a Revolving Loan is made, the Borrower shall repay all Swingline Loans then outstanding. For the avoidance of doubt, the Borrower shall not have the right to elect the "term out" option described in the proviso to clause (i) above with respect to fewer than all of the Lenders with Revolving Loans outstanding at the time of such election.

(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 Class and Type thereof and the Interest Period applicable thereto, (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 paragraph (b) or (c) of this Section 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 10.4) 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 2.9. 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 2.14, subject to prior notice in accordance with paragraph (b) of this Section.

(b) The Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Revolving Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., New York City time, on the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, 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 2.7, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.7. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.2. Each prepayment of a Revolving 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 2.11.

SECTION 2.10. 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 and including the Closing Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure or any term loan after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure or such term loan from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure or any term loan. 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 the account of each Lender a utilization fee, which shall accrue at the Applicable Rate on the daily amount of the Revolving Credit Exposure of such Lender for each day on which the Revolving Credit Exposure of all Lenders exceeds 50% of the total Lenders' Commitments; provided that, if any Lender continues to have any Revolving Credit Exposure or any term loan after its Commitment terminates then such utilization fee shall continue to accrue at the Applicable Rate on the entire amount of such Lender's Revolving Credit Exposure or such term loan (whether or not the amount of such Revolving Credit Exposure or term loan exceeds 50% of such Lender's Commitment in effect prior to the Revolving Termination Date), from and including the date on which the Commitments terminate to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure or any term loan. Accrued utilization 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 utilization fees accruing after the date on which the Loans become due and payable shall be payable on demand. All utilization 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 but excluding the last day).

(c) 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.

(d) 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 and utilization fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.11. Interest. (a) The Loans comprising each ABR Borrowing shall bear interest at a rate per annum equal to the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at a rate per annum equal to the LIBO 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 ABR 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 paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving 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 Revolving 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 Alternate Base Rate at times when the Alternate Base Rate is based on the Prime 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 Alternate Base Rate or LIBO 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 2.12. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(i) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period; or

(ii) the Administrative Agent is advised by the Required Lenders that the LIBO 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 telecopy 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 Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be ineffective, and (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing.

SECTION 2.13. 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 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 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 paragraph (a) or (b) of this Section (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 2.14. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar 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 Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice is permitted to be revocable under Section 2.9(b) and is revoked in accordance herewith), (d) the assignment of any Eurodollar 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 2.17, 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 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 LIBO 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 2.15. 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 or Other Taxes that are attributable to such Lender's failure to comply with the requirements of paragraph (e) of this Section), (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 2.16. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or under Section 2.13, 2.14 or 2.15, or otherwise) prior to 12:00 noon, New York City time, 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 at its offices at 270 Park Avenue, New York, New York, except payments to be made directly to the Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.13, 2.14, 2.15 and 10.3 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 (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 Revolving Loans or participations in Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving 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 Revolving 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 Revolving 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 paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Revolving Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph 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) 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 with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.5(b), 2.16(c) or 2.16(d), 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.

SECTION 2.17. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.13, or if 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 2.15, 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 2.13 or 2.15, as the case may be, in the future 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 2.13, or if 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 2.15, or if any Lender defaults in its obligation to fund Loans hereunder, or if any Lender becomes an Objecting 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 10.4), 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 2.13 or payments required to be made pursuant to Section 2.15, 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 2.13 and 2.15, each Lender shall apply standards that are not inconsistent with those generally applied by such Lender in similar circumstances.

SECTION 2.18. Extension of Revolving Termination Date. (a) Not less than 30 days and not more than 60 days prior to the Revolving Termination Date then in effect, provided that no Event of Default shall have occurred and be continuing, the Borrower may request an extension of such Revolving Termination Date by submitting to the Administrative Agent an Extension Request (an "Extension Request") containing the information in respect of such extension specified in Exhibit C, which the Administrative Agent shall promptly furnish to each Lender. Each Lender shall, not less than 15 days and not more than 30 days prior to the Revolving Termination Date then in effect, notify the Borrower and the Administrative Agent of its election to extend or not extend the Revolving Termination Date as requested in such Extension Request, which election shall be made by each Lender at its absolute discretion. Any

Lender which shall not notify the Borrower and the Administrative Agent of its election to extend the Revolving Termination Date on or prior to the date that is 15 days prior to the Revolving Termination Date then in effect shall be deemed to have elected not to extend the Revolving Termination Date as requested in such Extension Request. Notwithstanding any provision of this Agreement to the contrary, any notice by any Lender of its willingness to extend the Revolving Termination Date shall be revocable by such Lender in its sole and absolute discretion at any time prior to the date which is 15 days prior to the Revolving Termination Date then in effect. If the Required Lenders shall approve in writing the extension of the Revolving Termination Date requested in such Extension Request, the Revolving Termination Date shall automatically and without any further action by any Person be extended for the period specified in such Extension Request; provided that (i) each extension pursuant to this Section 2.18 shall be for a maximum of 364 days and (ii) the Commitment of any Lender that does not consent in writing to such extension not less than 15 days and not more than 30 days prior to the Revolving Termination Date then in effect (an "Objecting Lender") shall, unless earlier terminated in accordance with this Agreement, expire on the Revolving Termination Date in effect on the date of such Extension Request (such Revolving Termination Date, if any, referred to as the "Commitment Expiration Date" with respect to such Objecting Lender). If, not less than 15 days and not more than 30 days prior to the Revolving Termination Date then in effect, the Required Lenders shall not approve in writing the extension of the Revolving Termination Date requested in an Extension Request, the Revolving Termination Date shall not be extended pursuant to such Extension Request. The Administrative Agent shall promptly notify (y) the Lenders and the Borrower of any extension of the Revolving Termination Date pursuant to this Section 2.18 and (z) the Borrower and any other Lender of any Lender which becomes an Objecting Lender. At the request of the Borrower, if agreed by all the Lenders other than the Objecting Lenders, the Maturity Date shall be extended to the one year anniversary of the Revolving Termination Date, as extended pursuant hereto.

(b) Subject to possible extension pursuant to the proviso set forth in Section 2.8(a)(i), Obligations owing to any Objecting Lender on the Commitment Expiration Date with respect to such Lender shall be repaid in full on or before such Commitment Expiration Date.

(c) The Borrower shall have the right, so long as no Event of Default has occurred and is then continuing, (i) upon giving notice to the Administrative Agent and the Objecting Lenders in accordance with Section 2.9, to prepay in full the Loans of the Objecting Lenders, together with accrued interest thereon, any amounts payable pursuant to Sections 2.13, 2.14, 2.15 and 10.3 and any accrued and unpaid facility fee or other amounts payable to them hereunder, (ii) upon giving not less than three Business Days' notice to the Objecting Lenders and the Administrative Agent, to cancel the whole or part of the Commitments of the Objecting Lenders or (iii) upon notice to such Objecting Lender and the Administrative Agent, to require such Objecting Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.4), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment).

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Each of the Credit Parties represents and warrants to the Lenders that:

SECTION 3.1. Organization; Powers. Each of the Credit Parties and the Subsidiaries 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 3.2. 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 3.3. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing 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 Credit Party or any Subsidiary or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument (other than those to be terminated on or prior to the Closing Date) binding upon any Credit Party or any Subsidiary or their assets, or give rise to a right thereunder to require any payment to be made by any Credit Party or any Subsidiary, and (d) will not result in the creation or imposition of any Lien on any asset of any Credit Party or any Subsidiary.

SECTION 3.4. 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, 2004 (A) reported on by KPMG LLP, an independent registered public accounting firm, in respect of the financials of the Guarantor, and (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 3.4(a), neither the Guarantor nor any of its consolidated Subsidiaries had, at the date of the most recent balance sheet referred to above, any material Guarantee Obligation, contingent liability or liability for taxes, or any long-term lease or unusual forward or long-term commitment, including, without limitation, any interest rate or foreign currency swap or exchange transaction, which is not reflected in the foregoing statements

or in the notes thereto. During the period from April 30, 2004 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, as amended, or the Securities Exchange Act of 1934, as amended, 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, 2004.

(b) Since April 30, 2004, there has been no material adverse change in the business, assets, property or condition (financial or otherwise) of the Guarantor and its Subsidiaries, taken as a whole.

SECTION 3.5. Properties. (a) Each of the Credit Parties and the Subsidiaries 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 of the Credit Parties and the Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Credit Parties and the Subsidiaries 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 3.6. 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 any Credit Party, threatened against or affecting any Credit Party or any Subsidiary 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, neither of the Credit Parties nor any Subsidiary (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 3.7. Compliance with Laws and Agreements. Each of the Credit Parties and the Subsidiaries 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 3.8. Investment and Holding Company Status. Neither of the Credit Parties nor any of the Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended, or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.9. Taxes. Each of the Credit Parties and the Subsidiaries 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 the Guarantor, the Borrower or such Subsidiary, as applicable, 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 any 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 the Administrative Agent and each Lender 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 Credit Party and each Subsidiary of each Credit Party 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 4.1. Effective Date. Except as otherwise provided in Sections 4.2 and 4.3, this Agreement shall become effective on the date on which each of the following conditions is satisfied (or waived in accordance with Section 10.2):

(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 Lenders and the Administrative Agent shall have received all fees required to be paid on or prior to the Effective Date.

SECTION 4.2. Closing Date. The obligations of the Lenders to make Loans (or to purchase participations in Swingline Loans) hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 10.2):

(a) The Effective Date shall have occurred.

(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, Rowe & Maw LLP, special New York counsel for the Credit Parties, and Bryan Cave LLP, special counsel for the Credit Parties, substantially in the forms of Exhibit B-1 and B-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, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.3.

(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 the 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. Notwithstanding the foregoing, the obligations of the Lenders to make Loans (or to purchase participations in Swingline Loans) hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 10.2) at or prior to the Effective Date. Upon the Effective Date, all Lenders under the Existing Agreement that have not become parties hereto on or prior to the Effective Date shall no longer be Lenders hereunder, and the Commitments as of the Effective Date shall be as set forth on Schedule 2.1 hereto.

SECTION 4.3. Each Loan. 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 3.4(b), 3.6(a)(i) and 3.6(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 paragraphs (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 5.1. 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 KPMG 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 6.1 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 3.4 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials (other than routine filings by (i) HRB Financial Corporation and its Subsidiaries, including H&R Block Financial Advisors, Inc., (ii) RSM McGladrey, Inc. and its Subsidiaries, including Birchtree Financial Services, Inc., (iii) RSM Equico, Inc. and its Subsidiaries, including RSM Equico Capital Markets, LLC, (iv) Option One Mortgage Corporation, (v) H&R Block Canada, Inc. and (vi) H&R Block Limited) filed by any 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 any 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 Credit Party or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

SECTION 5.2. 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 any 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 the Borrower, the Guarantor or any Subsidiary 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 5.3. Existence; Conduct of Business. Each Credit Party will, and will cause each of the 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 6.4.

SECTION 5.4. Payment of Taxes. Each Credit Party will, and will cause each of the 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 5.5. Maintenance of Properties; Insurance. Each Credit Party will, and will cause each of the 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 5.6. Books and Records; Inspection Rights. Each Credit Party will, and will cause each of the 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 the 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 5.6 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 5.7. Compliance with Laws. Each Credit Party will, and will cause each of the 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 5.8. 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 and 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 5.9. Cleardown. During the period from March 1 to June 30 of each fiscal year, the Credit Parties shall reduce the aggregate outstanding principal amount of all their Short-Term Debt to \$200,000,000 or less for a minimum period of thirty consecutive days.

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 6.1. Adjusted Net Worth. The Guarantor will not permit Adjusted Net Worth as at the last day of any fiscal quarter of the Guarantor to be less than \$1,000,000,000.

SECTION 6.2. 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 6.2, Indebtedness created hereunder;

(b) (i) Indebtedness existing on the date hereof and set forth in Schedule 6.2 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof and (ii) subject to the proviso at the end of Section 6.2, Indebtedness under the Other Credit Agreement;

(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 6.2, (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 any Subsidiary's obligations under or pursuant to (i) indemnity, fee, daylight overdraft and other similar customary banking arrangements between such Subsidiary and one or more financial institutions in the ordinary course of business, (ii) any office lease entered into in the ordinary course of business, and (iii) 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, but not limited to, 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 subsection 6.3(f); provided that, during any fiscal year, the aggregate outstanding principal amount of all Indebtedness incurred pursuant to this subsection 6.2(g) shall not exceed at any time \$325,000,000;

(h) Indebtedness of any Credit Party to any other Credit Party, of any Credit Party to any Subsidiary, of any Subsidiary to any Credit Party and of any Subsidiary to any other Subsidiary; provided that such Indebtedness shall not be prohibited by Section 6.5;

(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 6.2(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 ("M&P") and certain related trusts under (i) that certain Asset Purchase Agreement dated as of June 28, 1999 among RSM, M&P, the Guarantor and certain other parties signatory thereto (the "M&P Purchase Agreement") and (ii) the Retired Partners Agreement and the Loan Agreement (as such terms are defined in the M&P Purchase Agreement); provided that the aggregate outstanding principal amount payable in respect of such Indebtedness permitted under this paragraph (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 subsection 6.2(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, (iv) customer deposits in the ordinary course of business, (v) payables to brokers and dealers in the ordinary course of business and (vi) reimbursement obligations of broker-dealers relating to letters of credit in favor of a clearing corporation or Indebtedness of broker-dealers under other credit facilities, provided that (A) such letters of credit or such other credit facilities are used solely to satisfy margin deposit requirements and (B) the aggregate outstanding exposure of the Guarantor and the Subsidiaries under all such letters of credit and all such other credit facilities shall not exceed \$200,000,000 at any time;

(m) subject to the proviso at the end of this Section 6.2, Indebtedness in an aggregate outstanding principal amount not to exceed \$1,500,000,000; provided, however, that (i) the proceeds of such Indebtedness are used solely in connection with the Borrower's Refund Anticipation Loans Program, (ii) such Indebtedness is incurred during the period beginning on January 15 of any year and ending on March 15 of such year, (iii) such Indebtedness is repaid in full by the earlier of March 15 the year in which such Indebtedness is incurred and (iv) 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 than the covenants contained in this Agreement;

(n) subject to the proviso at the end of this Section 6.2, liabilities related to the RAL Receivables Transactions to the extent consistent with the definition thereof; and

(o) Indebtedness in respect of letters of credit in an aggregate outstanding principal amount not to exceed \$25,000,000;

(p) Indebtedness in an amount not exceeding \$150,000,000 in connection with the acquisition, development or construction of the Guarantor's new headquarters;

(q) deposits and other liabilities incurred by banking Subsidiaries in the ordinary course of business;

(r) customary liabilities of broker-dealers incurred by broker-dealer Subsidiaries in the ordinary course of business;

(s) Indebtedness issued by a Subsidiary of the Borrower and primarily secured by mortgage loans sold as contemplated by Section 6.5(c) hereof to such Subsidiary by another Subsidiary of the Borrower; and

(t) Indebtedness secured by Liens permitted by subsection 6.3(d) or 6.3(e);

provided, that the sum of the aggregate outstanding principal amount of all Indebtedness permitted pursuant to subsections 6.2(a), 6.2(b)(ii), 6.2(e) and 6.2(m) plus the RAL Receivables Amount shall not at any time exceed the greater of (x) the Total Facility Commitments then in effect or (y) the sum of the then outstanding principal amount of the Loans hereunder and the then outstanding principal amount of the "Loans" under the Other Credit Agreement (such sum, the "Total Facility Loan Outstandings"), except that, during the period from January 15 of any year to March 15 of such year, such sum may exceed the greater of the Total Facility Commitments then in effect or the then Total Facility Loan Outstandings by up to \$1,500,000,000.

SECTION 6.3. Liens. Each Credit Party 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 property or asset of any Credit Party or any Subsidiary existing on the date hereof and set forth in Schedule 6.3; provided that (i) such Lien shall not apply to any other property or asset of any Credit Party or any Subsidiary 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 property or asset prior to the acquisition thereof by any Credit Party or any Subsidiary or existing on any property or 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 property or assets of any Credit Party or any Subsidiary 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 Credit Party or any Subsidiary to secure Indebtedness of such Credit Party or such Subsidiary 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 property or assets of any Credit Party or any Subsidiary;

(g) Liens arising in connection with repurchase agreements contemplated by Section 6.2(i); provided that such security interests shall not apply to any property or assets of any Credit Party or any Subsidiary except for the mortgage loans or securities, as applicable, subject to such repurchase agreements;

(h) Liens arising in connection with Indebtedness permitted by Sections 6.2(l)(v) or 6.2(q), which Liens are granted in the ordinary course of business;

(i) Liens not otherwise permitted by this Section 6.3 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 6.3, so long as the aggregate outstanding principal amount of the obligations secured thereby does not exceed (as to the Credit Parties and all Subsidiaries) \$250,000,000 at any one time;

(k) Liens and transfers in connection with the RAL Receivables Transaction; and

(l) Liens on Unrestricted Margin Stock.

SECTION 6.4. Fundamental Changes; Sale of Assets. (a) Each Credit Party 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 the RAL Receivables Transaction and other securitizations 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 6.5.

(b) Except as set forth on Schedule 6.4(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 6.5. Transactions with Affiliates. Each Credit Party will not, and will not permit any Subsidiary to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or 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 Credit Party or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Guarantor and/or its Subsidiaries 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 6.2(s).

SECTION 6.6. 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 Credit Party or any Subsidiary to create, incur or permit to exist any Lien upon any of its material property or assets (unless such agreement or arrangement does not prohibit, restrict or impose any condition upon the ability of either Credit Party or any Subsidiary 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 or by this Agreement, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.6 (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 6.3(j)) if such restrictions or conditions apply only to the property or 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 subsection 6.2(m) or the RAL Receivables Transaction.

ARTICLE VII

GUARANTEE

SECTION 7.1. 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, without limitation, 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 any Credit Party, any other guarantor or any other Person or received or collected by the Administrative Agent or any Lender from any 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 7.2. 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 7.3. 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 7.4. 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 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 7.5. 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 any Credit Party or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, any Credit Party or any substantial part of its property, or otherwise, all as though such payments had not been made.

SECTION 7.6. 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, without limitation, in the currency in which payment is due.

ARTICLE VIII

EVENTS OF DEFAULT

If any of the following events ("Events of Default") shall occur:

(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 any 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) any Credit Party shall fail to observe or perform any covenant, condition or agreement contained in Section 5.2, 5.3 (with respect to the Credit Parties' existence), 5.8 or 5.9 or in Article VI;

(e) any 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) any 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 property or 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 Credit Party or a Subsidiary;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of any 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 any 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) any 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) any 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 any Credit Party shall so assert;

then, and in every such event (other than an event with respect to the Credit Parties described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other Obligations of the Credit Parties accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Credit Parties; and in case of any event with respect to the Credit Parties described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other Obligations of the Credit Parties accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Credit Parties.

ARTICLE IX

THE ADMINISTRATIVE AGENT

Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent 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, together with such actions and powers as are reasonably incidental thereto.

The bank 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 such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders, and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Credit Party or any Subsidiary that is communicated to or obtained by the bank serving as 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 with the consent or at the request of the Required Lenders (or when expressly required hereby, all the Lenders) or 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 written notice thereof is given to the Administrative Agent by any Credit Party or a Lender, and 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, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement 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.

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 believed by it to be genuine and to have been signed or sent 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 be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for any Credit Party), 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.

The Administrative Agent may perform any and all of its duties and exercise its rights and powers 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 of all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs 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.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Borrower (which consent shall not be unreasonably withheld), to appoint a successor. If no 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 which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. 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 Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.3 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

Each Lender acknowledges that 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 Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender 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 related agreement or any document furnished hereunder or thereunder.

Notwithstanding anything to the contrary contained in this Agreement, the parties hereto hereby agree that no agent (other than the Administrative Agent) shall have any rights, duties or responsibilities in its capacity as agent hereunder and that no agent (other than the Administrative Agent) shall have the authority to take any action hereunder in its capacity as such.

ARTICLE X

MISCELLANEOUS

SECTION 10.1. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, 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 telecopy, as follows:

(a) if to the Borrower or the Guarantor, to it at 4400 Main Street, Kansas City, Missouri 64111, Attention of Becky Shulman (Telecopy No. (816) 753-8538), David Staley (Telecopy No. (816) 753-0371) and Michael Post (Telecopy No. (816) 753-0037);

(b) if to the Administrative Agent or the Swingline Lender, to JPMorgan Chase Bank, Loan and Agency Services Group, 1111 Fannin Street, Houston, TX 77002, Attention of Sandra Choate (Telecopy No. (713) 750-2932), with a copy to JPMorgan Chase Bank, 270 Park Avenue, New York, New York 10017, Attention of William Castro (Telecopy No. (212) 270-1789); and

(c) if to any Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt. Notices and other communications to the Lenders hereunder may be posted to Intralinks or a similar website or delivered by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Section 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent, the Borrower or the Guarantor 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.

SECTION 10.2. Waivers; Amendments. (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 paragraph (b) of this Section, 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 2.16(b) or (c) 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 or (vi) 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 10.3. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable 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 out-of-pocket expenses incurred by the Administrative Agent, or any Lender, including the 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 the Credit Parties or any Subsidiaries, or any Environmental Liability related in any way to the Credit Parties or any Subsidiaries, 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 is a party thereto; provided that such indemnity shall not, as to any Indemnitee and each Related Party of such Indemnitee, 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 any Credit Party fails to pay any amount required to be paid by it to the Administrative Agent or the Swingline Lender under paragraph (a) or (b) of this Section, 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 paragraph (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) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 10.4. 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 any 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 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) except in the case of an assignment to a Lender or an Affiliate of a Lender, 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 Swingline Exposure, 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 paragraph shall not be required if an Event of Default has occurred and is continuing. Upon acceptance and recording pursuant to paragraph (d) of this Section, 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 2.13, 2.14, 2.15 and 10.3). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph 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 paragraph (e) of this Section.

(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.

(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 paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, 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 paragraph.

(e) Any Lender may, without the consent of any 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 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 10.2(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.14 and 2.15 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.13 or 2.15 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 2.15 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 2.15(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 10.4(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 paragraph (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 2.13 or 2.15 than the applicable Granting Lender would have been entitled to receive under such Sections if the Granting Lender had made the relevant credit extension.

SECTION 10.5. 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 2.13, 2.14, 2.15 and 10.3 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 10.6. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent 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 4.1, 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 which, 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 shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 10.7. 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.

SECTION 10.8. 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. 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 10.9. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each Credit Party hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court 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 for recognition or enforcement of any judgment, and each of the parties hereto hereby 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 or, to the extent permitted by 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 against any Credit Party or its properties in the courts of any jurisdiction.

(c) Each Credit Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.1. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 10.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY 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 THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY 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 BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 10.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 10.12. 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 and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (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, (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 (i) becomes publicly available other than as a result of a breach of this Section by it or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than any Credit Party. For the purposes of this Section, "Information" means all information received from any Credit Party relating to any Credit Party 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 Credit Party; provided that, in the case of information received from any Credit Party 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.

SECTION 10.13. 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 10.14. Termination of Existing Agreement.

The Lenders that are parties to the Existing Agreement (and which constitute "Required Lenders" under and as defined in the Existing Agreement) hereby waive the three business days' notice requirement set forth in Section 2.7 of the Existing Agreement for terminating the commitments under the Existing Agreement, and such Lenders and the Company agree that, subject to the Company's payment of all amounts then payable under the Existing Agreement (whether or not then due), the commitments under the Existing Agreement shall be terminated on the Closing Date and replaced by the Commitments hereunder. After the termination of such commitments, the Existing Agreement shall be of no further force or effect (except for provisions thereof which by their terms survive termination thereof).

SECTION 10.15. USA Patriot Act.

Each 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 to identify the Borrower in accordance with the Act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BLOCK FINANCIAL CORPORATION

By: _____
Title:

H&R BLOCK, INC.

By: _____
Title:

JPMORGAN CHASE BANK,
as Administrative Agent, as a
Lender and as Swingline Lender

By: _____
Title:

COMMITMENTS

Lender	Commitment
- - - - -	- - - - -
JPMorgan Chase Bank	\$ 100,000,000
Bank of America, N.A.	\$ 100,000,000
Royal Bank of Scotland plc	\$ 100,000,000
Barclays Bank plc	\$ 75,000,000
HSBC Bank USA, National Association	\$ 75,000,000
Citibank, N.A.	\$ 62,500,000
Key Bank National Association	\$ 50,000,000
Wells Fargo Bank, N.A.	\$ 50,000,000
Calyon New York Branch	\$ 37,500,000
Mellon Bank, N.A.	\$ 37,500,000
Royal Bank of Canada	\$ 37,500,000
SunTrust Bank	\$ 37,500,000
U.S. Bank National Association	\$ 37,500,000
Wachovia Bank National Association	\$ 37,500,000
BNP Paribas	\$ 25,000,000
Comerica Bank	\$ 25,000,000
Deutsche Bank AG New York Branch	\$ 12,500,000
Fifth Third Bank	\$ 12,500,000
Lehman Brothers Bank, FSB	\$ 12,500,000
Merrill Lynch Bank USA	\$ 10,000,000
Sumitomo Mitsui Banking Corporation	\$ 10,000,000
UBS Investment Bank	\$ 10,000,000
Bank Midwest, N.A.	\$ 5,000,000
Chang Hwa Commercial Bank, Ltd.	\$ 5,000,000
Commerce Bank, N.A.	\$ 5,000,000
E.Sun Commercial Bank, Ltd. (Los Angeles)	\$ 5,000,000
Malyan Banking Berhad	\$ 5,000,000
National City Bank	\$ 5,000,000
Norddeutsche Landesbank Girozentrale	\$ 5,000,000
PNC Bank, National Association	\$ 5,000,000
UMB Bank, n.a.	\$ 5,000,000
TOTAL	\$1,000,000,000

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.

FORM OF
ASSIGNMENT AND ACCEPTANCE

Reference is made to the \$1,000,000,000 364-Day Credit and Guarantee Agreement, dated as of August 11, 2004 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Block Financial Corporation (the "Borrower"), H&R Block, Inc., the Lenders party thereto and JPMorgan Chase Bank, as administrative agent for the Lenders (in such capacity, the "Agent"). Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

The Assignor identified on Schedule 1 hereto (the "Assignor") and the Assignee identified on Schedule 1 hereto (the "Assignee") agree as follows:

1. The Assignor hereby irrevocably sells and assigns to the Assignee without recourse to the Assignor, and the Assignee hereby irrevocably purchases and assumes from the Assignor without recourse to the Assignor, as of the Effective Date (as defined below), the interest described in Schedule 1 hereto (the "Assigned Interest") in and to the Assignor's rights and obligations under the Credit Agreement with respect to those credit facilities contained in the Credit Agreement as are set forth on Schedule 1 hereto (individually, an "Assigned Facility"; collectively, the "Assigned Facilities"), in a principal amount for each Assigned Facility as set forth on Schedule 1 hereto.

2. The Assignor (a) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or with respect to the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, or any other instrument or document furnished pursuant thereto, other than that the Assignor has not created any adverse claim, lien or encumbrance upon the interest being assigned by it hereunder and that such interest is free and clear of any such adverse claim, lien or encumbrance; (b) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Credit Party, any of their respective Subsidiaries or any other obligor or the performance or observance by any Credit Party, any of their Subsidiaries or any other obligor of any of their respective obligations under the Credit Agreement or any other instrument or document furnished pursuant hereto or thereto; and (c) attaches any promissory notes held by it evidencing the Assigned Facilities and (i) requests that the Agent, upon request by the Assignee, exchange the attached promissory notes for a new promissory note or promissory notes payable to the Assignee and (ii) if the Assignor has retained any interest in the Assigned Facility, requests that the Agent exchange the attached promissory notes for a new promissory note or promissory notes payable to the Assignor, in each case in amounts which reflect the assignment being made hereby (and after giving effect to any other assignments which have become effective on the Effective Date).

3. The Assignee (a) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (b) confirms that it has received a copy of the Credit

Agreement, together with copies of the financial statements delivered pursuant to Section 3.4 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (c) agrees that it will, independently and without reliance upon the Assignor, the Agent 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 Credit Agreement or any other instrument or document furnished pursuant hereto or thereto; (d) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement or any other instrument or document furnished pursuant hereto or thereto as are delegated to the Agent by the terms thereof, together with such powers as are incidental thereto; and (e) agrees that it will be bound by the provisions of the Credit Agreement and will perform in accordance with its terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender including, if it is organized under the laws of a jurisdiction outside the United States, its obligation pursuant to Section 2.14 of the Credit Agreement.

4. The effective date of this Assignment and Acceptance shall be the Effective Date of Assignment described in Schedule 1 hereto (the "Effective Date"). Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance by it and recording by the Agent pursuant to the Credit Agreement, effective as of the Effective Date (which shall not, unless otherwise agreed to by the Agent, be earlier than five Business Days after the date of such acceptance and recording by the Agent).

5. Upon such acceptance and recording, from and after the Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to the Effective Date and to the Assignee for amounts which have accrued subsequent to the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

6. From and after the Effective Date, (a) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and shall be bound by the provisions thereof and (b) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

7. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed as of the date first above written by their respective duly authorized officers on Schedule 1 hereto.

Schedule 1
to Assignment and Acceptance

Name of Assignor: _____

Name of Assignee: _____

Effective Date of Assignment: _____

Principal Amount Assigned	Commitment Percentage Assigned
----- \$ _____	----- _____ %
\$ _____	_____ %

[NAME OF ASSIGNEE]

[NAME OF ASSIGNOR]

By: _____
Title:

By: _____
Title:

Consented to and Accepted:

[Consented To:

JPMORGAN CHASE BANK, as
Administrative Agent and as Swingline
Lender

BLOCK FINANCIAL CORPORATION

By: _____
Title:

By: _____
Title:]

[FORM OF OPINION OF MAYER, BROWN, ROWE & MAW LLP]

[FORM OF OPINION OF BRYAN CAVE LLP]

[FORM OF EXTENSION REQUEST]

[Date]

JPMorgan Chase Bank, as Administrative Agent
270 Park Avenue
New York, New York 10017

Attention: _____

Dear Sirs:

Reference is made to the \$1,000,000,000 364-Day Credit and Guarantee Agreement, dated as of August 11, 2004, among Block Financial Corporation, H&R Block, Inc., the Lenders party thereto and JPMorgan Chase Bank, as Administrative Agent (as the same may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein as therein defined.

This is an Extension Request pursuant to Section 2.18 of the Credit Agreement requesting an extension of the Revolving Termination Date to [INSERT REQUESTED REVOLVING TERMINATION DATE]. Please transmit a copy of this Extension Request to each of the Lenders.

Very truly yours,

BLOCK FINANCIAL CORPORATION

By: _____
Title:

H&R BLOCK, INC.

By: _____
Title:

FORM OF
NEW LENDER SUPPLEMENT

NEW LENDER SUPPLEMENT (this "New Lender Supplement"), dated _____, 200_, to the 364-Day Credit and Guarantee Agreement, dated as of August 11, 2004, as amended, supplemented or otherwise modified from time to time (the "Credit Agreement"), among Block Financial Corporation, H&R Block, Inc., the Lenders party thereto, the Syndication Agents named therein and JPMorgan Chase Bank, as Administrative Agent.

W I T N E S S E T H:

WHEREAS, the Credit Agreement provides in Section 2.01(b) thereof that any bank, financial institution or other entity may become a party to the Credit Agreement with the consent of the Borrower and the Administrative Agent (which consent shall not be unreasonably withheld) by executing and delivering to the Borrower and the Administrative Agent a supplement to the Credit Agreement in substantially the form of this New Lender Supplement; and

WHEREAS, the undersigned now desires to become a party to the Credit Agreement;

NOW, THEREFORE, the undersigned hereby agrees as follows:

1. The undersigned agrees to be bound by the provisions of the Credit Agreement, and agrees that it shall, on the date this New Lender Supplement is accepted by the Borrower and the Administrative Agent, become a Lender for all purposes of the Credit Agreement to the same extent as if originally a party thereto, with an incremental Commitment of \$_____.

2. The undersigned (a) represents and warrants that it is legally authorized to enter into this New Lender Supplement; (b) confirms that it has received a copy of the Credit Agreement, together with copies of the most recent audited financial statements referred to in Section 3.4 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this New Lender Supplement; (c) agrees that it has made and will, independently and without reliance upon the Administrative Agent 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 Credit Agreement, any other Loan Document or any instrument or document furnished pursuant hereto or thereto; (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement, any other Loan Document or any instrument or document furnished pursuant hereto or thereto as are delegated to the Administrative Agent by the terms thereof, together with such powers as are incidental thereto; and (e) agrees that it will be bound by the provisions of the Credit Agreement and will perform in accordance with its terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender including, without limitation, if it is

organized under the laws of a jurisdiction outside the United States, its obligation pursuant to Section 2.15(e) of the Credit Agreement.

3. The address of the undersigned for notices for the purposes of the Credit Agreement is as follows:

4. Terms defined in the Credit Agreement shall have their defined meanings when used herein.

IN WITNESS WHEREOF, the undersigned has caused this New Lender Supplement to be executed and delivered by a duly authorized officer on the date first above written.

[INSERT NAME OF LENDER]

By _____
Name:
Title:

Accepted this ____ day of _____, 200_.

BLOCK FINANCIAL CORPORATION

By _____
Name:
Title:

Accepted this ____ day of _____, 200_.

JPMORGAN CHASE BANK,
as Administrative Agent

By _____
Name:
Title:

FORM OF INCREASED FACILITY ACTIVATION NOTICE

To: JPMORGAN CHASE BANK, as Administrative
Agent under the Credit Agreement referred to below

Reference is hereby made to the 364-Day Credit and Guarantee Agreement, dated as of August 11, 2004 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Block Financial Corporation (the "Borrower"), H&R Block, Inc., the Lenders party thereto, the Syndication Agents named therein and JPMorgan Chase Bank, as Administrative Agent. Terms defined in the Credit Agreement shall have their defined meanings when used herein.

This notice is an Increased Facility Activation Notice referred to in the Credit Agreement, and the Borrower and each of the Lenders party hereto hereby notify you that:

1. Each Lender party hereto agrees to [make] [provide] an incremental Commitment in the amount set forth opposite such Lender's name below under the caption "Incremental Commitment Amount."
2. The Increased Facility Closing Date is _____, 200__.

The Borrower certifies that no Default or Event of Default has occurred and is continuing on the date of this notice.

IN WITNESS WHEREOF, the undersigned have executed this Increased Facility Activation Notice this ___ day of _____, 200__.

BLOCK FINANCIAL CORPORATION

By: _____
Name:
Title: Treasurer

Incremental Commitment Amount

[NAME OF LENDER]

\$

By: _____
Name:
Title:

CONSENTED TO:

JPMORGAN CHASE BANK,
as Administrative Agent

By: _____
Name:
Title:

=====

FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT

dated as of

August 11, 2004

among

BLOCK FINANCIAL CORPORATION,
as Borrower,

H&R BLOCK, INC.,
as Guarantor,

The Lenders Party Hereto,

BANK OF AMERICA, N.A.,

BARCLAYS BANK PLC,

HSBC BANK USA, NATIONAL ASSOCIATION, and

ROYAL BANK OF SCOTLAND PLC,
as Syndication Agents,

JPMORGAN CHASE BANK,
as Administrative Agent,

and

J.P. MORGAN SECURITIES INC.,
as Lead Arranger and Sole Bookrunner

\$1,000,000,000 FIVE-YEAR REVOLVING CREDIT FACILITY

=====

TABLE OF CONTENTS

	Page

ARTICLE I DEFINITIONS.....	1
SECTION 1.1. Defined Terms.....	1
SECTION 1.2. Terms Generally.....	16
SECTION 1.3. Classification of Loans and Borrowings.....	16
SECTION 1.4. Accounting Terms; GAAP.....	16
ARTICLE II THE CREDITS.....	17
SECTION 2.1. Commitments; Increases in Revolving Facility.....	17
SECTION 2.2. Loans and Borrowings.....	18
SECTION 2.3. Requests for Revolving Borrowings.....	18
SECTION 2.4. Swingline Loans.....	19
SECTION 2.5. Funding of Borrowings.....	20
SECTION 2.6. Interest Elections.....	21
SECTION 2.7. Termination and Reduction of Commitments.....	22
SECTION 2.8. Repayment of Loans; Evidence of Debt.....	23
SECTION 2.9. Prepayment of Loans.....	23
SECTION 2.10. Fees.....	24
SECTION 2.11. Interest.....	25
SECTION 2.12. Alternate Rate of Interest.....	26
SECTION 2.13. Increased Costs.....	26
SECTION 2.14. Break Funding Payments.....	27
SECTION 2.15. Taxes.....	27
SECTION 2.16. Payments Generally; Pro Rata Treatment; Sharing of Set-offs.....	28
SECTION 2.17. Mitigation Obligations; Replacement of Lenders.....	30
ARTICLE III REPRESENTATIONS AND WARRANTIES.....	31
SECTION 3.1. Organization; Powers.....	31
SECTION 3.2. Authorization; Enforceability.....	31
SECTION 3.3. Governmental Approvals; No Conflicts.....	31
SECTION 3.4. Financial Condition; No Material Adverse Change.....	31
SECTION 3.5. Properties.....	32
SECTION 3.6. Litigation and Environmental Matters.....	32
SECTION 3.7. Compliance with Laws and Agreements.....	32
SECTION 3.8. Investment and Holding Company Status.....	33
SECTION 3.9. Taxes.....	33
SECTION 3.10. ERISA.....	33
SECTION 3.11. Disclosure.....	33
SECTION 3.12. Federal Regulations.....	33
SECTION 3.13. Subsidiaries.....	34

	Page

SECTION 3.14. Insurance.....	34
ARTICLE IV CONDITIONS.....	34
SECTION 4.1. Effective Date.....	34
SECTION 4.2. Closing Date.....	34
SECTION 4.3. Each Loan.....	35
ARTICLE V AFFIRMATIVE COVENANTS.....	35
SECTION 5.1. Financial Statements and Other Information.....	36
SECTION 5.2. Notices of Material Events.....	37
SECTION 5.3. Existence; Conduct of Business.....	37
SECTION 5.4. Payment of Taxes.....	37
SECTION 5.5. Maintenance of Properties; Insurance.....	37
SECTION 5.6. Books and Records; Inspection Rights.....	38
SECTION 5.7. Compliance with Laws.....	38
SECTION 5.8. Use of Proceeds.....	38
SECTION 5.9. Cleardown.....	38
ARTICLE VI NEGATIVE COVENANTS.....	38
SECTION 6.1. Adjusted Net Worth.....	38
SECTION 6.2. Indebtedness.....	38
SECTION 6.3. Liens.....	41
SECTION 6.4. Fundamental Changes; Sale of Assets.....	42
SECTION 6.5. Transactions with Affiliates.....	43
SECTION 6.6. Restrictive Agreements.....	43
ARTICLE VII GUARANTEE.....	44
SECTION 7.1. Guarantee.....	44
SECTION 7.2. Delay of Subrogation.....	45
SECTION 7.3. Amendments, etc. with respect to the Obligations; Waiver of Rights...	46
SECTION 7.4. Guarantee Absolute and Unconditional.....	46
SECTION 7.5. Reinstatement.....	47
SECTION 7.6. Payments.....	47
ARTICLE VIII EVENTS OF DEFAULT.....	47
ARTICLE IX THE ADMINISTRATIVE AGENT.....	50
ARTICLE X MISCELLANEOUS.....	52
SECTION 10.1. Notices.....	52
SECTION 10.2. Waivers; Amendments.....	52
SECTION 10.3. Expenses; Indemnity; Damage Waiver.....	53
SECTION 10.4. Successors and Assigns.....	54

	Page	

SECTION 10.5.	Survival.....	57
SECTION 10.6.	Counterparts; Integration; Effectiveness.....	57
SECTION 10.7.	Severability.....	58
SECTION 10.8.	Right of Setoff.....	58
SECTION 10.9.	Governing Law; Jurisdiction; Consent to Service of Process.....	58
SECTION 10.10.	WAIVER OF JURY TRIAL.....	59
SECTION 10.11.	Headings.....	59
SECTION 10.12.	Confidentiality.....	59
SECTION 10.13.	Interest Rate Limitation.....	60
SECTION 10.14.	Termination of Existing Agreement.....	60
SECTION 10.15.	USA Patriot Act.....	60

SCHEDULES:

Schedule 2.1	Commitments
Schedule 3.4(a)	Guarantee Obligations
Schedule 3.6	Disclosed Matters
Schedule 3.13	Subsidiaries
Schedule 6.2	Existing Indebtedness
Schedule 6.3	Existing Liens
Schedule 6.4(b)	Additional Businesses
Schedule 6.6	Existing Restrictions

EXHIBITS:

Exhibit A	Form of Assignment and Acceptance
Exhibit B-1	Form of Opinion of Mayer, Brown, Rowe & Maw LLP
Exhibit B-2	Form of Opinion of Bryan Cave LLP
Exhibit C	Form of New Lender Supplement
Exhibit D	Form of Increased Facility Activation Notice

FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT, dated as of August 11, 2004, among BLOCK FINANCIAL CORPORATION, a Delaware corporation, as Borrower, H&R BLOCK, INC., a Missouri corporation, as Guarantor, the LENDERS party hereto, and JPMORGAN CHASE BANK, a New York banking corporation, as Administrative Agent.

WHEREAS, the parties hereto desire to terminate the Existing Agreement (as defined below); and

WHEREAS, the Borrower has requested that the Lenders provide a five-year revolving credit facility in an amount of \$1,000,000,000;

NOW, THEREFORE, in consideration of the agreements herein and in reliance upon the representations and warranties set forth herein, the parties agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted Net Worth" means, at any time, Consolidated Net Worth of the Guarantor without giving effect to reductions in stockholders' equity as a result of repurchases by the Guarantor of its own Capital Stock subsequent to April 30, 2004 in an aggregate amount not exceeding \$350,000,000.

"Administrative Agent" means JPMorgan Chase Bank, a New York banking corporation, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied 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.

"Agreement" means this Five-Year Credit and Guarantee Agreement, as amended, restated, supplemented or otherwise modified from time to time.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day, and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" means, with respect to any Lender, the percentage of the total 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			
		ABR Loans	Eurodollar Loans	Facility Fees Payable Hereunder	Utilization Fees Payable Hereunder
I	Higher than: A by S&P or A2 by Moody's	0%	0.16%	0.09%	0.125%
II	A by S&P or A2 by Moody's	0%	0.25%	0.10%	0.125%
III	A- by S&P and A3 by Moody's	0%	0.29%	0.11%	0.125%
IV	A - or BBB+by S&P or A3 or Baa1 by Moody's	0%	0.38%	0.12%	0.125%
V	BBB by S&P or Baa2 by Moody's	0%	0.475%	0.15%	0.125%
VI	Lower than: BBB by S&P or Baa2 by Moody's	0%	0.575%	0.175%	0.125%

; 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 either S&P or 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.

"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 10.4), and accepted by the Administrative Agent, substantially in the form of Exhibit A or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the Closing Date to but excluding the earlier of the Revolving Termination Date and the date of termination of the Commitments.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means Block Financial Corporation, a Delaware corporation and a wholly-owned indirect Subsidiary of the Guarantor.

"Borrowing" means (a) Revolving Loans of the same Type made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect or (b) a Swingline Loan.

"Borrowing Request" means a request by the Borrower for a Revolving Borrowing in accordance with Section 2.3.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank 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 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, as amended, (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, as amended, 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 2.13(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 10.13.

"Class" when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Swingline Loans.

"Closing Date" means the date on which the conditions specified in Section 4.2 are satisfied (or waived in accordance with Section 10.2).

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans hereunder and to acquire participations in Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (i) reduced from time to time pursuant to Section 2.7, (ii) increased from time to time pursuant to Section 2.1(b) and (iii) changed from time to time pursuant to assignments by or to such Lender pursuant to Section 10.4. The initial amount of each Lender's Commitment is set forth on Schedule 2.1 under the heading "Commitment", or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable.

"Confidential Information Memorandum" means the Confidential Information Memorandum dated July 2004 and furnished to the Lenders.

"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.

"Disclosed Matters" means (a) matters disclosed in the Borrower's public filings with the Securities and Exchange Commission prior to August 10, 2004 and (b) the actions, suits, proceedings and environmental matters disclosed in Schedule 3.6.

"dollars" or "\$" refers to lawful money of the United States of America.

"Effective Date" means the date on which the conditions specified in Section 4.1 are satisfied (or waived in accordance with Section 10.2).

"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 Credit Party or any Subsidiary 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, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with any 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) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by any 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 any 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 incurrence by any 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 (g) the receipt by any Credit Party or any ERISA Affiliate of any notice, or the receipt by any

Multiemployer Plan from any 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", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the LIBO Rate.

"Events of Default" has the meaning assigned to such term in Article VIII.

"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 2.17(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 2.15(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 2.15(a).

"Existing Agreement" means the Credit and Guarantee Agreement, dated as of August 12, 2003, among the Borrower, the Guarantor, the lenders parties thereto, The Royal Bank of Scotland plc, as syndication agent, Bank of America, N.A., as documentation agent, JPMorgan Chase Bank, as Administrative Agent and J.P. Morgan Securities Inc., as lead arranger and sole book manager.

"Federal Funds Effective Rate" means (a) for the first day of a Borrowing, the rate per annum which is the average of the rates on the offered side of the Federal funds market quoted by three interbank Federal funds brokers, selected by the Administrative Agent, at approximately the time the Borrower requests such Borrowing, for dollar deposits in immediately available funds, in an amount, comparable to the principal amount of such Borrowing and (b) for each day of such Borrowing thereafter, or for any other amount hereunder which bears interest at the Alternate Base Rate, the rate per annum which is the average of the rates on the offered side of the Federal funds market quoted by three interbank Federal funds brokers, selected by the Administrative Agent, at approximately 2:00 p.m., New York City time, on such day for dollar deposits in immediately available funds, in an amount, comparable to the principal amount of such Borrowing or other amount, as the case may be; in the case of both clauses (a) and (b), as determined by the Administrative Agent and rounded upwards, if necessary, to the nearest 1/100 of 1%.

"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.

"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.

"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, without limitation, 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" means H&R Block, Inc., a Missouri corporation.

"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.

"Increased Facility Activation Notice" means a notice substantially in the form of Exhibit D.

"Increased Facility Closing Date" means any Business Day designated as such in an Increased Facility Activation Notice.

"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 and (k) for purposes of Section 6.2 only, all preferred stock issued by a Subsidiary of such Person. 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 10.3(b).

"Information" has the meaning assigned to such term in Section 10.12.

"Interest Election Request" means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.6.

"Interest Payment Date" means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period and (c) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

"Interest Period" means, with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one week, two weeks or one, two, three or six months thereafter, as the Borrower may elect; provided that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Lenders" means the Persons listed on Schedule 2.1 and any other Person that shall have become a party hereto pursuant to a New Lender Supplement and/or an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Dow Jones Markets screen at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period

shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"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 Documents" means this Agreement and the Notes, if any.

"Loans" means the loans made by the Lenders (including the Swingline Lender) to the Borrower pursuant to this Agreement.

"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, property or condition (financial or otherwise) of the Guarantor and the Subsidiaries taken as a whole, (b) the ability of any 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 any one or more of the Credit Parties and any Subsidiaries in an aggregate principal amount exceeding \$40,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of any Credit Party or any Subsidiary in respect of any Hedging Agreement at any time shall be the aggregate amount (giving effect to any netting agreements) that the Credit Party or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Material Subsidiary" means any Subsidiary of any 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 5.1(a) or (b), when aggregated with the assets or revenues of all other Subsidiaries with respect to which the actions contemplated by Section 6.4 are taken, 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.

"Maximum Rate" has the meaning assigned to such term in Section 10.13.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Notes" means the collective reference to any promissory note evidencing Loans.

"Obligations" means, collectively, the unpaid principal of and interest on the Loans and all other obligations and liabilities of the Borrower (including, without limitation, 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, without limitation, 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 Credit Agreement" means the 364-Day Credit and Guarantee Agreement, dated as of August 11, 2004, among the Borrower, the Guarantor, various financial institutions and JPMorgan Chase Bank, as administrative agent, and any amendments thereto and any restatements, extensions, renewals and replacements thereof (regardless of whether the amount available thereunder is increased or the term thereof is modified).

"Other Taxes" means any and 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 10.4(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 5.4;

(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 5.4;

(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 the Credit Parties or any Subsidiary;

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, and in respect of which any Credit Party or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"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 one or more third parties in one or more RAL Receivables Transactions, at or prior to such time, minus (ii) the aggregate amount received by such one or more third parties with respect to the transferred refund anticipation loans, or participation interests in refund

anticipation loans (and/or related rights and interests), in such one or more RAL Receivables Transactions, at or prior to such time, excluding from the amounts received by such one or more 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 such one or more third parties in connection with such one or more RAL Receivables Transactions.

"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 10.4(c).

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing at least 51% of the sum of the total Revolving Credit Exposures and unused Commitments at such time.

"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 6.3 and 6.4.

"Revolving Borrowing" means a Borrowing comprised of Revolving Loans.

"Revolving Credit Exposure" means with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans and Swingline Exposure.

"Revolving Loans" has the meaning given to it in Section 2.1(a).

"Revolving Termination Date" means August 10, 2009.

"RSM" has the meaning assigned to such term in Section 5.1(e).

"S&P" means Standard & Poor's Ratings Services.

"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, 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. For the avoidance of doubt, the Loans, the loans made under the Other Credit Agreement, and any loans made under any amended, replacement or successor credit facilities hereunder or under the Other Credit Agreement shall be considered Short-Term Debt for purposes of this Agreement.

"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 Statement of Financial Accounting Standards No. 46. 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, without limitation, the Borrower and the Subsidiaries of the Borrower.

"Swingline Exposure" means, at any time with respect to all Lenders, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

"Swingline Lender" means JPMorgan Chase Bank, in its capacity as lender of Swingline Loans hereunder.

"Swingline Loan" means a Loan made pursuant to Section 2.4(a).

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Total Facility Commitments" means the sum of (a) the total Commitments plus (b) the total "Commitments" under and as defined in the Other Credit Agreement.

"Total Facility Loan Outstandings" has the meaning assigned to such term in Section 6.2.

"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", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the LIBO Rate or the Alternate Base Rate.

"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 1.2. Terms Generally. 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 (a) 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), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) 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, (d) 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 and (e) 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.

SECTION 1.3. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

SECTION 1.4. 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.

ARTICLE II

THE CREDITS

SECTION 2.1. Commitments; Increases in Revolving Facility. (a)

Subject to the terms and conditions set forth herein (including the proviso at the end of Section 6.2), each Lender severally agrees to make revolving loans ("Revolving Loans") to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (i) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (ii) the total Revolving Credit Exposures exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

(a) The Borrower and any one or more Lenders (including New Lenders) may from time to time agree that such Lenders shall make, obtain or increase the amount of their Commitments by executing and delivering to the Administrative Agent an Increased Facility Activation Notice specifying (i) the amount of such increase and (ii) the applicable Increased Facility Closing Date. Notwithstanding the foregoing, without the consent of the Required Lenders, (x) in no event shall the aggregate amount of the Commitments exceed \$1,250,000,000, (y) each increase effected pursuant to this paragraph shall be in a minimum amount of \$10,000,000 and (z) no more than five Increased Facility Closing Dates may be selected by the Borrower after the Effective Date. No Lender shall have any obligation to participate in any increase described in this paragraph unless it agrees to do so in its sole discretion. Any additional bank, financial institution or other entity which, with the consent of the Borrower and the Administrative Agent (which consent shall not be unreasonably withheld or delayed), elects to become a "Lender" under this Agreement in connection with any transaction described in this Section 2.1(b) shall execute a New Lender Supplement (each, a "New Lender Supplement"), substantially in the form of Exhibit C, whereupon such bank, financial institution or other entity (a "New Lender") shall become a Lender for all purposes and to the same extent as if originally a party hereto and shall be bound by and entitled to the benefits of this Agreement. The effectiveness of any Increased Facility Activation Notice shall be subject to the receipt by the Administrative Agent of such evidence as it shall reasonably request of the due authorization, execution and delivery by the Borrower of such Increased Facility Activation Notice. On each Increased Facility Closing Date, the Borrower shall make such Borrowings and/or prepayments of Loans such that, after giving effect thereto, the Revolving Credit Exposure of each Lender

shall be the same percentage of such Lender's Commitment as the Revolving Credit Exposure of each other Lender is of such other Lender's Commitment.

SECTION 2.2. Loans and Borrowings. (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.12, each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Each Swingline Loan shall 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 Alternate Base Rate; provided that, if the Swingline Lender shall require other Lenders to acquire participations in such Swingline Loan pursuant to Section 2.4(c) or (d), then such Swingline Loan shall bear interest at the Alternate Base Rate. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$25,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$25,000,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments. Each Swingline Loan shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of twelve Eurodollar Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Revolving Termination Date.

SECTION 2.3. Requests for Revolving Borrowings. To request a Revolving Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.2:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;
- (iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and
- (v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.5(a).

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.4. Swingline Loans. (a) Subject to the terms and conditions set forth herein (including the proviso at the end of Section 6.2), the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (x) the aggregate principal amount of outstanding Swingline Loans exceeding \$100,000,000 or (y) the total Revolving Credit Exposures exceeding the total Commitments; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 4:00 p.m., New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day), and amount of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a wire transfer sent to an account specified by the Borrower by 5:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require (i) the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and

unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans.

(d) Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to paragraph (c) above, as applicable, is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.5 with respect to Loans made by such Lender (and Section 2.5 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Borrower of any participation in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

SECTION 2.5. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; provided that, in the case of an ABR Borrowing, if notice of a Borrowing Request was given before the date of the proposed Borrowing, each Lender shall make such ABR Loan on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, and in the event notice was given on the date of the proposed Borrowing, each Lender shall make such ABR Loan on the proposed date thereof by wire transfer of immediately available funds by 1:00 p.m., New York City Time; provided further that Swingline Loans shall be made as provided in Section 2.4. The Administrative Agent will make such Loans available to the Borrower by wire transfer of the amounts so received, in like funds, to an account specified by the Borrower by 5:00 p.m., New York City time (to the extent funds in respect thereof are received by the Administrative Agent reasonably prior to such time) on the date of each requested Borrowing.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing (or, in the event notice was given on the date of the proposed Borrowing, prior to the proposed time of such funding) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section 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 Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the Federal Funds Effective Rate or (ii) in the case of the Borrower, the interest rate then applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.6. Interest Elections. (a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request or determined pursuant to the penultimate sentence of Section 2.3. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Swingline Borrowings.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.3 if the Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.2:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.7. Termination and Reduction of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Revolving Termination 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 2.9, the Revolving Credit Exposures would exceed the total Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) or (c) of this Section 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 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 2.8. 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 Revolving Loan on the Revolving Termination Date and (ii) to the Swingline Lender or to the Administrative Agent pursuant to Section 2.4(c) the then unpaid principal amount of each Swingline Loan on the earlier of the first Business Day prior to the Revolving Termination Date and the first date after such Swingline Loan is made that is five Business Days after such Swingline Loan is made; provided that on each date that a Revolving 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 Class and Type thereof and the Interest Period applicable thereto, (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 paragraph (b) or (c) of this Section 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 10.4) 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 2.9. 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 2.14, subject to prior notice in accordance with paragraph (b) of this Section.

(b) The Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of

any prepayment hereunder (i) in the case of prepayment of a Eurodollar Revolving Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., New York City time, on the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, 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 2.7, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.7. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.2. Each prepayment of a Revolving 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 2.11.

SECTION 2.10. 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 and including the Closing Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. 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 the account of each Lender a utilization fee, which shall accrue at the Applicable Rate on the daily amount of the Revolving Credit Exposure of such Lender for each day on which the Revolving Credit Exposure of all Lenders exceeds 50% of the total Lenders' Commitments; provided that, if any Lender continues to have any Revolving Credit Exposure after its Commitment terminates then such utilization fee shall continue to accrue at the Applicable Rate on the entire amount of such Lender's Revolving Credit Exposure (whether or not the amount of such Revolving Credit Exposure exceeds 50% of such Lender's Commitment in effect prior to the Revolving Termination Date), from and including the date on which the Commitments terminate to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued utilization 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 utilization fees accruing after the date on which the Loans become due and payable shall be payable on demand. All utilization 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 but excluding the last day).

(c) 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.

(d) 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 and utilization fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.11. Interest. (a) The Loans comprising each ABR Borrowing shall bear interest at a rate per annum equal to the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at a rate per annum equal to the LIBO 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 ABR 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 paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving 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 Revolving 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 Alternate Base Rate at times when the Alternate Base Rate is based on the Prime 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 Alternate Base Rate or LIBO 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 2.12. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(i) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period; or

(ii) the Administrative Agent is advised by the Required Lenders that the LIBO 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 telecopy 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 Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be ineffective, and (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing.

SECTION 2.13. 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 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 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 paragraph (a) or (b) of this Section (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 2.14. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar 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 Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice is permitted to be revocable under Section 2.9(b) and is revoked in accordance herewith), (d) the assignment of any Eurodollar 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 2.17, 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 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 LIBO 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 2.15. 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 or Other Taxes that are attributable to such Lender's failure to comply with the requirements of paragraph (e) of this Section), (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 2.16. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or under Section 2.13, 2.14 or 2.15, or otherwise) prior to 12:00 noon, New York City time, 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 at its offices at 270 Park Avenue, New York, New York, except payments to be made directly to the Swingline Lender as expressly provided herein and except that payments pursuant

to Sections 2.13, 2.14, 2.15 and 10.3 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 (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 Revolving Loans or participations in Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving 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 Revolving 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 Revolving 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 paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Revolving Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph 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) 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 with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.5(b), 2.16(c) or 2.16(d), 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.

SECTION 2.17. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.13, or if 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 2.15, 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 2.13 or 2.15, as the case may be, in the future 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 2.13, or if 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 2.15, or if any Lender defaults in its obligation to fund Loans hereunder, or if any Lender becomes an Objecting 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 10.4), 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 2.13 or payments required to be made pursuant to Section 2.15, 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 2.13 and 2.15, each Lender shall apply standards that are not inconsistent with those generally applied by such Lender in similar circumstances.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Each of the Credit Parties represents and warrants to the Lenders that:

SECTION 3.1. Organization; Powers. Each of the Credit Parties and the Subsidiaries 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 3.2. 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 3.3. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing 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 Credit Party or any Subsidiary or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument (other than those to be terminated on or prior to the Closing Date) binding upon any Credit Party or any Subsidiary or their assets, or give rise to a right thereunder to require any payment to be made by any Credit Party or any Subsidiary, and (d) will not result in the creation or imposition of any Lien on any asset of any Credit Party or any Subsidiary.

SECTION 3.4. 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, 2004 (A) reported on by KPMG LLP, an independent registered public accounting firm, in respect of the financial statements of the Guarantor, and (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 3.4(a), neither the Guarantor nor any of its consolidated Subsidiaries had, at the date of the most recent balance sheet referred to above, any material Guarantee Obligation, contingent liability or liability for taxes, or any long-term lease or

unusual forward or long-term commitment, including, without limitation, any interest rate or foreign currency swap or exchange transaction, which is not reflected in the foregoing statements or in the notes thereto. During the period from April 30, 2004 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, as amended, or the Securities Exchange Act of 1934, as amended, 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, 2004.

(b) Since April 30, 2004, there has been no material adverse change in the business, assets, property or condition (financial or otherwise) of the Guarantor and its Subsidiaries, taken as a whole.

SECTION 3.5. Properties. (a) Each of the Credit Parties and the Subsidiaries 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 of the Credit Parties and the Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Credit Parties and the Subsidiaries 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 3.6. 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 any Credit Party, threatened against or affecting any Credit Party or any Subsidiary 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, neither of the Credit Parties nor any Subsidiary (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 3.7. Compliance with Laws and Agreements. Each of the Credit Parties and the Subsidiaries 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 3.8. Investment and Holding Company Status. Neither of the Credit Parties nor any of the Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended, or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.9. Taxes. Each of the Credit Parties and the Subsidiaries 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 the Guarantor, the Borrower or such Subsidiary, as applicable, 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 any 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 the Administrative Agent and each Lender 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 Credit Party and each Subsidiary of each Credit Party 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 4.1. Effective Date. Except as otherwise provided in Sections 4.2 and 4.3, this Agreement shall become effective on the date on which each of the following conditions is satisfied (or waived in accordance with Section 10.2):

(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 Lenders and the Administrative Agent shall have received all fees required to be paid on or prior to the Effective Date.

SECTION 4.2. Closing Date. The obligations of the Lenders to make Loans (or to purchase participations in Swingline Loans) hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 10.2):

(a) The Effective Date shall have occurred.

(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, Rowe & Maw LLP, special New York counsel for the Credit Parties, and Bryan Cave LLP, special counsel for the Credit Parties, substantially in the forms of Exhibit B-1 and B-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, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.3.

(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 the 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. Notwithstanding the foregoing, the obligations of the Lenders to make Loans (or to purchase participations in Swingline Loans) hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 10.2) at or prior to the Effective Date. Upon the Effective Date, all Lenders under the Existing Agreement that have not become parties hereto on or prior to the Effective Date shall no longer be Lenders hereunder, and the Commitments as of the Effective Date shall be as set forth on Schedule 2.1 hereto.

SECTION 4.3. Each Loan. 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 3.4(b), 3.6(a)(i) and 3.6(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 paragraphs (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 5.1. 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 KPMG 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 6.1 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 3.4 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials (other than routine filings by (i) HRB Financial Corporation and its Subsidiaries, including H&R Block Financial Advisors, Inc., (ii) RSM McGladrey, Inc. and its Subsidiaries, including Birchtree Financial Services, Inc., (iii) RSM Equico, Inc. and its Subsidiaries, including RSM Equico Capital Markets, LLC, (iv) Option One Mortgage Corporation, (v) H&R Block Canada, Inc. and (vi) H&R Block Limited) filed by any 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 any 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 Credit Party or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

SECTION 5.2. 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 any 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 the Borrower, the Guarantor or any Subsidiary 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 5.3. Existence; Conduct of Business. Each Credit Party will, and will cause each of the 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 6.4.

SECTION 5.4. Payment of Taxes. Each Credit Party will, and will cause each of the 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 5.5. Maintenance of Properties; Insurance. Each Credit Party will, and will cause each of the 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 5.6. Books and Records; Inspection Rights. Each Credit Party will, and will cause each of the 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 the 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 5.6 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 5.7. Compliance with Laws. Each Credit Party will, and will cause each of the 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 5.8. 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 and 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 5.9. Cleardown. During the period from March 1 to June 30 of each fiscal year, the Credit Parties shall reduce the aggregate outstanding principal amount of all their Short-Term Debt to \$200,000,000 or less for a minimum period of thirty consecutive days.

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 6.1. Adjusted Net Worth. The Guarantor will not permit Adjusted Net Worth as at the last day of any fiscal quarter of the Guarantor to be less than \$1,000,000,000.

SECTION 6.2. 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 6.2, Indebtedness created hereunder;

(b) (i) Indebtedness existing on the date hereof and set forth in Schedule 6.2 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof and (ii) subject to the proviso at the end of Section 6.2, Indebtedness under the Other Credit Agreement;

(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 6.2, (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 any Subsidiary's obligations under or pursuant to (i) indemnity, fee, daylight overdraft and other similar customary banking arrangements between such Subsidiary and one or more financial institutions in the ordinary course of business, (ii) any office lease entered into in the ordinary course of business, and (iii) 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, but not limited to, 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 subsection 6.3(f); provided that, during any fiscal year, the aggregate outstanding principal amount of all Indebtedness incurred pursuant to this subsection 6.2(g) shall not exceed at any time \$325,000,000;

(h) Indebtedness of any Credit Party to any other Credit Party, of any Credit Party to any Subsidiary, of any Subsidiary to any Credit Party and of any Subsidiary to any other Subsidiary; provided that such Indebtedness shall not be prohibited by Section 6.5;

(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 6.2(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 ("M&P") and certain related trusts under (i) that certain Asset Purchase Agreement dated as of June 28, 1999 among RSM, M&P, the Guarantor and certain other parties signatory thereto (the "M&P Purchase Agreement") and (ii) the Retired Partners Agreement and the Loan Agreement (as such terms are defined in the M&P Purchase Agreement); provided that the aggregate outstanding principal amount payable in respect of such Indebtedness permitted under this paragraph (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 subsection 6.2(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, (iv) customer deposits in the ordinary course of business, (v) payables to brokers and dealers in the ordinary course of business and (vi) reimbursement obligations of broker-dealers relating to letters of credit in favor of a clearing corporation or Indebtedness of broker-dealers under other credit facilities, provided that (A) such letters of credit or such other credit facilities are used solely to satisfy margin deposit requirements and (B) the aggregate outstanding exposure of the Guarantor and the Subsidiaries under all such letters of credit and all such other credit facilities shall not exceed \$200,000,000 at any time;

(m) subject to the proviso at the end of this Section 6.2, Indebtedness in an aggregate outstanding principal amount not to exceed \$1,500,000,000; provided, however, that (i) the proceeds of such Indebtedness are used solely in connection with the Borrower's Refund Anticipation Loans Program, (ii) such Indebtedness is incurred during the period beginning on January 15 of any year and ending on March 15 of such year, (iii) such Indebtedness is repaid in full by the earlier of March 15 the year in which such Indebtedness is incurred and (iv) 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 than the covenants contained in this Agreement;

(n) subject to the proviso at the end of this Section 6.2, liabilities related to the RAL Receivables Transactions to the extent consistent with the definition thereof; and

- (o) Indebtedness in respect of letters of credit in an aggregate outstanding principal amount not to exceed \$25,000,000;
- (p) Indebtedness in an amount not exceeding \$150,000,000 in connection with the acquisition, development or construction of the Guarantor's new headquarters;
- (q) deposits and other liabilities incurred by banking Subsidiaries in the ordinary course of business;
- (r) customary liabilities of broker-dealers incurred by broker-dealer Subsidiaries in the ordinary course of business;
- (s) Indebtedness issued by a Subsidiary of the Borrower and primarily secured by mortgage loans sold as contemplated by Section 6.5(c) hereof to such Subsidiary by another Subsidiary of the Borrower; and
- (t) Indebtedness secured by Liens permitted by subsection 6.3(d) or 6.3(e);

provided, that the sum of the aggregate outstanding principal amount of all Indebtedness permitted pursuant to subsections 6.2(a), 6.2(b)(ii), 6.2(e) and 6.2(m) plus the RAL Receivables Amount shall not at any time exceed the greater of (x) the Total Facility Commitments then in effect or (y) the sum of the then outstanding principal amount of the Loans hereunder and the then outstanding principal amount of the "Loans" under the Other Credit Agreement (such sum, the "Total Facility Loan Outstandings"), except that, during the period from January 15 of any year to March 15 of such year, such sum may exceed the greater of the Total Facility Commitments then in effect or the then Total Facility Loan Outstandings by up to \$1,500,000,000.

SECTION 6.3. Liens. Each Credit Party 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 property or asset of any Credit Party or any Subsidiary existing on the date hereof and set forth in Schedule 6.3; provided that (i) such Lien shall not apply to any other property or asset of any Credit Party or any Subsidiary 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 property or asset prior to the acquisition thereof by any Credit Party or any Subsidiary or existing on any property or 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 property or assets of any Credit Party or any Subsidiary 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 Credit Party or any Subsidiary to secure Indebtedness of such Credit Party or such Subsidiary 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 property or assets of any Credit Party or any Subsidiary;

(g) Liens arising in connection with repurchase agreements contemplated by Section 6.2(i); provided that such security interests shall not apply to any property or assets of any Credit Party or any Subsidiary except for the mortgage loans or securities, as applicable, subject to such repurchase agreements;

(h) Liens arising in connection with Indebtedness permitted by Sections 6.2(l)(v) or 6.2(q), which Liens are granted in the ordinary course of business;

(i) Liens not otherwise permitted by this Section 6.3 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 6.3, so long as the aggregate outstanding principal amount of the obligations secured thereby does not exceed (as to the Credit Parties and all Subsidiaries) \$250,000,000 at any one time;

(k) Liens and transfers in connection with the RAL Receivables Transaction; and

(l) Liens on Unrestricted Margin Stock.

SECTION 6.4. Fundamental Changes; Sale of Assets. (a) Each Credit Party 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 the RAL Receivables Transaction and other securitizations 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 6.5.

(b) Except as set forth on Schedule 6.4(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 6.5. Transactions with Affiliates. Each Credit Party will not, and will not permit any Subsidiary to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or 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 Credit Party or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Guarantor and/or its Subsidiaries 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 6.2(s).

SECTION 6.6. 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 Credit Party or any Subsidiary to create, incur or permit to exist any Lien upon any of its material property or assets (unless such agreement or arrangement does not prohibit, restrict or impose any condition upon the ability of either Credit Party or any Subsidiary 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 or by this Agreement, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.6 (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 6.3(j)) if such restrictions or conditions apply only to the property or 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 subsection 6.2(m) or the RAL Receivables Transaction.

ARTICLE VII

GUARANTEE

SECTION 7.1. 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, without limitation, 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 any Credit Party, any other guarantor or any other Person or received or collected by the Administrative Agent or any Lender from any 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 7.2. 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 7.3. 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 7.4. 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 7.5. 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 any Credit Party or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, any Credit Party or any substantial part of its property, or otherwise, all as though such payments had not been made.

SECTION 7.6. 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, without limitation, in the currency in which payment is due.

ARTICLE VIII

EVENTS OF DEFAULT

If any of the following events ("Events of Default") shall occur:

(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 any 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) any Credit Party shall fail to observe or perform any covenant, condition or agreement contained in Section 5.2, 5.3 (with respect to the Credit Parties' existence), 5.8 or 5.9 or in Article VI;

(e) any 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) any 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 property or 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 Credit Party or a Subsidiary;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of any 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 any 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) any 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) any 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 any Credit Party shall so assert;

then, and in every such event (other than an event with respect to the Credit Parties described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other Obligations of the Credit Parties accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Credit Parties; and in case of any event with respect to the Credit Parties described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other Obligations of the Credit Parties accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Credit Parties.

ARTICLE IX

THE ADMINISTRATIVE AGENT

Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent 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, together with such actions and powers as are reasonably incidental thereto.

The bank 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 such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders, and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Credit Party or any Subsidiary that is communicated to or obtained by the bank serving as 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 with the consent or at the request of the Required Lenders (or when expressly required hereby, all the Lenders) or 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 written notice thereof is given to the Administrative Agent by any Credit Party or a Lender, and 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, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement 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.

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 believed by it to be genuine and to have been signed or sent 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 be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for any Credit Party), 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.

The Administrative Agent may perform any and all of its duties and exercise its rights and powers 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 of all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs 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.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Borrower (which consent shall not be unreasonably withheld), to appoint a successor. If no 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 which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. 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 Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.3 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

Each Lender acknowledges that 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 Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender 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 related agreement or any document furnished hereunder or thereunder.

Notwithstanding anything to the contrary contained in this Agreement, the parties hereto hereby agree that no agent (other than the Administrative Agent) shall have any rights, duties or responsibilities in its capacity as agent hereunder and that no agent (other than the Administrative Agent) shall have the authority to take any action hereunder in its capacity as such.

ARTICLE X

MISCELLANEOUS

SECTION 10.1. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, 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 telecopy, as follows:

(a) if to the Borrower or the Guarantor, to it at 4400 Main Street, Kansas City, Missouri 64111, Attention of Becky Shulman (Telecopy No. (816) 753-8538), David Staley (Telecopy No. (816) 753-0371) and Michael Post (Telecopy No. (816) 753-0037);

(b) if to the Administrative Agent or the Swingline Lender, to JPMorgan Chase Bank, Loan and Agency Services Group, 1111 Fannin Street, Houston, TX 77002, Attention of Sandra Choate (Telecopy No. (713) 750-2932), with a copy to JPMorgan Chase Bank, 270 Park Avenue, New York, New York 10017, Attention of William Castro (Telecopy No. (212) 270-1789); and

(c) if to any Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt. Notices and other communications to the Lenders hereunder may be posted to Intralinks or a similar website or delivered by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Section 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent, the Borrower or the Guarantor 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.

SECTION 10.2. Waivers; Amendments. (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 paragraph (b) of this Section, 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 2.16(b) or (c) 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 or (vi) 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 10.3. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable 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 out-of-pocket expenses incurred by the Administrative Agent, or any Lender, including the 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 the Credit Parties or any Subsidiaries, or any Environmental Liability related in any way to the Credit Parties or any Subsidiaries, 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 is a party thereto; provided that such indemnity shall not, as to any Indemnitee and each Related Party of such Indemnitee, 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 any Credit Party fails to pay any amount required to be paid by it to the Administrative Agent or the Swingline Lender under paragraph (a) or (b) of this Section, 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 paragraph (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) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 10.4. 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 any 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 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) except in the case of an assignment to a Lender or an Affiliate of a Lender, 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 Swingline Exposure, 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 paragraph shall not be required if an Event of Default has occurred and is continuing. Upon acceptance and recording pursuant to paragraph (d) of this Section, 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 2.13, 2.14, 2.15 and 10.3). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph 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 paragraph (e) of this Section.

(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.

(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 paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, 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 paragraph.

(e) Any Lender may, without the consent of any 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 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 10.2(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.14 and 2.15 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.13 or 2.15 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 2.15 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 2.15(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 10.4(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 paragraph (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 2.13 or 2.15 than the applicable Granting Lender would have been entitled to receive under such Sections if the Granting Lender had made the relevant credit extension.

SECTION 10.5. 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 2.13, 2.14, 2.15 and 10.3 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 10.6. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent 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 4.1, 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 which, 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 shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 10.7. 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.

SECTION 10.8. 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. 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 10.9. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each Credit Party hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court 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 for recognition or enforcement of any judgment, and each of the parties hereto hereby 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 or, to the extent permitted by 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 against any Credit Party or its properties in the courts of any jurisdiction.

(c) Each Credit Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.1. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 10.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY 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 THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY 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 BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 10.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 10.12. 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 and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (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, (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 (i) becomes publicly available other than as a result of a breach of this Section by it or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than any Credit Party. For the purposes of this Section, "Information" means all information received from any Credit Party relating to any Credit Party 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 Credit Party; provided that, in the case of information received from any Credit Party 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.

SECTION 10.13. 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 10.14. Termination of Existing Agreement.

The Lenders that are parties to the Existing Agreement (and which constitute "Required Lenders" under and as defined in the Existing Agreement) hereby waive the three business days' notice requirement set forth in Section 2.7 of the Existing Agreement for terminating the commitments under the Existing Agreement, and such Lenders and the Company agree that, subject to the Company's payment of all amounts then payable under the Existing Agreement (whether or not then due), the commitments under the Existing Agreement shall be terminated on the Closing Date and replaced by the Commitments hereunder. After the termination of such commitments, the Existing Agreement shall be of no further force or effect (except for provisions thereof which by their terms survive termination thereof).

SECTION 10.15. USA Patriot Act.

Each 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 to identify the Borrower in accordance with the Act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BLOCK FINANCIAL CORPORATION

By: _____
Title:

H&R BLOCK, INC.

By: _____
Title:

JPMORGAN CHASE BANK,
as Administrative Agent, as a Lender and as
Swingline Lender

By: _____
Title:

SCHEDULE 2.1

COMMITMENTS

Lender - - - - -	Commitment -----
JPMorgan Chase Bank	\$ 100,000,000
Bank of America, N.A	\$ 100,000,000
Royal Bank of Scotland plc	\$ 100,000,000
Barclays Bank plc	\$ 75,000,000
HSBC Bank USA, National Association	\$ 75,000,000
Citibank, N.A	\$ 62,500,000
Key Bank National Association	\$ 50,000,000
Wells Fargo Bank, N.A	\$ 50,000,000
Calyon New York Branch	\$ 37,500,000
Mellon Bank, N.A	\$ 37,500,000
Royal Bank of Canada	\$ 37,500,000
SunTrust Bank	\$ 37,500,000
U.S. Bank National Association	\$ 37,500,000
Wachovia Bank National Association	\$ 37,500,000
BNP Paribas	\$ 25,000,000
Comerica Bank	\$ 25,000,000
Deutsche Bank AG New York Branch	\$ 12,500,000
Fifth Third Bank	\$ 12,500,000
Lehman Brothers Bank, FSB	\$ 12,500,000
Merrill Lynch Bank USA	\$ 10,000,000
Sumitomo Mitsui Banking Corporation	\$ 10,000,000
UBS Investment Bank	\$ 10,000,000
Bank Midwest, N.A	\$ 5,000,000
Chang Hwa Commercial Bank, Ltd.	\$ 5,000,000
Commerce Bank, N.A	\$ 5,000,000
E.Sun Commercial Bank, Ltd. (Los Angeles)	\$ 5,000,000
Malyan Banking Berhad	\$ 5,000,000
National City Bank	\$ 5,000,000
Norddeutsche Landesbank Girozentrale	\$ 5,000,000
PNC Bank, National Association	\$ 5,000,000
UMB Bank, n.a	\$ 5,000,000
TOTAL	\$1,000,000,000

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.

FORM OF
ASSIGNMENT AND ACCEPTANCE

Reference is made to the \$1,000,000,000 Five-Year Credit and Guarantee Agreement, dated as of August 11, 2004 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Block Financial Corporation (the "Borrower"), H&R Block, Inc., the Lenders party thereto and JPMorgan Chase Bank, as administrative agent for the Lenders (in such capacity, the "Agent"). Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

The Assignor identified on Schedule 1 hereto (the "Assignor") and the Assignee identified on Schedule 1 hereto (the "Assignee") agree as follows:

1. The Assignor hereby irrevocably sells and assigns to the Assignee without recourse to the Assignor, and the Assignee hereby irrevocably purchases and assumes from the Assignor without recourse to the Assignor, as of the Effective Date (as defined below), the interest described in Schedule 1 hereto (the "Assigned Interest") in and to the Assignor's rights and obligations under the Credit Agreement with respect to those credit facilities contained in the Credit Agreement as are set forth on Schedule 1 hereto (individually, an "Assigned Facility"; collectively, the "Assigned Facilities"), in a principal amount for each Assigned Facility as set forth on Schedule 1 hereto.

2. The Assignor (a) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or with respect to the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, or any other instrument or document furnished pursuant thereto, other than that the Assignor has not created any adverse claim, lien or encumbrance upon the interest being assigned by it hereunder and that such interest is free and clear of any such adverse claim, lien or encumbrance; (b) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Credit Party, any of their respective Subsidiaries or any other obligor or the performance or observance by any Credit Party, any of their Subsidiaries or any other obligor of any of their respective obligations under the Credit Agreement or any other instrument or document furnished pursuant hereto or thereto; and (c) attaches any promissory notes held by it evidencing the Assigned Facilities and (i) requests that the Agent, upon request by the Assignee, exchange the attached promissory notes for a new promissory note or promissory notes payable to the Assignee and (ii) if the Assignor has retained any interest in the Assigned Facility, requests that the Agent exchange the attached promissory notes for a new promissory note or promissory notes payable to the Assignor, in each case in amounts which reflect the assignment being made hereby (and after giving effect to any other assignments which have become effective on the Effective Date).

3. The Assignee (a) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (b) confirms that it has received a copy of the Credit

Agreement, together with copies of the financial statements delivered pursuant to Section 3.4 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (c) agrees that it will, independently and without reliance upon the Assignor, the Agent 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 Credit Agreement or any other instrument or document furnished pursuant hereto or thereto; (d) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement or any other instrument or document furnished pursuant hereto or thereto as are delegated to the Agent by the terms thereof, together with such powers as are incidental thereto; and (e) agrees that it will be bound by the provisions of the Credit Agreement and will perform in accordance with its terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender including, if it is organized under the laws of a jurisdiction outside the United States, its obligation pursuant to Section 2.14 of the Credit Agreement.

4. The effective date of this Assignment and Acceptance shall be the Effective Date of Assignment described in Schedule 1 hereto (the "Effective Date"). Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance by it and recording by the Agent pursuant to the Credit Agreement, effective as of the Effective Date (which shall not, unless otherwise agreed to by the Agent, be earlier than five Business Days after the date of such acceptance and recording by the Agent).

5. Upon such acceptance and recording, from and after the Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to the Effective Date and to the Assignee for amounts which have accrued subsequent to the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

6. From and after the Effective Date, (a) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and shall be bound by the provisions thereof and (b) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

7. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed as of the date first above written by their respective duly authorized officers on Schedule 1 hereto.

Schedule 1
to Assignment and Acceptance

Name of Assignor: _____

Name of Assignee: _____

Effective Date of Assignment: _____

Principal
Amount Assigned

Commitment
Percentage Assigned

\$ _____
\$ _____

_____ %
_____ %

[NAME OF ASSIGNEE]

[NAME OF ASSIGNOR]

By: _____
Title:

By: _____
Title:

Consented to and Accepted:

[Consented To:

JPMORGAN CHASE BANK, as
Administrative Agent and as
Swingline Lender

BLOCK FINANCIAL CORPORATION

By: _____
Title:

By: _____
Title:]

[FORM OF OPINION OF MAYER, BROWN, ROWE & MAW LLP]

[FORM OF OPINION OF BRYAN CAVE LLP]

FORM OF
NEW LENDER SUPPLEMENT

NEW LENDER SUPPLEMENT (this "New Lender Supplement"), dated _____, 200_, to the Five-Year Credit and Guarantee Agreement, dated as of August 11, 2004, as amended, supplemented or otherwise modified from time to time (the "Credit Agreement"), among Block Financial Corporation, H&R Block, Inc., the Lenders party thereto, the Syndication Agents named therein and JPMorgan Chase Bank, as Administrative Agent.

W I T N E S S E T H:

WHEREAS, the Credit Agreement provides in Section 2.01(b) thereof that any bank, financial institution or other entity may become a party to the Credit Agreement with the consent of the Borrower and the Administrative Agent (which consent shall not be unreasonably withheld) by executing and delivering to the Borrower and the Administrative Agent a supplement to the Credit Agreement in substantially the form of this New Lender Supplement; and

WHEREAS, the undersigned now desires to become a party to the Credit Agreement;

NOW, THEREFORE, the undersigned hereby agrees as follows:

1. The undersigned agrees to be bound by the provisions of the Credit Agreement, and agrees that it shall, on the date this New Lender Supplement is accepted by the Borrower and the Administrative Agent, become a Lender for all purposes of the Credit Agreement to the same extent as if originally a party thereto, with an incremental Commitment of \$_____.

2. The undersigned (a) represents and warrants that it is legally authorized to enter into this New Lender Supplement; (b) confirms that it has received a copy of the Credit Agreement, together with copies of the most recent audited financial statements referred to in Section 3.4 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this New Lender Supplement; (c) agrees that it has made and will, independently and without reliance upon the Administrative Agent 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 Credit Agreement, any other Loan Document or any instrument or document furnished pursuant hereto or thereto; (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement, any other Loan Document or any instrument or document furnished pursuant hereto or thereto as are delegated to the Administrative Agent by the terms thereof, together with such powers as are incidental thereto; and (e) agrees that it will be bound by the provisions of the Credit Agreement and will perform in accordance with its terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender including, without limitation, if it is

organized under the laws of a jurisdiction outside the United States, its obligation pursuant to Section 2.15(e) of the Credit Agreement.

3. The address of the undersigned for notices for the purposes of the Credit Agreement is as follows:

4. Terms defined in the Credit Agreement shall have their defined meanings when used herein.

IN WITNESS WHEREOF, the undersigned has caused this New Lender Supplement to be executed and delivered by a duly authorized officer on the date first above written.

[INSERT NAME OF LENDER]

By _____
Name:
Title:

Accepted this ____ day of _____, 200_.

BLOCK FINANCIAL CORPORATION

By _____
Name:
Title:

Accepted this ____ day of _____, 200_.

JPMORGAN CHASE BANK,
as Administrative Agent

By _____
Name:
Title:

FORM OF INCREASED FACILITY ACTIVATION NOTICE

To: JPMORGAN CHASE BANK, as Administrative
Agent under the Credit Agreement referred to below

Reference is hereby made to the Five-Year Credit and Guarantee Agreement, dated as of August 11, 2004 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Block Financial Corporation (the "Borrower"), H&R Block, Inc., the Lenders party thereto, the Syndication Agents named therein and JPMorgan Chase Bank, as Administrative Agent. Terms defined in the Credit Agreement shall have their defined meanings when used herein.

This notice is an Increased Facility Activation Notice referred to in the Credit Agreement, and the Borrower and each of the Lenders party hereto hereby notify you that:

1. Each Lender party hereto agrees to [make] [provide] an incremental Commitment in the amount set forth opposite such Lender's name below under the caption "Incremental Commitment Amount."
2. The Increased Facility Closing Date is _____, 200__.

The Borrower certifies that no Default or Event of Default has occurred and is continuing on the date of this notice.

IN WITNESS WHEREOF, the undersigned have executed this Increased Facility Activation Notice this ___ day of _____, 200__.

BLOCK FINANCIAL CORPORATION

By: _____
Name:
Title: Treasurer

Incremental Commitment Amount

[NAME OF LENDER]

\$

By: _____
Name:
Title:

CONSENTED TO:

JPMORGAN CHASE BANK,
as Administrative Agent

By: _____
Name:
Title:

SEARS, ROEBUCK AND CO.

LICENSE AGREEMENT

H&R Block Services, Inc.

June 30, 2004

Effective Date

195-014

Finite

TABLE OF CONTENTS

1.	GRANT OF LICENSE.....	7
	1.1 License for On-Premises Operations.....	7
	1.2 No Representations.....	8
	1.3 Licensee's Franchisees.....	8
2.	TERM.....	9
3.	USE OF SEARS MARKS.....	9
	3.1 Licensed Business Name; Other Communications.....	9
	3.2 Use and Registration of Licensed Business Marks.....	9
	3.3 Prosecution of Claims Relating to Licensed Business Name.....	10
	3.4 Rights of the Parties.....	10
	3.5 Injunctive Relief.....	10
	3.6 Infringing Use.....	10
	3.7 Good Will.....	11
	3.8 Survival.....	11
4.	SEARS FEES.....	11
	4.1 Amount.....	11
	4.2 Net Sales.....	12
	4.3 Gross Sales.....	12
5.	OPERATIONAL OBLIGATIONS OF LICENSEE.....	12
	5.1 Operational Standards.....	12
	5.2 Hours of Operation.....	13
	5.3 Pricing.....	13
	5.4 Discount Policy.....	13
	5.5 Customer Loyalty Programs.....	13
	5.6 Customer Adjustment/Service.....	13
	5.7 Employee Standards.....	14
	5.8 Licensee's Employees.....	14
	5.9 Employee Compensation.....	15
	5.10 Compliance with Labor Laws.....	15
	5.11 Compliance with Law.....	15
	5.12 Payment of Obligations.....	15
	5.13 Licensee's Obligations.....	16
	5.14 Liens.....	16
	5.15 Licensee Audit Program.....	16
	5.16 Preparer.....	16
	5.17 Preparer's Responsibilities.....	16
	5.18 Licensee's Guarantee to Customers.....	16
	5.19 Quotation of Charges.....	17
	5.20 Copies of Tax Returns; Taxpayer's Files.....	17
6.	LICENSED BUSINESS AREA.....	17
	6.1 Locations.....	17
	6.2 Additional Locations.....	19
	6.3 Improvements.....	20

6.4	Commencement of Operations.....	20
6.5	Condition of Licensed Business Area.....	20
6.6	Changes of Location/Remodeling.	20
6.7	Electric/HVAC.....	21
6.8	Telephone Service.....	21
6.9	Telephone Numbers.....	22
6.10	Telephone Directory Listings.....	22
6.11	Access to Licensed Business Area.....	22
6.12	Effect of Store Leases.....	22
6.13	Waiver of Premises Liability.	23
7.	PUBLIC COMMUNICATIONS.....	23
7.1	Advertising.....	23
7.2	Other Publicity.....	24
7.3	Forms.....	24
8.	LICENSED BUSINESS EQUIPMENT.....	25
8.1	Licensee's Equipment.....	25
8.2	POS Terminal Provided by Sears.....	25
8.3	Licensee-Provided POS Terminal.....	25
9.	TRANSACTIONS AND SETTLEMENT.....	25
9.1	Checks.....	25
9.2	Credit Sales.....	25
9.3	Transactions.....	27
9.4	Settlement.....	28
9.5	Reports.....	28
9.6	Audit Rights.....	29
9.7	Underreporting.....	29
9.8	Rights of Recoupment and Setoff	30
9.9	Check Cashing.....	30
10.	CONFIDENTIALITY; CUSTOMER INFORMATION.....	31
10.1	Confidential Business Information.....	31
10.2	Treatment of Confidential Business Information.....	32
10.3	Exceptions to Confidential Treatment.....	32
10.4	Confidential Customer Information.....	33
10.5	Treatment of Confidential Customer Information.....	33
10.6	Post-Termination Obligation.....	34
11.	RELATIONSHIP OF PARTIES.....	34
12.	DEFENSE AND INDEMNITY.....	34
12.1	Defense.....	34
12.2	Indemnity.....	36
12.3	Survival.....	37
13.	INSURANCE.....	37
13.1	Types of Insurance	37
13.2	No Cancellation Without Notice/Excess Coverage.....	38
13.3	Certificates.....	38
13.4	Expiration/Non-Renewal.....	38

13.5	No Waiver.....	39
14.	TERMINATION.....	39
14.1	Mutual Right of Termination.....	39
14.2	Termination by Sears upon Default by Licensee.....	39
14.3	Termination After Opportunity to Cure.....	39
14.4	Termination on Store Closing or Casualty.....	40
14.5	Effect of Termination.....	40
14.6	Survivability.....	41
15.	ASSIGNMENT.....	41
15.1	Assignment by Licensee.....	41
15.2	Assignment by Sears.....	41
15.3	Binding Nature.....	41
16.	MISCELLANEOUS.....	41
16.1	Choice of Law.....	41
16.2	Jurisdiction and Venue.....	42
16.3	Notices.....	42
16.4	Severability.....	42
16.5	No Waiver.....	43
16.6	Cumulative Rights.....	43
16.7	Construction.....	43
16.8	Survival.....	43
16.9	Entire Agreement; Modifications.....	43
	SCHEDULE 1.1A	44
	AUTHORIZED MERCHANDISE AND/OR SERVICES.....	45
	SCHEDULE 1.1B.....	46
	DESIGNATED SEARS STORES.....	46
	SCHEDULE 3.3A.....	64
	LICENSEE MARKS.....	64
	SCHEDULE 3.3B.....	65
	SEARS MARKS.....	65
	SCHEDULE 4.1.....	66
	SEARS FEES.....	66
	SCHEDULE 4.1(a).....	69
	TEST MARKETS	69
	SCHEDULE 6.1(a).....	70
	FACILITY SPECIFICATIONS.....	70
	SCHEDULE 6.1(f).....	71
	HVAC.....	71
	SCHEDULE 6.2	72
	CONSTRUCTION/REMODEL COSTS.....	72
	SCHEDULE 9.2.....	73

CREDIT CARD CONDITIONS	73
ATTACHMENT 1 to SCHEDULE 9.2	78
OPERATING INSTRUCTIONS	78

LICENSE AGREEMENT

THIS LICENSE AGREEMENT (the "Agreement") is made and entered into as of June 30, 2004 (the "Effective Date"), by SEARS, ROEBUCK AND CO., a New York corporation ("Sears"), and H&R BLOCK SERVICES, INC., a Missouri corporation ("Licensee").

Sears and Licensee hereby agree as follows:

1. GRANT OF LICENSE

1.1 License for On-Premises Operations.

- a. Sears hereby grants Licensee the non-exclusive privilege of conducting and operating, and Licensee shall conduct and operate pursuant to the terms, provisions and conditions contained in this Agreement, a licensed business ("Licensed Business") to offer and sell only the merchandise and services listed on Schedule 1.1A ("Authorized Merchandise/Services"), only at the Sears locations described on Schedule 1.1B ("Designated Sears Store(s)"). Any changes, additions or deletions of merchandise or services from Schedule 1.1A require the prior written approval of Sears. Licensee shall be permitted to conduct the Licensed Business at the Designated Sears Stores each year any time during the period of January 1 through April 30 (the "Tax Season").
- b. Sears additionally grants to Licensee the right at Licensee's option to conduct income tax return preparation training classes (the "Tax Classes") for the general public, but only in those Designated Sears Stores where the Sears Store General Manager from time to time authorizes the conduct of the Tax Classes. The amount and location of the space to be utilized for the Tax Classes shall be determined solely by the Sears Store General Manager and such space shall be separate and distinct from the space required under this Agreement for the operation of the Tax Service. Terms related to the operation of Tax Classes in each location are to be agreed to between Sears Store General Manager and Block District Manager. The Tax Classes shall be conducted under Licensee's own name, and Sears' name will not be used in connection therewith. Each Tax Class will operate for a period of time determined by Licensee, but such period shall be completed no later than mid-December of each year in which the Tax Classes are authorized.
- c. With the exception of the Tax Classes, the services provided by Licensee hereunder shall be referred to collectively as the "Tax Services" except, where the context requires, the service that Licensee is authorized to conduct for electronic filing shall be referred to as "Electronic Filing Services". References to the Licensed Business shall mean the Tax Classes, Electronic Filing Services and the Tax Services.

1.2 No Representations.

Sears makes no promises or representations whatsoever as to the potential amount of business Licensee can expect at any time from the operation of the Licensed Business. Licensee is solely responsible for any expenses it incurs related to this Agreement, including, but not limited to, any increase in the number of Licensee's employees or any expenditures for additional facilities or equipment.

1.3 Licensee's Franchisees.

Licensee may operate the Licensed Business hereunder at various Designated Sears Stores through operators franchised by Licensee but only after Licensee has submitted such franchise operated locations to Sears for its approval. Licensee shall make the terms and conditions of this Agreement known to all such franchise operators and secure such franchise operators' written agreement to comply with all the terms and conditions hereof and to assume all of Licensee's obligations hereunder in the performance of the Licensed Business on Sears' premises. Licensee agrees to include in any and all agreements with its franchisees a provision that Licensee and its franchise operators acknowledge that Sears is a third party beneficiary of all Licensee's rights and Licensee's franchise operators' obligations under the agreement between Licensee and its franchise operators which directly or indirectly pertains to the control, protection, and maintenance of Sears' trademarks, service marks, trade names, and the good will pertaining thereto. Accordingly, Sears shall have the right to require compliance by Licensee's franchise operators and to enforce directly against the franchise operators all provisions of the agreement between Licensee and its franchise operators which directly or indirectly pertain to Sears' third party beneficiary rights hereunder. Such provisions shall pertain only to the control, protection and maintenance of Sears trademarks, service marks, trade names, and the good will pertaining thereto, and are not to be construed as granting Sears any right or power to control the details of the daily operation of the Licensed Business by Licensee's franchise operators unrelated to the control, protection and maintenance of Sears trademarks, service marks, and trade names, all of the rights and powers being retained exclusively by Licensee or its franchise operators, as the case may be.

Licensee shall closely monitor the operations of such franchise operators and take all steps necessary to assure such franchise operators' compliance with the terms and conditions of this Agreement. If this Agreement is terminated for any reason as to one (1) or more Designated Sears Store locations, then any agreement between the Licensee and a franchise operator of Licensee to operate the Licensed Business at such location shall also terminate simultaneously and neither Licensee nor Licensee's franchise operators shall be entitled to damages, if any as a result of such termination. Notwithstanding the foregoing, Licensee shall at all times continue to be fully and primarily responsible and liable to Sears for the faithful performance of all the terms and conditions of this Agreement by Licensee's franchisees.

2. TERM

The term of this Agreement ("Term") shall be for a three (3) year period beginning on the Effective Date, and ending at the close of business on July 31, 2007, unless sooner terminated under any of the provisions of this Agreement.

3. USE OF SEARS MARKS

3.1 Licensed Business Name; Other Communications.

Except with the prior written approval of Sears, Licensee shall operate the Licensed Business only under the name "H&R Block at Sears" (the "Licensed Business Name"). In this regard, the exterior signage for the Designated Sears Stores shall use the Licensed Business Name. However, inside each Designated Sears Store being operated by Licensee hereunder and in the general conduct of the Licensed Business, Licensee shall be free to use forms, other materials and operations not referring to or using the Sears name. Licensee shall use the Licensed Business Name and the name "Sears" in connection with the operation of the Licensed Business and only in a manner expressly described herein. Sears shall use the Licensed Business Name and the name "H&R Block" only in a manner expressly described herein. All communications with persons or entities other than customers or potential customers of the Licensed Business by Licensee shall not use the Sears name or marks. Licensee shall not without Sears' consent use any trademark, service mark or tradename owned by or licensed to Sears except for use of the Licensed Business Name, which may only be used in connection with the operation of the Licensed Business. Except as specifically set forth in this Agreement, neither party has any right to use in any manner or for any purpose any trademark, service mark, logotype or tradename owned by or licensed to the other party.

3.2 Use and Registration of Licensed Business Marks.

Both Sears and Licensee may jointly use the Licensed Business Name and any other approved trademarks and service marks used in connection with the Licensed Business (collectively, including the Licensed Business Name, the "Licensed Business Marks"), and each party shall pre-approve any proposed Licensed Business Mark, other than the Licensed Business Name, which incorporates the Licensee Marks or trademarks, service marks or trade names owned by or licensed to the other party. Sears acknowledges and will not contest or challenge Licensee's exclusive ownership of the trademarks, service marks and trade names owned by it or its affiliates and listed on Schedule 3.3A, which is attached hereto and incorporated herein, which may be amended from time to time by written agreement of the parties (the "Licensee Marks") and Licensee acknowledges and will not contest Sears' or its affiliates' exclusive ownership of its trademarks, service marks and trade names and Licensed Business Marks other than the Licensed Business Name and Licensee Marks (collectively, the "Sears Marks"), which is attached hereto as Schedule 3.3B and incorporated herein and which may be amended from time to time by written agreement of the parties. Upon expiration or

termination of this Agreement, each party shall immediately stop using all marks of the other party unless such post termination use is specifically authorized in this Agreement.

3.3 Prosecution of Claims Relating to Licensed Business Name.

Neither party may prosecute or otherwise pursue any claim against any third party for infringement or misappropriation of the Licensed Business Name without the prior written consent of the other party, and such other party may withhold or condition its consent in its reasonable, good faith discretion.

3.4 Rights of the Parties.

Neither party shall register or attempt to register any Mark of the other party. Each party shall execute all documents the other party or its affiliates requests to confirm such party's or its affiliates' ownership interest in any Licensed Business Marks or Marks of that party. Nothing in this Agreement shall be construed to bar either party or its affiliates from protecting its rights in its Marks against infringement or misappropriation by any party or parties, including the other party, or from claiming rights in any intellectual property other than that as to which ownership is expressly provided for in this Agreement.

3.5 Injunctive Relief.

Licensee acknowledges that the Sears Marks possess a special, unique and extraordinary character, which makes it difficult to assess the monetary damage Sears or its affiliates would sustain in the event of unauthorized use, and Licensee agrees that in the event of breach of this Section 3 by Licensee, there would be no adequate remedy at law and preliminary or permanent injunctive relief would be appropriate.

Sears acknowledges that the Licensee Marks possess a special, unique and extraordinary character, which makes it difficult to assess the monetary damage Licensee or its affiliates would sustain in the event of unauthorized use, and Sears agrees that in the event of breach of this Section 3 by Sears, there would be no adequate remedy at law and preliminary or permanent injunctive relief would be appropriate.

3.6 Infringing Use.

Each party shall notify the other party in writing by certified mail, return receipt requested, within five business days after it has knowledge of any infringement, misuse, dilution, acts of unfair competition or damaging acts related to the other party's Marks or any names, symbols, emblems, designs or colors which would be confusingly similar in the minds of the public to the other party's Marks, as well as any other patent, trademark, trade secret, service mark, trade name, trade dress, copyright, domain name, right of publicity or other intellectual property right in any way related to or affecting the Authorized Merchandise/Services. The other party or its affiliates may, at its sole expense, take such action as it determines, in its sole discretion, is appropriate. Each

party shall cooperate and assist in such protest or legal action at the affected party's or its affiliates' expense. Neither party shall undertake any protest or legal action with respect to any Mark of the other party without first securing the other party's written permission to do so. For the purposes of this section, expenses shall include reasonable attorneys' fees and costs. All recovery in the form of legal damages or settlement shall belong to the party bearing the expense of such protest or legal action.

3.7 Good Will.

Licensee recognizes the substantial good will associated with any and all Sears Marks as described in this Section and acknowledges that all rights therein, and good will pertaining thereto, belong to Sears or its affiliates. Licensee further acknowledges that all use of the Sears Marks by Licensee shall inure to the benefit of Sears and will not impair the validity or good will associated with the Sears Marks.

Sears recognizes the substantial good will associated with any and all Licensee Marks as described in this Section and acknowledges that all rights therein, and good will pertaining thereto, belong to Licensee or its affiliates. Sears further acknowledges that all use of the Licensee Marks by Sears shall inure to the benefit of Licensee and will not impair the validity or good will associated with the Licensee Marks.

3.8 Survival.

The provisions of this Section 3 shall survive the expiration or termination of this Agreement.

4. SEARS FEES.

4.1 Amount.

Licensee shall pay Sears fees (collectively, "Sears Fees") in accordance with Schedule 4.1 hereto. In lieu of the Standard Fees, the parties agree to designate certain locations, representing not less than fifty (50) Designated Sears Store locations, at which to test the modified fee schedule set forth on Schedule 4.1 (b) for the first twenty-four months of the Term. The parties shall select and agree upon the fifty locations at which the test shall be conducted and intend that the locations shall include some of the highest performing locations and some of the lowest performing locations, and the same fifty store locations shall be used throughout the test period. Upon the completion of the test, if the parties agree, they shall implement the test approach nationally. If the parties do not agree, no national test approach shall occur and the test store locations shall revert to the Standard Fees set forth on Schedule 4.1(a).

4.2 Net Sales.

"Net Sales" means Gross Sales from operation of the Licensed Business, less sales taxes, returns, allowances or adjustments and discounts. Net Sales shall not include, and no fees shall be due to Sears (other than as set forth in Section 3 of Schedule 4.1) in consideration of sales of any financial services products to Customers. For this purpose, financial services products shall include all products identified in Section 5 of Schedule 1.1A and any other similar products not otherwise identified on said Schedule. RAL/RAC products shall not count toward Net Sales until Licensee receives funding for same.

4.3 Gross Sales.

"Gross Sales" means all of Licensee's direct or indirect sales of Authorized Merchandise/Services from the Licensed Business, including, but not limited to, sales arising out of referrals, contacts, or recommendations obtained through the operation of the Licensed Business. Without limiting the generality of the foregoing, Gross Sales shall include any and all sales of Authorized Merchandise/Services to any Customer (as hereinafter defined in Section 4) of the Licensed Business regardless of whether such sales are made in the Licensed Business area of Sears or at Licensee's other place(s) of business or in the customer's home. A "Customer" of the Licensed Business is any customer or prospective customer who becomes first known to Licensee as a result of contact made through Licensee's operation of the Licensed Business and who subsequently purchases services from Licensee in another location during the same Tax Season. The parties acknowledge that each year, client migration occurs between the Designated Sears Stores and the other offices of Licensee and that this migration is solely at the discretion of the customer. The parties agree that Licensee cannot be held accountable for this migration. However, Licensee agrees that it will not intentionally move or attempt to move customers from a Sears location to another Licensee location.

5. OPERATIONAL OBLIGATIONS OF LICENSEE

5.1 Operational Standards.

Licensee has provided the Sears corporate Licensed Business Department with copies of its written procedures and policies establishing minimum standards of quality and customer service. Licensee shall immediately advise Sears of any proposed changes in Licensee's standards. Without limiting Licensee's obligations under Section 5.7, Licensee shall observe no less than such minimum standards of quality and customer service. Sears may visit the Licensed Business Area at any reasonable time during business hours for the purpose of verifying Licensee's compliance with its standards of quality and customer service.

(a) Licensee and Sears shall conduct their respective operations in a courteous and efficient manner and shall present a neat, business-like appearance, including

adherence by Licensees' employees to a reasonable dress code. Licensee shall abide by all safety and security rules and regulations of the Sears stores in effect from time to time.

(b) All of the services performed by Licensee in connection with the Licensed Business shall be of the highest standard and performed in accordance with the level of professional care customarily observed by highly skilled professionals rendering services similar to those offered through the Licensed Business.

5.2 Hours of Operation.

The Licensed Business shall, during the Tax Filing Season, be kept open for business and operated during the same business hours that the Sears retail store is open for business unless otherwise agreed to by both parties.

5.3 Pricing.

Sears shall have no right or power to establish or control the prices at which Licensee offers Authorized Merchandise/Services in the Licensed Business. Such right and power is retained by Licensee, and Licensee shall participate, at its option, in Sears national store-wide sales and/or merchandise price-off events.

5.4 Discount Policy.

Licensee shall offer Authorized Merchandise/Services to employees, licensees of Sears and their family members, to the extent such employees and family members are eligible for Sears' associate discount, at a ten percent (10%) discount only if such purchases are paid for with cash, check or the Sears Card (as defined in Section 9.2) and only upon presentation of a valid Sears discount card.

5.5 Customer Loyalty Programs.

Licensee may, at Licensee's discretion, accept any and all certificates and coupons relating to customer loyalty programs that may from time to time be operated by Sears. Licensee agrees to be flexible in considering Sears' request to participate in such customer loyalty programs. Prior to requesting Licensee to accept such certificates or coupons, Sears will provide Licensee with a list of all such loyalty programs and instructions as to the proper procedures for handling them. If Licensee agrees to accept any such certificates, Sears shall reimburse Licensee for the cost of all such certificates and coupons accepted, provided Licensee has followed the prescribed procedures.

5.6 Customer Adjustment/Service.

Licensee shall at all times maintain a general policy of "Satisfaction Guaranteed" to customers and shall promptly adjust all complaints of and controversies with customers arising out of the operation of the Licensed Business. In any case in which an adjustment made by Licensee is unsatisfactory to the customer and Sears has first investigated the

customer complaint with the Licensee's local manager, Sears shall have the right, at Licensee's expense, to make such further adjustment as Sears deems necessary under the circumstances, and any adjustment made by Sears shall be conclusive and binding upon Licensee. Sears may deduct the amounts of any such adjustments from the sales receipts held by Sears as described in Section 9.3. Licensee shall maintain files pertaining to customer complaints and their adjustment and, to the extent consistent with applicable laws, shall make such files available to Sears. Licensee shall not use the services of a collection agency or undertake any legal proceeding against any Licensed Business customer without the prior written approval of Sears other than legal proceedings involving allegations of fraud or deception, and Licensee shall not institute any legal proceedings in Sears' name.

5.7 Employee Standards.

Licensee shall employ all management and other personnel necessary for the efficient operation of the Licensed Business. All persons hired and used by Licensee to prepare tax returns in the Licensed Business shall be competent and qualified tax return preparers. Except as set forth herein, the Licensed Business shall be operated solely by Licensee's employees, and not by independent contractors, sub-contractors, sub-licensees or by any other such arrangement. Licensee shall use its best efforts to ensure that Licensee's employees working in the Licensed Business do not work concurrently in any of Licensee's non-Sears locations.

Licensee shall maintain a system of monitoring that is consistent with Licensee's standard policies whereby qualified personnel retained by Licensee will check randomly at the Sears locations the manner in which tax returns are being prepared for taxpayers.

5.8 Licensee's Employees.

Licensee has no authority to employ persons on behalf of Sears, and no employees of Licensee shall be deemed to be employees or agents of Sears. Licensee has sole and exclusive control over its labor and employee relations policies and its policies relating to wages, hours, working conditions, or conditions of its employees. Licensee agrees that it will prepare a training manual for the use of its personnel and furnish its personnel with necessary tax reference materials. Licensee has the sole and exclusive right to hire, transfer, suspend, lay off, recall, promote, assign, discipline, adjust grievances and discharge its employees, provided, however, that Sears may request at any time that Licensee remove from the Licensed Business any employee of Licensee or any of Licensee's officers, managers or owners who is objectionable to Sears because of risk of harm or loss to the health, safety and/or security of Sears customers, employees or merchandise and/or whose manner impairs Sears' customer relations. After Licensee's employee has been removed from the Designated Sears Store, Sears agrees to review with Licensee the events leading to such removal and shall allow Licensee to reverse any removal that Licensee can demonstrate was not based upon a reasonable expectation of risk of harm or loss to the health, safety and or security of Sears customers, employees or merchandise and/or whose manner impaired Sears' customer relations. If Sears objects to

any of Licensee's employees, and Licensee determines not to remove such employee, Sears may terminate the affected location by giving thirty (30) days notice to Licensee.

During the Term of this agreement and for ninety (90) days after termination or expiration thereof, neither party shall solicit or offer employment (other than through advertisements of general circulation) to any person who was an employee at a District Manager level or above of the other party.

5.9 Employee Compensation.

Licensee is responsible for paying all salaries and other compensation of its employees and shall make all necessary salary deductions and withholdings from its employees' salaries and other compensation. Licensee is also responsible for paying any and all contributions, taxes and assessments and all other requirements of the federal social security, federal and state unemployment compensation and federal, state and local withholding of income tax laws on all salary and other compensation of its employees.

5.10 Compliance with Labor Laws.

Licensee shall comply with all federal, state and local laws, ordinances, rules and regulations (collectively, "Labor Laws") regarding its employees, including, but not limited to, federal or state laws or regulations regarding minimum compensation, overtime and equal opportunities for employment whether or not Licensee may otherwise be exempt from such Labor Laws because of its size or the nature of its business or for any other reason whatsoever.

5.11 Compliance with Law.

Licensee shall, at its expense, obtain all permits and licenses which may be required under any applicable federal, state, or local law, ordinance, rule or regulation by virtue of any act performed in connection with the operation of the Licensed Business. Licensee shall comply fully with all applicable federal, state and local laws, ordinances, rules and regulations.

5.12 Payment of Obligations.

Licensee shall, at its expense, collect, pay and discharge all license fees, business, use, sales, gross receipts, income, property or other applicable taxes or assessments which may be charged or levied by reason of any act performed in connection with the operation of the Licensed Business, excluding, however, all taxes and assessments applicable to Sears income from Sears Fees or applicable to Sears property. Licensee shall be responsible for calculating the sales tax rate applicable to all Authorized Merchandise/Services sold through the operation of the Licensed Business. Licensee shall promptly pay all its obligations, including those for labor and material.

5.13 Licensee's Obligations.

Licensee shall not make purchases or incur any obligation or expense of any kind in the name of Sears.

5.14 Liens.

Licensee shall not allow any liens, claims or encumbrances to attach to any Sears property or against any of the Designated Sears Stores. In the event any lien, claim or encumbrance so attaches or is threatened, Licensee shall immediately take all necessary action to cause such lien, claim or encumbrance to be satisfied and released. In the event Licensee fails to immediately cause such lien, claim or encumbrance to be satisfied or released, Sears may, in its sole discretion, terminate this Agreement and/or charge Licensee or withhold from the sales receipts retained under Section 9.3 all expenses, including attorneys' fees, incurred by Sears in removing and/or resolving such liens or claims.

5.15 Licensee Audit Program.

Licensee, at its expense, shall develop and implement a program to conduct internal audits of the Licensed Business, which shall be similar to the normal audit procedures utilized by Licensee in its normal course of business, to verify accuracy of sales and Sears Fees and shall provide to Sears the results of any and all such audits.

5.16 Preparer.

The name "H&R Block" or the name of the Licensee affiliate which is the preparer of the tax return, which name shall include "H&R Block, shall be placed upon each return prepared by the Tax Service as the "preparer" of such return and the signature line on the return shall be completed in such form as will comply with Internal Revenue Service rules, instructions and practices. The name Sears shall not be used or appear in any manner on such returns.

5.17 Preparer's Responsibilities.

Licensee will advise each of its tax return preparers of such preparers' responsibilities under the Internal Revenue Code and applicable regulations.

5.18 Licensee's Guarantee to Customers.

Licensee will issue to each of its customers hereunder the following H&R Block guarantee:

"If your income tax return is audited, H&R Block will appear with you at that audit at no extra cost and explain how your return was prepared, even though we cannot act as your legal representative. Our employee training

and system of safeguards are carefully designed to assure the accuracy of your return. If we make any error in the preparation of your tax return that costs you any interest or penalty on additional taxes due, while we do not assume the liability for the additional taxes, we will pay that interest and penalty."

Under no circumstances will Sears assume, be liable for or pay any penalties, interest, assessment or claims of any kind arising out of any actual or alleged error or omission in any tax return prepared by Licensee hereunder.

5.19 Quotation of Charges.

All charges for Tax Service will be quoted to the customer during the interview. Licensee shall not charge customers for estimates or quotes for tax preparation services. However, Licensee shall not be prevented from charging customers for selected tax services that require the preparation of estimated tax return information for the customer.

5.20 Copies of Tax Returns; Taxpayer's Files.

Licensee agrees that it will retain copies of all tax returns prepared by it in such manner and for such period of time as is consistent with Licensee's maintenance of tax returns prepared for Licensee's retail customers other than Customers. Licensee shall at all times retain sole rights to its customer's files.

6. LICENSED BUSINESS AREA

6.1 Locations.

(a) Licensee agrees to operate the Licensed Business during each Tax Season during the Term in a minimum of eighty percent (80%) of the Sears locations which are located in areas where Licensee is the direct provider of Tax Services under Licensee's trademarks ("Licensee Owned Retail Territories"). Licensee shall offer its franchisees the opportunity to provide Tax Services at locations within Sears stores, but Licensee does not guarantee or warrant that any, or any certain number, of franchisees will accept such offer. The commitment of Licensee set forth in this Section 6.1(a) applies only to Licensee Owned Retail Territories. Sears has the right, in its sole discretion, to waive this 80% store requirement.

(b) During each Tax Season, Licensee agrees to operate the Licensed Business at those Sears locations in Licensee Owned Retail Territories which had gross revenues of more than Twenty Million Dollars (\$20,000,000.00) during the 12 month period from August 1 - July 31 immediately prior to such Tax Season, ("Large Sears Stores"). Licensee shall offer its franchisees the opportunity to offer Tax Services at Large Sears Stores in such franchisee's territories, but Licensee does not guarantee or warrant that any, or any certain number of franchisees, will accept such offer. The commitment of

Licensee set forth in this Section 6.1(b) applies only to Licensee Owned Retail Territories. The locations identified in this Section 6.1(b) shall count toward the requirement of Section 6.1(a).

(c) Notwithstanding the provisions of Sections 6.1(a) or 6.1(b) of this Agreement, Licensee shall not be required to operate the Licensed Business at any Designated Sears Store at which Licensee did not complete (and receive payment for) at least 300 federal income tax returns during the second Tax Season after the Licensed Business was first opened at that location. Thus for a Licensed Business location first opened for business in Tax Season 2003, if Licensee did not complete and receive payment for at least 300 federal income Tax Returns by the end of Tax Season 2004, then Licensee shall not be required to operate the Licensed Business at such location for Tax Year 2005 and succeeding Tax Years, unless otherwise agreed by the parties. For purposes hereof, multiple sets of filings for a single taxpayer or taxpayers filing jointly shall be considered one return. Locations at which Licensee does not operate the Licensed Business under this Section 6.1(c) shall nevertheless count toward the requirements of Section 6.1(a).

(d) If Licensee decides to open a location offering Tax Services in any shopping mall where Sears operates a Sears full-line store, Licensee shall first offer Sears the option to bring such proposed location within the terms of this Agreement. Sears shall exercise such option in writing to Licensee within thirty days after Sears receives written notice from Licensee that Licensee intends to open such location. For purposes of the option set forth herein, the term "Shopping Mall" shall mean an enclosed, connected retail mall in which it is possible to enter all or substantially all of the retail locations from a central enclosed promenade. "Shopping Mall" shall not include a development commonly known as a "strip mall" or "strip center." If Sears does not exercise such option, Licensee shall be free to provide Tax Services (and any other services of Licensee's choosing) from such location without any obligation to Sears hereunder. In addition to the right of Licensee to establish mall locations as set forth herein, subject to the Sears' right of first refusal, the parties will cooperate with one another to transition locations from inside Sears stores to mall locations as appropriate and depending on the availability and suitability of mall locations. Sears agrees to reimburse Licensee for the rent of the mall locations as well as the documented mall lease expenses, including common area maintenance, utilities, and phone installation, as agreed by the parties.

(e) The Designated Sears Stores where Licensee shall operate the Licensed Business, during the Tax Season, including any Existing Locations as defined below, shall be set forth in Schedule 1.1B. The list of locations of the Designated Sears Stores shall be mutually agreed no later than October 1 prior to the start of the Tax Filing Season.

(f) Sears shall provide space for the operation during the Tax Season within each Designated Sears Store covered by this Agreement. Such space shall be used solely for the conduct of the Tax Service during the Tax Filing Season. Sears shall provide heating and cooling as set forth on Schedule 6.1(f). In the event Sears does not provide space

meeting the specifications on Schedule 6.1(f), Licensee shall provide written notice to the Sears Store Manager of such noncompliance. Sears shall promptly commence cure of any such noncompliance and shall thereafter work to cure such completion in as expeditious a manner as is reasonably possible under the circumstances. In the event that Sears does not correct such failure or promptly commence to cure within a reasonable period of time, then Licensee may withdraw from the location(s) at which Sears does not comply without liability to Sears. Any location from which Licensee withdraws pursuant to this Section shall nevertheless be included in the calculation required by Section 6.1(a) for the then occurring (or next succeeding, if withdrawal is prior to the commencement of a Tax Season) Tax Season as if such office were still being operated as part of the Licensed Business.

Sears shall not at any Designated Sears Store(s) provide space or permit operations by any person or entity which engages in the sale or distribution of any Authorized Merchandise/Services except as set forth below. This prohibition shall also apply to any Sears Store which is located at or adjacent to any mall locations where Licensee operates the Licensed Business. However, if Licensee terminates a Licensed Business located in a Designated Sears Store or ceases operations at any mall location, Licensee shall have no further rights with respect to such location and Sears may offer or contract with any other party to operate the Licensed Business in that Sears store.

(g) The location within each Designated Sears Store where Licensee operates the Licensed Business shall be known as the "Licensed Business Area". The costs associated with preparing and constructing the Licensed Business Area shall be divided between the parties as set forth on Schedule 6.2. For any Designated Sears Store listed on Schedule 1.1B wherein the Licensed Business was in operation either by Licensee or another vendor prior to the Effective Date ("Existing Location(s)"), the Licensed Business shall continue to be located in the Existing Location(s), subject to the terms of this Agreement (including but not limited to Section 6.6).

6.2 Additional Locations.

For those Designated Sears Stores added by amendment to Schedule 1.1B after the Effective Date ("Additional Location(s)"), Sears shall submit to Licensee a diagram showing the defined area of space to be provided by Sears for the operation of the Licensed Business ("Block Plan") in such Designated Sears Stores. Licensee shall be solely responsible for providing final plans for the Licensed Business Area in the Additional Locations, and Licensee shall authorize Sears to prepare the final blueprint plans in accordance with Schedule 6.2. All costs and expenses related to such plans, including but not limited to blueprints, shall be borne by Licensee. The expense of preparing the Licensed Business Area in the Additional Location shall be divided between the parties as described on Schedule 6.2. All improvements or installations that vary from Sears standard specifications must be approved by Sears in advance, and shall be made at Licensee's sole expense.

6.3 Improvements.

All permanent improvements to the Licensed Business Area shall become the property of Sears at the expiration or termination of this Agreement. At the expiration or termination of this Agreement, or if Licensee vacates or abandons the Licensed Business, Licensee shall convey to Sears, without charge, good title to such improvements free from any and all liens, charges, encumbrances and rights of third parties.

6.4 Commencement of Operations.

If the Licensed Business is not fully operational at any Designated Sears Store within thirty (30) days after Sears has made the Licensed Business Area ready for Licensee, Sears may, at Sears sole option, terminate that location and have no further obligation to Licensee, and Licensee shall reimburse Sears within ten (10) days after receipt of an invoice, for Sears' costs of constructing the Licensed Business Area and of restoring such space back to its condition immediately prior to the commencement of such construction.

6.5 Condition of Licensed Business Area.

Licensee shall, at its expense, keep the Licensed Business Area in a thoroughly clean and neat condition and shall maintain Licensee's Equipment (as defined in Section 8.1) in good order and repair. Sears shall provide routine janitorial service in the Licensed Business Area consistent with the janitorial services regularly performed in the Designated Sears Store. Occupying more than the space allocated by the Block Plan, and failure to withdraw from such additional, unallocated space shall be grounds for termination of a Licensed Business Area, or for termination of this Agreement if the uncorrected situation exists in multiple locations.

6.6 Changes of Location/Remodeling.

Sears shall use reasonable efforts to provide the space requirements as set forth in Schedule 6.1(a). Sears shall have the right, in its sole discretion, to change the location, dimensions and square footage of the Licensed Business Area from time to time during the Term of this Agreement in accordance with Sears' judgment as to what arrangements shall be most satisfactory for the general good of the Designated Sears Store(s). In the event Sears decides to change the location of the Licensed Business Area, Sears shall move Licensee's Equipment to the new location and prepare the new space for occupancy by Licensee and the expense shall be allocated between the parties as described on Schedule 6.2. The specifications for any such relocated Licensed Business Area shall be as set forth on Schedule 6.1(a). However, Sears shall use reasonable efforts to not change the location of the Licensed Business during the Tax Season. If Sears changes a location during the Tax Season, Sears shall place signage, acceptable to Licensee, notifying customers of such change and directing them to the new location.

If Licensee agrees that a Licensed Business Area should be remodeled and subsequently terminates or abandons the Licensed Business Area prior to the date Sears has made such area ready for occupancy by Licensee, Licensee shall reimburse Sears for all Sears' costs incurred in planning, preparing, constructing and improving the Licensed Business Area, including the cost to restore such area to its condition immediately prior to the commencement of construction.

6.7 Electric/HVAC.

Sears shall furnish, at reasonable hours and except as otherwise provided, without expense to Licensee, reasonable amounts of heat, light, air conditioning and electric power for the operation of the Licensed Business Area consistent with the specifications therefor set forth on Schedule 6.1(f), except when prevented by strikes, accidents, breakdowns, improvements and repairs to the heating, lighting and electric power systems or other causes beyond the control of Sears.

6.8 Telephone Service.

Sears shall provide a single Direct Inward Dial number for the Licensed Business Area(s) and Sears shall bear the cost of outbound local and toll-free calls and compatible phone hardware for Licensee. Sears shall pay the entire cost of the installation of the telephone equipment necessary to provide such service. If Licensee requires additional phone lines to be installed in the Licensed Business Area(s), Licensee shall arrange with the appropriate telephone company for such installation and all installation costs and monthly service associated with any such additional phone lines are to be paid by Licensee. Licensee shall arrange with the appropriate telephone company for direct billing to Licensee of all long distance calls made in the Licensed Business location(s). Notwithstanding the foregoing, Licensee may install and maintain, at its own cost and expense, one or more separate data lines to be used solely for the purpose of transmitting sales and other data from the Licensed Business location(s) to Licensee's own computer data system. Licensee shall arrange with the appropriate telephone company for such installation, and all installation costs, local or long distance charges, and monthly service fees associated with any such additional data line(s) are to be paid by Licensee. Licensee shall arrange with the appropriate telephone company for direct billing to Licensee of all charges associated with the data line(s) in the Licensed Business location(s). The access number(s) for such data line(s) shall not be advertised, publicized or otherwise disclosed to customers of the Licensed Business. Upon expiration or termination of this Agreement, Licensee shall retain ownership of the telephone number(s) associated with the data line(s) but shall immediately notify the telephone company to terminate service on the data line(s) at each Licensed Business location.

Licensee has implemented an internal policy to establish the number of telephone lines required in a tax office based upon the number of returns prepared in that office. Sears agrees to make telephone service available based upon Licensee's policy which is as follows:

Number of Clients -----	Number of Lines Needed -----
Less than 750	1 main listed line
751 - 1,500	1 main listed line, 1 hunting line
1,501 - 2,250	1 main listed line, 2 hunting lines
2,251 - 3,000	1 main listed line, 3 hunting lines
3,000 and over	1 main listed line, 3 or more hunting lines

6.9 Telephone Numbers.

All telephone numbers used in connection with the Licensed Business shall be separate from any phone number used by Licensee in any other business operation. Any telephone number made public in connection with the operation of the Licensed Business shall become the sole property of Sears upon the expiration or termination of this Agreement. Upon expiration or termination of this Agreement, Licensee shall immediately cease to use such numbers and shall transfer such numbers to Sears or to any party Sears designates, and Licensee shall immediately notify the telephone company of any such transfer.

6.10 Telephone Directory Listings.

All telephone directory listings for the Licensed Business, whether in the white pages, yellow pages or electronic media, shall be subject to Sears' approval prior to placement; provided, however, that approval is not required for listings consisting only of the Licensed Business Name and its address at the Designated Sears Store.

6.11 Access to Licensed Business Area.

Licensee shall have access to the Licensed Business Area at all times that the Designated Sears Store is open to customers for business and at all other times as the appropriate Store General Manager approves. Sears shall be furnished with keys to the Licensed Business Area and shall have access to the Licensed Business Area at all times for legitimate business purposes.

6.12 Effect of Store Leases.

If any Designated Sears Store is leased to Sears or is the subject of an easement agreement, this Agreement shall be subject to all of the terms, agreements and conditions contained in such lease or easement agreement. In the event of the termination of any such lease by expiration of time or otherwise, this Agreement shall immediately terminate with respect to the affected Licensed Business Area without penalty to either party as a result of such termination.

6.13 Waiver of Premises Liability.

Licensee waives any and all claims it may have against Sears and any other person or entity operating a Designated Sears Store for damage to Licensee, for the safekeeping or safe delivery or damage to any property whatsoever of Licensee or of any customer of the Licensed Business in or about the Licensed Business Area, because any of the following:

(a) the actual or alleged negligence, act or omission of any tenant, licensee or occupant of the premises at which the Licensed Business is located;

(b) any damage caused by any casualty from any cause whatsoever, including, but not limited to, smoke, fire, water, snow, steam, gas or odors in or from any Designated Sears Store or its premises;

(c) the leaking of any plumbing, or because of any accident or event which may occur in any Designated Sears Store or on its premises;

(d) the actual or alleged acts or omissions of any janitors or other persons in or about any Designated Sears Store or on its premises; or

(e) from any other such cause whatsoever; except for damage caused by Sears or such other operating entity's gross negligence.

7. PUBLIC COMMUNICATIONS

7.1 Advertising.

Licensee shall advertise and actively promote the Licensed Business. Licensee shall at all times adhere to Sears Licensed Business Marketing Manual provided to Licensee, as it may be updated from time to time ("Marketing Manual"). Prior to use in connection with the Licensed Business, Licensee shall submit to Sears (a) all signs and advertising copy (including but not limited to sales brochures, telemarketing scripts, newspaper advertisements, radio and television commercials, and internet advertising), and (b) all promotional plans and devices (including but not limited to coupons, contests, events and giveaways). Licensee shall not use any such advertising material, promotional plan or device without the prior written approval of Sears. Sears has the right, in its sole discretion, to disapprove or require modification of any and all such advertising forms and other materials. Sears shall have the right to audit Licensee's advertising and promotional materials and practices at any time to assess Licensee's compliance with this Agreement, the Marketing Manual and applicable legal requirements. Any unauthorized use of the Sears Marks by Licensee, including but not limited to the unauthorized use by Licensee of any Sears Marks as part of an electronic address, domain name, web site or

search engine, shall constitute a breach of this Agreement and an infringement of the rights of Sears in and to the Sears Marks.

During the period from December 1 through April 15 of each year during the Term, Licensee shall engage in national advertising activities (not including tiered, spot or similar advertisements) using a Sears tagline consistent with the tagline used prior to the date hereof ("Sears Advertisements"). Specifically, Licensee shall air Sears Advertisements (i) designed to reach 1200 target rating points or (ii) equal to thirty percent (30%) of the national television advertisements aired by Licensee during the period in question, whichever is the less expensive commitment to Licensee. Licensee shall pay all advertising expenses, including but not limited to, the expenses incurred for in-store signing. All costs relative to advertisements will be borne by Licensee.

7.2 Other Publicity.

Licensee shall not issue any publicity or press release regarding its relationship with Sears, or regarding the Licensed Business, without the prior consent of Sears. Licensee shall not refer to this Agreement, the Licensed Business or Sears in any prospectus, annual report or other filing, except to the extent required by federal or state law, and then only after notifying Sears in writing a reasonable time prior to each disclosure and using reasonable efforts to cooperate with Sears to enable Sears to obtain an appropriate protective order or other restrictions on disclosure. Licensee shall not refer to this Agreement, the Licensed Business or Sears in the solicitation of business without obtaining Sears' prior written approval. Licensee shall at all times adhere to Sears' written policies regarding interaction with the media as contained in the Marketing Manual.

7.3 Forms.

Upon Sears' request, Licensee shall provide Sears with copies of any or all customer contract forms, warranty or guarantee documentation and other forms and materials (collectively, "Forms") used in the Licensed Business. Licensee and Sears shall discuss any reasonable business request by Sears to modify such Forms within thirty (30) days after receiving Sears' written request for such modifications. Licensee shall be solely responsible for the adequacy of such Forms and Sears shall have no liability for any suggested changes proposed by Sears which Licensee in its sole discretion adopts.

Sears acknowledges that the Forms constitute Licensee's confidential business information, and Sears agrees that it will not use for its own benefit or permit others to use any such materials and that it will return such materials to Licensee immediately upon request.

8. LICENSED BUSINESS EQUIPMENT

8.1 Licensee's Equipment.

Entirely at its own expense, Licensee shall install all furniture, fixtures and equipment necessary for the efficient operation of the Licensed Business ("Licensee's Equipment"). Licensee's Equipment, and its size, design and location, shall at all times be subject to Sears' approval.

8.2 POS Terminal Provided by Sears.

At its expense, Sears shall furnish a point of sale terminal ("Sears POS Terminal") for use in the Licensed Business solely to allow Licensee to accept payment with the Sears Card as defined in Section 9.2 below. Such Sears POS Terminal shall be of a size and design satisfactory to Sears, in its sole discretion, and shall at all times be and remain the property of Sears. Such Sears POS Terminal shall be comparable to those used by Sears in its own merchandise departments and shall have the capability of processing a Sears Card (as defined in Section 9.2) and any other credit cards Sears may accept from time to time. Licensee shall immediately return such Sears POS Terminal to Sears upon demand. Sears shall have the right to take possession of the Sears POS Terminal at any time without giving prior notice to Licensee.

8.3 Licensee-Provided POS Terminal.

At its expense, Licensee shall furnish a point of sale terminal ("Licensee POS Terminal") for use in the Licensed Business to accept all other forms of payment than the Sears Card. Licensee shall pay for all equipment, including any necessary peripheral equipment (e.g. terminals, modems and printers) required and for all installation and phone line charges.

9. TRANSACTIONS AND SETTLEMENT

9.1 Checks.

All checks shall be processed through the Licensee POS Terminal or other electronic means and made payable to the Licensed Business Name. Any and all losses that may be sustained by reason of nonpayment of any checks upon presentment shall be borne by Licensee, and Sears shall have no liability with respect to such checks. Licensee may establish a bank account in the name of "Licensee, d/b/a the Licensed Business Name" solely for clearing customer checks. In no event shall Licensee have or obtain check blanks using the Licensed Business Name.

9.2 Credit Sales.

Subject to the terms and conditions outlined on Schedule 9.2 (the "Credit Card Conditions"), which is attached hereto and incorporated herein, Licensee shall accept

through the Sears POS Terminal the SearsCard(R), Sears Premier Card(R), Sears MasterCard(R), Sears Gold MasterCard(R), Sears Premier Gold MasterCard(R) and The Great Indoors(R) Gold MasterCard(R) (each, a "Sears Card") issued by Sears National Bank and any other credit card hereinafter issued by Sears National Bank for payment for Authorized Merchandise/Services. Licensee shall also accept and process through the Licensee POS Terminal such other credit cards issued by third parties ("Third Party Credit Cards"), subject to the terms and conditions outlined in the merchant agreement between Licensee and the Issuer.. Each Sears Card and each Third Party Credit Card are referred to individually herein as a "Credit Card" and are referred to collectively herein as the "Credit Cards". Licensee shall not attempt to suppress or discriminate against use of any Credit Card by any person whose name is on the Credit Card or any other authorized user of such Credit Card (collectively, the "Cardholder"). Licensee shall accept the Credit Cards at all Licensed Business locations authorized under this Agreement for the purchase of Authorized Merchandise/Services, provided that the Credit Card transactions resulting from acceptance of each Credit Card must be in United States dollars. The preferred method of payment is a Sears Card or a Sears MasterCard Card.

All Sears Card transactions shall be submitted to Sears, in the manner that Sears designates, for settlement with the issuing bank ("Issuer"). Each Issuer shall process such transactions as if Sears had engaged in such transactions itself. Subject to all of the terms and conditions of this Agreement, including Sears' rights under Section 9.8, Sears shall pay all sums due Licensee on each sale of Authorized Merchandise/Services made by Licensee to a Cardholder that is charged to a Sears Card account (a "Sears Card Sale") in accordance with Section 9.4. Licensee hereby grants Sears the right to accept payments and settlements by Issuers for each Sears Card Sale on behalf of Licensee. Licensee acknowledges that no Issuer shall have any further obligation with respect to Licensee regarding such payments and settlements and that Licensee's sole recourse shall be to Sears. All losses sustained by Sears as a result of non-payment by a Cardholder on a Sears Card account shall be borne by Sears, provided that Licensee is not responsible for the non-payment and has complied with the Sears Card Conditions. Except for non-payment of a Sears Card account by a Cardholder, Sears shall have no liability whatsoever to Licensee for Sears' failure to properly accept or reject a Cardholder's charge.

Licensee, at its sole expense, shall enter into an appropriate merchant agreement with each Issuer to enable Licensee to accept Third Party Credit Cards. All Third Party Credit Card transactions shall be submitted to the Issuer for settlement. All losses sustained by Licensee as a result of non-payment on a Third Party Credit Card account shall be borne solely by Licensee. Sears shall have no liability whatsoever to Licensee for acceptance or rejection of a customer's Third Party Credit Card charge.

Licensee may not distribute or solicit any customer applications or referrals for any Third Party Credit Cards in or through the Licensed Business. Other than Sears Cards, Third Party Credit Cards and RAL and refund anticipation checks ("RAC"),

Licensee shall not accept payment from customers under any other credit or financing plan without the prior written consent of the Business Development Manager.

9.3 Transactions.

Licensee shall be solely responsible for the collection and reporting of Net Sales and payment of the Sears Fees associated with all transactions not rung through the Sears POS System. The Sears Fees shall be paid to Sears by the end of each month in which the Licensed Business is conducted based upon the actual Licensed Business Net Sales received by Licensee at such location during the corresponding month of the immediately preceding year. At the end of each such month, the Net Sales collected for the month, excluding the Net Sales generated through refund anticipation loan withholding, and Sears Fees shall be calculated and reported by Licensee to Sears and any adjustment to the estimated Sears Fees shall be paid to Sears by Licensee by the end of the following month. Final reports and adjustments to the Sears Fees shall be provided by Licensee to Sears by June 15 of each year and any overpayment to Sears shall be refunded to Licensee within thirty (30) days thereafter. In the event that the Licensed Business was not operated at a Designated Sears Store during the immediately preceding year, settlement as anticipated above shall be amended to reflect that all settlements during the first Tax Season shall be based upon actual receipts and no payment based upon prior year actual Net Sales shall be made. All payments made by Licensee shall be in the form of one payment for all Designated Sears Store locations.

For the Sears Card sales through the Sears POS System, Sears shall be solely responsible for reporting the Gross Sales and Net Sales, calculation of the Sears Fees, and payment of all Gross Sales in excess of the Sears Fees to Licensee on a location by location basis. At the end of each month of service the Gross Sales collected and the Sears Fees due on such revenue shall be calculated by Sears and all funds due Licensee shall be paid by Sears. Reports and payments due shall be provided to Licensee by Sears on or by the tenth (10th) of each month following the month in which the payment was made and actual revenues collected.

For the Sears Card sales through the Sears POS System for Licensee owned company stores, Sears shall be solely responsible for providing in the month following in which the sales were processed 1) a detailed electronic file, in a mutually agreed upon format. Reports will be processed by the Sears financial month as shown below and 2) the payment of such Net Sales as designated by Licensee on the Sears 4-4-5 reporting schedule shown below.

For the Sears Card sales through the Sears POS System for Licensee's franchisees, Sears shall be solely responsible for providing in the Sears financial month following in which the sales were processed 1) a detailed report on a location by location basis in a mutually agreed upon format and 2) the payment of such Net Sales to each franchisee per the Sears 4-4-5 reporting schedule provided below.

Sears 4-4-5 Reporting

1st workday Process "Z" Monthly Settlement Report and Payment Request is submitted.
2nd workday Any needed adjustments to settlement posted by Sears
3rd workday Any needed adjustments to settlement posted by Sears
4th workday Prepare "320" transaction analysis for overnight processing
5th workday Provide figure to Licensee (electronic file)
**All actual payments shall be made using current practices

In the event that Licensee is able during the Term to convert to a real time data scenario whereby Licensee is capable of providing settlement within two (2) business days after the end of the Sears retail month, Sears shall accommodate such conversion.

9.4 Settlement.

Licensee shall reimburse Sears at each settlement for all invoiced expenses, including any advertising expense, that were incurred by Sears at Licensee's request, and are outstanding at the time of such settlement. If Sears is not reimbursed at such settlement, then Sears shall have the right to retain out of Licensee's sales receipts the amount of such expenses with interest, if any, due Sears. Interest shall be at the rate of prime (as published in the Wall Street Journal at the time of the settlement) plus two percent (2%).

Test Stores Settlement - Licensee shall provide a one-time adjustment at the end of the Tax Season for the Test Stores to reflect the commission rate based upon the actual volume in the test locations.

In addition, any Net Sales and resulting Sears Fees reported to Sears after June 15 of each calendar year shall be deemed late and shall be subject to a late payment fee equal to ten percent (10%) of the unreported Sears Fees due to Sears pursuant to Schedule 4 (the "Late Fee"). Additionally, any fees owed Licensee by Sears under the terms of this Agreement (other than Sears Credit Card transactions) shall be deemed late if not paid within thirty (30) days of receipt of invoice by Sears and shall be subject to a late payment fee in an amount equal to ten percent (10%) of the outstanding amount due Licensee from Sears.

9.5 Reports.

If requested by Sears, Licensee shall provide to Sears reports, in the manner and form mutually agreeable to the parties, of sales by the Licensed Business and Sears Fees paid, together with any other information Sears may reasonably require. If requested by Sears, Licensee shall promptly submit its financial report to Sears after the close of Licensee's fiscal year. Such report shall be audited by a certified public accountant. Such report shall include, but shall not be limited to, Licensee's profit and loss statement for such fiscal year and balance sheet at the end of such fiscal year, and shall be prepared

in accordance with generally accepted accounting principles. If Licensee is a publicly held corporation, this requirement may be fulfilled by submission of Licensee's Annual Report or Form 10-K. Sears shall not disclose to any third parties any such information which is not available to the public without Licensee's prior consent.

9.6 Audit Rights.

Licensee shall keep and maintain, in accordance with generally accepted accounting principles, books and records which accurately reflect the Gross Sales and Net Sales of the Licensed Business, the expenses that Licensee incurs in performing under this Agreement and payment of Sears Fees. Sears shall have the right at any reasonable time to review and audit such books and records; provided, however, that Sears shall not be permitted to conduct an audit hereunder during Tax Season, and provided further than only one such audit per location shall be permitted with respect to each Tax Season.

9.7 Underreporting.

If any audit reveals that Gross Sales were under-reported by more than three percent (3%) of the total Gross Sales reported by Licensee, then Licensee shall reimburse Sears for all reasonable costs incurred in performing such audit, as well as the Sears Fees on the unreported Gross Sales discovered by the audit. If an audit of at least twenty (20) Designated Sears Stores reveals that Gross Sales were under-reported by more than three (3%) percent of the total Gross Sales reported by Licensee, Licensee shall then, at its cost, conduct an additional audit with a nationally representative sample; in the event such additional audit reveals further under-reported Gross Sales, Licensee shall then, at its option:

(a) pay (i) Sears Fees on all estimated unreported Gross Sales for each year, as calculated by annualizing the rate by which Gross Sales were under-reported in the audit sample and (ii) an administrative fee which shall be calculated by multiplying the annualized underpaid Sears Fees by the percent of under-reported Gross Sales; or

(b) pay (i) for a complete audit by Sears or its designee of Licensee's books and records relating to Gross Sales for the audit sample year and any other years under this Agreement, (ii) Sears Fees on all actual unreported Gross Sales as revealed through such audit and (iii) an administrative fee for each year audited, which will be calculated by multiplying the amount of unpaid Sears Fees for such year by the percentage by which Gross Sales were under-reported in such year.

If an audit reveals under-reported Gross Sales, Licensee's sales shall be subject to a subsequent audit (at Licensee's expense) approximately one year after the initial audit. If the subsequent audit reveals that Gross Sales were under-reported by more than three percent (3%) of reported Gross Sales, Licensee shall pay Sears Fees on such Gross Sales as per the above except that, due to the increased expenses incurred by Sears in continuing monitoring of Licensee's future sales reports, the administrative fee shall be doubled.

All under-reported sales equal to or less than three percent (3%) of reported Gross Sales shall be reimbursed to Sears, as appropriate, based on the actual amounts of such under-reports. Further, Sears may also collect from Licensee interest on all unpaid Sears Fees for the period from the close of the year in which the corresponding sales were made until the date of payment of such Sears Fees. Interest shall be at the rate of prime (as published in the Wall Street Journal as of the date of the completion of the audit) plus two percent (2%).

9.8 Rights of Recoupment and Setoff.

Sears shall have the right, after prior written notice to Licensee, to reduce, withhold or setoff against any payment due Licensee hereunder any liability or obligation that Licensee may have to Sears or its affiliates. Any Licensee liabilities or obligations which remain outstanding after any exercise of Sears right of setoff shall be paid by Licensee promptly upon demand by Sears. This Section 9.8 shall survive the expiration or termination of this Agreement.

9.9 Check Cashing.

(a) Sears will, for a fee to the customer, cash refund anticipation loan checks and electronic refund checks bearing the H&R Block name issued by participating banks. Licensee will post signs in participating locations disclosing the availability of check cashing services at participating Sears stores. Prior to cashing any such check, Sears will call the number set forth on Schedule 9.9(a) from time to time.

(b) In addition to the posting of signs in participating location referred to above, brochures advising taxpayers that refund anticipation loan checks and electronic refund checks may be cashed at and by participating Sears locations will be included in the forms packet given by Licensee to each customer. In response to specific inquiries made by Licensee clients who have received refund anticipation loan checks or electronic refund checks, Licensee will advise such clients that Sears offers a check cashing service accepting refund anticipation loan checks and electronic refund checks.

(c) Sears shall be solely responsible for compliance with any licensing requirements that may apply to check cashing services.

(d) Licensee agrees to review annually with Sears those losses, if any, sustained by Sears due to forged or unauthorized endorsements on refund anticipation loan checks and/or electronic refund checks. In addition, Licensee shall notify Sears promptly, in the manner set forth herein, in the event that Licensee experiences any theft, misappropriation or loss of any type of refund anticipation check and/or electronic refund check (a "Fraud Event"). Licensee shall send written notice to Sears of any Fraud Event ("Notice of Fraud"), which shall set forth the specifics of the Fraud Event. Such Notice of Fraud shall be sent either via facsimile or email to the person(s) identified by Sears prior to the start of each Tax Season.

(e) Notwithstanding anything to the contrary in this Agreement, Licensee shall indemnify, hold harmless and reimburse Sears promptly for all refund checks paid out by Sears that are the subject of any Fraud Event; provided, however, that Licensee shall not be obligated to reimburse Sears for checks cashed by Sears (i) if Sears did not verify the check as provided in Section 9.9(a) or (ii) more than twenty-four (24) hours after receipt of the written Notice of Fraud by Sears. Sears agrees that Sears will not seek recovery related to any Fraud Event from banks participating in Licensee's electronic refund and refund anticipation loan programs.

(f) Notwithstanding any obligation of Licensee set forth in Section 9.9(a), 9.9(b) or otherwise in this Agreement, Licensee shall not be required to promote the check cashing services of Sears in any location where the following conditions have been met:

(i) Licensee notifies the Sears Director of Business Development in writing that Licensee reasonably believes that the Check Cashing Fee charged by Sears is not competitive with fees charged by other commercial check cashing services available in the community served by the Designated Sears Store and such belief is based upon a benchmarking survey conducted by Licensee of at least three (3) commercial entities that provide a reasonable representation of check cashing fees charged in the local geographic area; and

(ii) Within five (5) business days from receipt of the notice by the Store Manager, Sears does not change its fee to such amount as Licensee reasonably believes is competitive with fees charged by other commercial check cashing services available in the community served by the Sears store.

In the event that Licensee ceases promotion of Sears check cashing services pursuant to this subsection, Licensee shall not receive any amount in Check Cashing Fees from Sears under Schedule 4.1 or otherwise for checks cashed at such store(s) during any period when pursuant to this subsection Licensee is not promoting Sears check cashing services as required by subsections 9.9(a) and 9.9(b), and Sears shall have the right to post its own signage regarding the check cashing services provided by Sears.

10. CONFIDENTIALITY; CUSTOMER INFORMATION.

10.1 Confidential Business Information.

"Confidential Business Information" means any information, whether disclosed in oral, written, visual, electronic or other form, which either party discloses or observes in connection with any performance under this Agreement. Confidential Business Information includes, but is not limited to, business plans, strategies, forecasts and analyses; financial information; employee and vendor information; software (including all documentation and code); hardware and system designs, and protocols; product and

service specifications; purchasing, logistics, sales, marketing and other business processes, and the terms and conditions of this Agreement.

All Confidential Business Information is the sole property of the party owning same, and neither party acquires any rights in the Confidential Business Information of the other party.

10.2 Treatment of Confidential Business Information.

The parties shall use Confidential Business Information only as necessary to perform their respective obligations under this Agreement. The Confidential Business Information of each party shall be held in utmost confidence and shall not be disclosed to any third party. The parties shall restrict disclosure of Confidential Business Information to their affiliates and respective employees, directors, officers, agents and/or professional advisers (collectively, "Representatives") who have a need to know such information to perform under this Agreement and who have first agreed to be bound by the terms of this Section 10. Each party is liable for any unauthorized disclosure or use of Confidential Business Information by any of its Representatives. Within ten (10) days following expiration or termination of this Agreement, each party shall, either (a) return the Confidential Business Information of the other party to the other party or (b) certify in writing to the other that the Confidential Business Information of the other party has been destroyed in such a manner that it cannot be retrieved.

10.3 Exceptions to Confidential Treatment.

The obligations under this Section 10 do not apply to any Confidential Business Information that:

(a) is or becomes publicly available without breach of this Agreement;

(b) is independently developed by Licensee or Sears, as the case may be, without use of any Confidential Business Information; or

(c) is received by Licensee or Sears, as the case may be, from a third party that does not have an obligation of confidentiality to the party purporting to own such Confidential Business Information.

Either party may disclose Confidential Business Information to the extent that, in the reasonable opinion of such party's legal counsel, it is legally required to be disclosed. The party intending to make such disclosure shall notify the other party within a reasonable time prior to disclosure and allow the other party a reasonable opportunity to seek appropriate protective measures.

10.4 Confidential Customer Information.

Licensee agrees that all information about Sears' individual customers provided by Sears to Licensee, or provided to Licensee by a Customer in connection with the use of a Sears Card (and not otherwise provided to Licensee by the Customer in connection with Licensee's provision of products or services to such Customer) ("Confidential Customer Information"), shall be deemed confidential. All Confidential Customer Information is the sole property of Sears.

However, all completed tax return forms and the information contained in any such returns shall not be disclosed to Sears at any time, and shall remain the sole property of Licensee. Sears shall also not access or attempt to access any completed Licensee customer forms, information or documents maintained by Licensee in a Licensed Business Area. If Sears inadvertently comes into possession of completed tax return forms or related documents of Licensee customers, Sears agrees to promptly notify Licensee and return such forms and documents to Licensee, and not to use any such information for any purpose whatsoever.

10.5 Treatment of Confidential Customer Information.

(a) Licensee shall use or disclose Confidential Customer Information only as necessary to perform its obligations under this Agreement. Licensee shall restrict disclosure of Confidential Customer Information to its Representatives who have a need to know such information to perform the Services and who have first agreed to be bound by the terms of this Section 10.4. Licensee is liable for any unauthorized disclosure or use of Confidential Customer Information by any of its Representatives.

(b) Unless otherwise prohibited by law, Licensee shall (i) immediately notify Sears of any legal process served on Licensee for the purpose of obtaining Confidential Customer Information and (ii) permit Sears adequate time to exercise its legal options to prohibit or limit such disclosure. Licensee shall implement appropriate measures designed to meet the following objectives: (i) ensure the security and confidentiality of Confidential Customer Information; (ii) protect against any anticipated threats or hazards to the security or integrity of such information; and, (iii) protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to the person about whom the Confidential Customer Information refers.

(c) Within ten (10) days following expiration or termination of this Agreement, Licensee shall, upon Sears request, (i) return the Confidential Customer Information to Sears or (ii) certify in writing to Sears that such Confidential Customer Information has been destroyed in such a manner that it cannot be retrieved.

(d) Licensee shall notify Sears promptly upon the discovery of the loss, unauthorized disclosure, unauthorized access, or unauthorized use of the Confidential Customer Information and shall indemnify Sears and hold Sears harmless for such loss, unauthorized disclosure, unauthorized access, or unauthorized use, including attorney's fees.

(e) Licensee shall permit Sears to audit Licensee's compliance with the provisions of this Section 10.4 at any time during Licensee's regular business hours.

(f) In addition to any other rights Sears may have under this Agreement or in law, since unauthorized use, access, or disclosure of the Confidential Customer Information may result in immediate and irreparable injury to Sears for which monetary damages may not be adequate, in the event Licensee or any officer, director, employee, agent or subcontractor of Licensee uses or discloses or in Sears sole opinion, any such party is likely to use or disclose the Confidential Customer Information in breach of Licensee's obligations under this Agreement or, in Sears sole opinion there has been a breach to the security, confidentiality, or integrity of the Confidential Customer Information, Sears shall be entitled to equitable relief, including temporary and permanent injunctive relief and specific performance. Sears shall also be entitled to the recovery of any pecuniary gain realized by Licensee from the unauthorized use or disclosure of the Confidential Customer Information.

10.6 Post-Termination Obligation.

The provisions of Section 10 shall survive the expiration or termination of this Agreement.

11. RELATIONSHIP OF PARTIES.

Licensee is an independent contractor. Nothing contained in or done pursuant to this Agreement shall be construed as creating a partnership, agency or joint venture, and neither party shall become bound by any representation, act or omission of the other party.

12. DEFENSE AND INDEMNITY.

12.1 Defense.

(a) Licensee's Defense Obligations. Licensee shall defend, at its own expense, all allegations of whatever nature asserted in any claim, action, lawsuit or proceeding (even though such allegations may be false, fraudulent or groundless) against Sears, its affiliates and subsidiaries and/or their respective directors, officers, employees, agents and independent contractors (collectively, the "Sears Indemnified Parties") actually or

allegedly resulting from, arising out of, connected with or incidental to the establishment, construction or operation of the Licensed Business, expressly and specifically including, without limitation of the foregoing, any of the following: unauthorized representation, misrepresentation, claims for benefits under any workers' compensation law, injury to or death of persons, unlawful trade practices, the infringement, misuse, dilution, misappropriation, or other violation of any patent, trademark, service mark, trade name, trade dress, copyright, trade secret, domain name, right of publicity or other intellectual property right, damage to property allegedly or actually suffered by any person or persons, or the commission or omission of any act, lawful or unlawful, by Licensee, its affiliates and subsidiaries and/or their respective directors, officers, employees, agents or independent contractors, whether or not such act is within the scope of the authority or employment of such persons and whether or not Licensee's indemnity obligations under Section 12.2 apply (collectively, the "Sears Claims").

Licensee shall use counsel satisfactory to Sears in the defense of all Sears Claims. Sears may, at its election, take control of the defense and investigation of any Sears Claims and may employ and engage attorneys of its own choice to manage and defend such Sears Claims, at Sears' risk and expense. If Licensee negotiates a settlement of any such Sears Claim, such settlement shall be subject to Sears' prior written approval.

(b) Sears' Defense Obligations. Sears shall defend, at its own expense, all allegations of whatever nature asserted in any claim, action, lawsuit or proceeding (even though such allegations may be false, fraudulent or groundless) against Licensee, its affiliates and subsidiaries and/or their respective directors, officers, employees, agents and independent contractors (collectively, the "Licensee Indemnified Parties") actually or allegedly resulting from, arising out of, connected with or incidental to the operation of a Designated Sears Store, expressly and specifically including, without limitation of the foregoing, any of the following: unauthorized representation, misrepresentation, injury to or death of persons, unlawful trade practices, the infringement, misuse, dilution, misappropriation, or other violation of any patent, trademark, service mark, trade name, trade dress, copyright, trade secret, domain name, right of publicity or other intellectual property right, damage to property allegedly or actually suffered by any person or persons, or the commission or omission of any act, lawful or unlawful, by Sears, its affiliates and subsidiaries and/or their respective directors, officers, employees, agents or independent contractors, whether or not such act is within the scope of the authority or employment of such persons and whether or not Sears' indemnity obligations under Section 12.2 apply (collectively, the "Licensee Claims").

Sears shall use counsel satisfactory to Licensee in the defense of all Licensee Claims. Licensee may, at its election, take control of the defense and investigation of any Licensee Claims and may employ and engage attorneys of its own choice to manage and defend such Licensee Claims, at Licensee's risk and expense. If Sears negotiates a settlement of any such Licensee Claim, such settlement shall be subject to Licensee's prior written approval.

12.2 Indemnity.

(a) Licensee's Indemnity Obligations. Licensee shall hold harmless and indemnify the Sears Indemnified Parties from and against any and all claims, damages, demands, actions, lawsuits, proceedings, liabilities, losses, costs and expenses (including but not limited to fees and disbursements of counsel) resulting from, arising out of, connected with or incidental to the establishment, construction or operation of the Licensed Business, expressly and specifically including, without limitation of the foregoing, any of the following: unauthorized representation, misrepresentation, claims for benefits under any workers' compensation law, injury to or death of persons, unlawful trade practices, the infringement, misuse, dilution, misappropriation, or other violation of any patent, trademark, service mark, trade name, trade dress, copyright, trade secret, domain name, right of publicity or other intellectual property right, damage to property allegedly or actually suffered by any person or persons, or the commission or omission of any act, lawful or unlawful, by Licensee, its affiliates and subsidiaries and/or their respective directors, officers, employees, agents or independent contractors, whether or not such act is within the scope of the authority or employment of such persons. The provisions of this Section 12.2 shall not apply to the extent any injury or damage is determined to have been caused solely by Sears' gross negligence or willful misconduct.

Licensee agrees to protect, defend, hold harmless and indemnify Sears from and against any and all claims, demands, damages, expenses (including reasonable attorney's fees), losses, actions, causes of action, judgments, fines, penalties, fees, suits and proceedings of any kind whatsoever actually or allegedly resulting from or connected with any dispute between Licensee and its franchise operators in connection with the conduct and operation of said Licensed Business hereunder or arising out of agreements between Licensee and such franchise operators. Notwithstanding anything contained in the foregoing, Licensee shall not be required to indemnify Sears for any claims, demands, damages, expenses (including attorney's fees), losses, actions, causes of action, judgments, fines, penalties, fees, suits and proceedings which are caused by the gross negligence of Sears, its agents or employees.

(b) Sears' Indemnity Obligations. Sears shall hold harmless and indemnify the Licensee Indemnified Parties from and against any and all claims, damages, demands, actions, lawsuits, proceedings, liabilities, losses, costs and expenses (including but not limited to fees and disbursements of counsel) resulting from, arising out of, connected with or incidental to the establishment, construction or operation of a Designated Sears Store, expressly and specifically including, without limitation of the foregoing, any of the following: unauthorized representation, misrepresentation, injury to or death of persons, unlawful trade practices, the infringement, misuse, dilution, misappropriation, or other violation of any patent, trademark, service mark, trade name, trade dress, copyright, trade secret, domain name, right of publicity or other intellectual property right, damage to property allegedly or actually suffered by any person or persons, or the commission or omission of any act, lawful or unlawful, by Sears, its affiliates and subsidiaries and/or their respective directors, officers, employees, agents or independent contractors, whether

or not such act is within the scope of the authority or employment of such persons. The provisions of this Section 12.2 shall not apply to the extent any injury or damage is determined to have been caused solely by Licensee's gross negligence or willful misconduct.

12.3 Survival.

The provisions of this Section 12 shall survive the expiration or termination of this Agreement.

13. INSURANCE

13.1 Types of Insurance.

Licensee shall, at its own expense, obtain and maintain in full force and effect at all times during the term of this Agreement, policies of insurance with insurance companies licensed to do business in the state where the services are to be performed, who shall have a rating of "A-/VII" or better by the then current edition of Best Insurance Reports published by A.M. Best Company and shall be reasonably satisfactory to Sears and shall name Sears as an additional insured. These policies shall conform to the following:

(a) Commercial General Liability with coverage including, but not limited to, premises/operations, products/completed operations, contractual and personal/advertising injury liabilities, with combined single limits of not less than One Million Dollars (\$1,000,000) per occurrence with at least One Million Dollars (\$1,000,000) aggregate per location for bodily injury and property damage.

(b) Motor Vehicle Liability insurance with coverage for all owned, non-owned and hired vehicles with combined single limits of not less than One Million Dollars (\$1,000,000) per occurrence for bodily injury and property damage. If only private passenger autos are used, a limit of Five Hundred Thousand Dollars (\$500,000) per occurrence is acceptable. If no vehicles are owned or leased, the Commercial General Liability insurance shall be extended to provide insurance for non-owned and hired vehicles.

(c) Workers' Compensation insurance, including coverage for all costs, benefits and liabilities under Workers' Compensation and similar laws which may accrue in favor of any person employed by Licensee for all states in which the Licensed Business is located with a waiver of subrogation in favor of Sears where permitted by law, and Employer's Liability insurance with limits of not less than One Hundred Thousand Dollars (\$100,000) per accident or disease and Five Hundred Thousand Dollars (\$500,000) aggregate by disease. Licensee warrants that its subcontractors will maintain Workers' Compensation and Employer's Liability insurance with limits not less than those set forth in this Section.

(d) "All Risk" Property Insurance on a "Cause of Loss - Special Form" with coverage for all perils, including fire, extended coverage, windstorm, vandalism, malicious mischief, sprinkler leakage, water damage, accidental collapse, flood and earthquake, for the full replacement value of the property with limits equal to the maximum value, at any one time, of such property and with a coverage extension for increased cost of construction, including a waiver of subrogation in favor of Sears.

(e) Professional Liability or Errors and Omissions Insurance with coverage for claims arising out of Licensee's rendering of or failure to render professional services with limits of not less than Ten Million Dollars (\$10,000,000) per claim.

(f) Fidelity Insurance covering employee dishonesty with limits of not less than One Hundred Thousand Dollars (\$100,000) per claim.

13.2 No Cancellation Without Notice/Excess Coverage.

All of the insurance shall be in the name of Licensee and shall further provide that the policies shall not be cancelled or materially changed without at least thirty (30) days' prior written notice to Sears Certificate Management Services, c/o Insurance Data Services, P.O. Box 12010, Hemet, California 92546, or other address of which Licensee is notified by Sears. Licensee may satisfy the required limits of liability for the insurance by any combination of primary liability and umbrella excess liability coverage.

13.3 Certificates.

Licensee shall furnish Sears with certificates of insurance evidencing this coverage and, at Sears' request, copies of policies, prior to execution of this Agreement and upon each policy renewal during the Term of this Agreement. If Licensee does not provide Sears with such certificates of insurance or, in Sears' opinion, such policies do not afford adequate protection for Sears, Sears shall so advise Licensee. If Licensee does not furnish evidence of acceptable coverage within five (5) days after notification by Sears that policies are not sufficient, Sears shall have the right to immediately terminate this Agreement upon written notice to Licensee.

13.4 Expiration/Non-Renewal.

If Licensee's policies of insurance expire or are canceled during the Term of this Agreement or are materially modified, Licensee shall promptly notify Sears of such expiration, cancellation or material modification. If such policies of insurance are materially modified such that, in Sears' opinion, such policies do not afford adequate protection to Sears, Sears shall so advise Licensee. If Licensee does not furnish evidence of acceptable replacement coverage within five (5) days after the expiration or cancellation of coverage or the notification from Sears that modified policies are not sufficient, Sears shall have the right, at its option, to immediately terminate this Agreement upon written notice to Licensee.

13.5 No Waiver.

Any approval by Sears of any of Licensee's insurance coverage shall not relieve Licensee of any responsibility under this Agreement, including but not limited to liability for claims in excess of described limits or liabilities and any costs or injuries not covered by such insurance.

14. TERMINATION

14.1 Mutual Right of Termination.

Neither party shall terminate a Designated Sears Store location without cause during the Tax Season. Terminations without cause of Designated Sears Store locations outside of the Tax Season shall be addressed as part of the annual October 1 mutually agreed listing of Designated Sears Store locations.

14.2 Termination by Sears upon Default by Licensee.

Sears may terminate this Agreement immediately upon delivery of written notice of such termination to Licensee upon the occurrence of any of the following (each a "Default"):

(a) Licensee abandons or fails to actively operate the License Business or fails to commence operation of the Licensed Business as required in Section 6.4 of this Agreement;

(b) there is a Change in Control (as defined in Section 15.1 below) with respect to Licensee to which Sears has not consented;

(c) Licensee or any director or officer of Licensee is convicted of or pleads no contest to a felony, or engages in any conduct that is likely to adversely affect the reputation of Licensee, the Licensed Business or Sears;

(d) Licensee fails to secure and maintain appropriate insurance coverage as set forth in Section 13;

(e) Licensee fails to pay its bills as they become due, the current liabilities of Licensee exceed its current assets, a petition is filed either by or against Licensee in any bankruptcy or insolvency proceeding, or any property of Licensee passes into the hands of any receiver, assignee, officer of the law or creditor; or

14.3 Termination After Opportunity to Cure.

Either party may terminate this Agreement if the other party:

(a) fails to make payment of any amounts due the other party, and does not correct such failure within ten (10) days after written notice of such failure is delivered to the breaching party; or

(b) fails to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure prescribed herein and does not correct such failure within thirty (30) days after written notice of such failure is delivered to the breaching party; or

(c) makes any unauthorized use, duplication or disclosure of the other party's Confidential Business Information or Confidential Customer Information; or

(d) materially misuses or makes an unauthorized use of the other party's Marks.

14.4 Termination on Store Closing or Casualty.

Sears may, in its sole discretion, terminate this Agreement with respect to any affected Licensed Business Area due to the closing of the Designated Sears Store. Licensee shall not be entitled to any notice of such store closing prior to a public announcement of such closing. Licensee waives any claim it may have against Sears for damages, if any, incurred as a result of such closing.

If any Designated Sears Store is damaged by fire or any other casualty so that the Licensed Business Area becomes untenable, this Agreement may be terminated with respect to such Licensed Business Area, without penalty and without liability for any damages as a result of such termination, effective as of the date of such casualty, by either party giving the other party written notice of such termination within twenty (20) days after the occurrence of such casualty. If such notice is not given, then this Agreement shall not terminate but shall remain in full force and effect, and the parties shall cooperate with each other so that Licensee may resume operation of the Licensed Business as soon as possible.

14.5 Effect of Termination.

Upon expiration or termination of this Agreement, the parties shall immediately pay all amounts owed to the other, shall cease use of all marks and Licensed Business Marks, either return or destroy all Confidential Business Information and all Confidential Customer Information as directed by Sears in accordance with Section 10 and, at Licensee's expense, Licensee shall immediately remove all of Licensee's Equipment from Sears' premises and repair any damage to Sears' premises caused by such removal. Upon the expiration or termination of this Agreement, the expense to return the Licensed Business Area to its condition when Sears made it ready for use by Licensee shall be allocated in accordance with Schedule 6.2.

14.6 Survivability.

No expiration or termination of this Agreement shall relieve the parties of obligations arising before expiration or termination or of any obligations that survive expiration or termination of this Agreement.

15. ASSIGNMENT.

15.1 Assignment by Licensee.

Notwithstanding any other provision contained in this Agreement, Licensee may not assign, transfer, sublicense or convey any of its rights or obligations under this Agreement, in whole or in part, without Sears' prior written consent. Any Change in Control of Licensee shall constitute an assignment of this Agreement, for which Sears' prior written consent is required. Any attempted assignment, transfer, sublicense, conveyance or Change in Control without Sears' prior written consent is void.

For purposes of this Agreement, a "Change in Control" means an asset sale, merger, consolidation, or any other transaction or arrangement the effect of which is that fifty percent (50%) or more of the total voting power entitled to vote in the election of Licensee's board of directors is held by a person or persons other than the shareholders of Licensee, who, individually or as a group, held fifty percent (50%) or more of such voting power immediately prior to such event.

Licensee agrees that (i) this Agreement cannot be assumed in any case under Title 11 of the United States Code, and (ii) it hereby waives its rights to object to any motion to lift the automatic stay of 11 USC Sec. 362 in any proceeding wherein Sears or its affiliates seek to recoup, set off or enforce any other provisions of this Agreement.

15.2 Assignment by Sears.

Sears may assign any of its rights and obligations under this Agreement to any other party.

15.3 Binding Nature.

The provisions of this Agreement shall be binding upon Licensee and its successors and permitted assigns and shall be binding upon and inure to the benefit of Sears and its successors and assigns.

16. MISCELLANEOUS.

16.1 Choice of Law.

This Agreement is governed by Illinois law, excluding its conflicts of law rules.

16.2 Jurisdiction and Venue.

Licensee irrevocably consents and submits to venue and exclusive subject matter and personal jurisdiction in the federal and/or state courts in Cook County, Illinois for any dispute arising out of this Agreement and waives all objections to jurisdiction and venue of such courts.

16.3 Notices.

Notices under this Agreement shall be in writing and are sufficient if given by nationally recognized overnight courier service, certified mail (return receipt requested, postage prepaid), facsimile with electronic confirmation (provided a confirmation copy is also sent no later than the next business day by first-class mail, return receipt requested, postage prepaid) or personal delivery to the other party at the address below:

If to Sears: Sears, Roebuck and Co.
3333 Beverly Road, Mail Station: E3-370B
Hoffman Estates, Illinois 60179
Attn.: Business Development Manager
Facsimile: (847) 286-0224

With a copy to: Sears, Roebuck and Co.
3333 Beverly Road, Mail Station: E3-368B
Hoffman Estates, Illinois 60179
Attn.: Senior Paralegal, Contracts Manager
Facsimile: (847) 286-0224

If to Licensee: _____

Attn.: _____
Facsimile: ()

Notice is effective: (i) on the business day after sent by a nationally recognized overnight courier service, (ii) three (3) business days after sent by certified mail, (iii) on the next business day after it is sent by facsimile with electronic confirmation, or (iv) when delivered personally. A party may change its notice address by giving notice in accordance with this Section 16.3.

16.4 Severability.

If any provision of this Agreement is determined to be unenforceable, the parties intend that this Agreement be enforced as if the unenforceable provisions were not present and that any partially valid and enforceable provisions be enforced to the extent that they are enforceable.

16.5 No Waiver.

A party does not waive any right under this Agreement by failing to insist on compliance with any of the terms of this Agreement or by failing to exercise any right hereunder. Any waivers granted hereunder are effective only if recorded in a writing signed by the party granting such waiver.

16.6 Cumulative Rights.

The rights and remedies of the parties under this Agreement are cumulative, and either party may enforce any of its rights or remedies under this Agreement or other rights and remedies available to it at law or in equity.

16.7 Construction.

The section headings of this Agreement are for convenience only and have no interpretive value. This Agreement may be executed in counterparts, which together will constitute one and the same Agreement.

16.8 Survival.

In addition to all other provisions expressly providing that they survive any expiration or termination of this Agreement, this Section 16 shall survive any expiration or termination of this Agreement.

16.9 Entire Agreement; Modifications.

This Agreement, together with all Schedules referred to herein, which are incorporated by this reference, constitute the complete and final agreement of the parties pertaining to the Licensed Business and supersede all of the parties' prior agreements, understandings and discussions relating to the Licensed Business. No modification or amendment of this Agreement is binding unless it is in writing and signed by Sears and Licensee.

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement effective as of the Effective Date.

SEARS, ROEBUCK AND CO.

By: /s/ Joseph Pigott

Its: Vice President and General Manager,
Licensed Businesses

H&R BLOCK SERVICES, INC.

By: /s/ David F. Byers

Its: Senior Vice President, National Operations

44

SCHEDULE 1.1A

AUTHORIZED MERCHANDISE AND/OR SERVICES

The following items, merchandise lines and/or services are authorized for sale by Licensee in the Licensed Business:

1. Income Tax preparation service
2. Electronic filing services consisting of: (1) the electronic transmission for eligible customers of income tax data to appropriate taxing authorities (such service is offered under Licensee's trademark, "Rapid Refund"); (2) arranging "refund anticipation loans" ("RALs"), for customers who use Licensee's Rapid Refund service and who meet the credit requirements of a lending institution selected by Licensee; and (3) other services related to the electronic filing of income tax returns.
3. Tax Classes
4. "Peace of Mind" Program
5. Other Services - The services set forth below shall only be offered at Designated Sears Stores operated by Licensee, not by any sublicensee or franchisee of Licensee. In addition, the funding of these services shall not be placed on a Sears Card.
 - Express IRAs
 - Financial Services accounts
 - Mortgages

Any form 7216 required for these services shall contain the following language:

"H&R Blocks' family of affiliated companies are offering a variety of financial services for your convenience. Sears, Roebuck and Co. is not offering any financial services. Sears, Roebuck and Co. is not a registered broker/dealer."

SCHEDULE 1.1B

DESIGNATED SEARS STORES

REGION	DISTRICT	STORE #	STORE NAME
-----	-----	-----	-----
9020	250	1001	WESTMINSTER - A
9023	284	1003	SALEM - A
9023	286	1004	GARDEN CITY - A
9028	276	1005	LAKE WALES - A
9028	275	1006	OCALA - A
9028	237	1007	BRANDON - A
9025	240	1008	LOS ANGELES/BOYLE - A
9025	243	1009	SEATTLE/1ST AVE - A
9022	260	1010	CHICAGO-LAWRENCE - A
9022	264	1011	GRANDVILLE - A
9020	291	1012	DES MOINES - A
9023	280	1013	GLEN BURNIE - A
9023	289	1014	ENFIELD - A
9028	276	1015	VERO BEACH - A
9027	262	1016	LITTLE ROCK-A
9027	258	1017	HOUSTON/MAIN - A
9025	240	1018	LOS ANGELES/BALDWIN HLS-A
9025	246	1019	PLEASANTON - A
9022	294	1020	CHICAGO-79TH ST-A
9020	291	1022	OMAHA - A
9023	281	1023	DULLES/LOUDOUN CNTY-A
9023	281	1024	FALLS CHURCH - A
9028	274	1025	DANVILLE - A
9027	262	1026	MEMPHIS/RALEIGH SPRINGS-A
9027	235	1027	EL PASO/SUNLAND PK - A
9025	240	1028	HOLLYWOOD - A
9020	292	1029	SPOKANE - A
9022	294	1030	CHICAGO-WESTERN-A
9020	250	1031	DENVER/CHERRY CREEK-A
9020	252	1032	BROOKLYN CTR-A
9023	285	1033	N ATTLEBORO - A
9022	273	1034	PITTSBURGH/ROSS PARK-A
9028	239	1035	AUGUSTA - A
9020	292	1038	SPOKANE - A
9025	246	1039	OAKLAND - A
9020	259	1040	EAU CLAIRE A

9020	291	1041	OMAHA-A
9027	255	1042	JOPLIN - A
9023	289	1043	MERIDEN - A
9023	288	1044	JERSEY CTY/NEWPORT - A
9028	238	1045	DURHAM - A
9025	240	1048	PASADENA - A
9025	244	1049	PORTLAND - A
9020	252	1050	MOLINE - A
9022	271	1051	STRONGSVILLE - A
9020	252	1052	ST PAUL-A
9023	285	1053	SAUGUS - A
9028	277	1055	CORAL SPRINGS - A
9027	269	1056	MOBILE - A
9027	257	1057	DALLAS/VALLEY VIEW-A
9025	243	1059	SEATTLE/SHORELINE - A
9020	259	1062	BROOKFIELD-A
9023	289	1063	WEST HARTFORD - A
9023	287	1064	LANGHORNE/OXFORD VLY-A
9028	282	1065	GLEN ALLEN(RICHMOND) - A
9028	275	1066	JACKSONVILLE(AVES)-A
9027	258	1067	HOUSTON/MEMORIAL-A
9025	240	1068	PALMDALE - A
9025	243	1069	REDMOND-OVERLAKE PARK - A
9020	250	1071	LAKEWOOD/DENVER - A
9023	287	1073	EXTON - A
9023	281	1074	WALDORF/ST CHARLES - A
9028	276	1075	DAYTONA BEACH - A
9027	234	1076	LEWISVILLE - A
9027	257	1077	SHREVEPORT - A
9025	251	1078	MESA/EAST - A
9025	244	1079	PORTLAND-WASHINGTON SQ -
9027	257	1080	FRISCO - A
9022	267	1081	HEATH - A
9020	259	1082	GREENDALE-A
9023	285	1083	WARWICK - A
9023	287	1084	PHILA-GREATER NE-A
9028	278	1085	CAGUAS - A
9027	263	1086	BATON ROUGE - A
9027	258	1087	HOUSTON/WEST OAKS - A
9025	240	1088	GLENDALE - A
9025	243	1089	ANCHORAGE(SUR) - A
9022	260	1090	CHICAGO-HARLEM AVE - A
9027	255	1091	OKLAHOMA CITY/SEQUOYAH -
9022	265	1092	WESTLAND(DETROIT) - A

9023	289	1093	SPRINGFIELD - A
9023	288	1094	HACKENSACK - A
9028	270	1095	DOUGLASVILLE - A
9027	269	1096	PENSACOLA - A
9027	256	1097	SAN ANTONIO - A
9025	233	1098	CLOVIS - A
9025	243	1099	FEDERAL WAY - A
9022	265	1100	FLINT-A
9020	254	1101	OVERLAND PARK-A
9023	283	1103	ALBANY - A
9023	285	1104	MARLBOROUGH - A
9028	276	1105	OCOEE - A
9027	263	1106	JACKSON - A
9025	247	1108	TEMECULA - A
9025	243	1109	LYNNWOOD - A
9022	264	1110	PORTAGE-A
9020	250	1111	COLORADO SPRINGS - A
9020	252	1112	MINNETONKA-A
9023	286	1114	BROOKLYN/BEVERLY RD - A
9028	268	1115	CHATTANOOGA - A
9027	257	1116	MONROE - A
9020	249	1118	SALT LAKE CITY - A
9025	244	1119	PORTLAND - A
9022	267	1120	COLUMBUS - A
9020	254	1121	INDEPENDENCE-A
9020	252	1122	MAPLEWOOD-A
9023	285	1123	DEDHAM - A
9023	286	1124	BAY SHORE - A
9028	277	1125	MIAMI/CORAL GABLES-A
9027	269	1126	MONTGOMERY - A
9027	258	1127	HOUSTON SHEPHERD - A
9025	243	1129	TACOMA - A
9020	250	1131	LITTLETON-DENVER - A
9020	252	1132	BURNSVILLE-A
9023	289	1133	LEOMINSTER - A
9023	289	1134	MILFORD - A
9027	269	1136	BIRMINGHAM/RIVERCHASE-A
9027	256	1137	AUSTIN - A
9025	243	1139	TUKWILA - A
9022	264	1140	GRAND RAPIDS-A
9020	250	1141	AURORA - A
9020	252	1142	EDEN PRAIRIE-A
9023	286	1143	BROOKLYN/KINGS PLZ - A
9027	269	1145	COLUMBUS - A

9027	262	1146	CORDOVA/MEMPHIS/GERMANTWN
9027	263	1147	BATON ROUGE - A
9025	233	1148	VENTURA - A
9025	248	1149	WHITTIER - A
9022	267	1150	COLUMBUS-WESTLAND-A
9022	273	1152	STEUBENVILLE-A
9023	290	1154	WHITEHALL - A
9028	270	1155	KENNESAW - A
9025	245	1156	ROSEVILLE - A
9025	241	1158	HONOLULU(SUR) - A
9025	245	1159	FAIRFIELD - A
9020	254	1161	WICHITA-TOWN EAST SQ-A
9022	272	1162	AMHERST - A
9023	285	1163	BURLINGTON - A
9028	274	1165	CONCORD - A
9027	269	1166	MERIDIAN - A
9027	256	1167	SAN ANTONIO CENTRAL PARK
9025	240	1168	NO HOLLYWOOD-LA VALLEY -
9025	251	1169	CHANDLER - A
9022	264	1170	LANSING - A
9027	255	1171	SPRINGFIELD - A
9022	260	1172	BLOOMINGDALE - A
9023	287	1174	UPPER DARBY - A
9028	276	1175	MERRITT ISLAND - A
9027	258	1176	PASADENA - A
9025	240	1178	SANTA MONICA
9025	240	1179	CANOGA PK/TOPANGA PLZ-A
9022	265	1180	WATERFORD(PONTIAC)-A
9020	254	1181	KANSAS CITY-A
9020	261	1182	ST PETERS - A
9028	268	1185	ASHEVILLE-A
9027	262	1186	MEMPHIS/POPLAR - A
9027	257	1187	MESQUITE-TOWN EAST - A
9025	248	1189	WEST COVINA - A
9022	264	1192	MUSKEGON - A
9023	289	1193	WATERFORD - A
9028	277	1195	FT LAUDERDALE - A
9027	258	1197	HOUSTON-WESTWOOD-A
9025	246	1199	SAN MATEO - A
9022	294	1200	CHICAGO/STATE ST - A
9022	267	1202	BEAVERCREEK/DAYTON - A
9023	288	1204	FREEHOLD - A
9028	277	1205	POMPANO BEACH - A
9027	262	1206	NORTH LITTLE ROCK - A

9027	257	1207	RICHARDSON - A
9025	233	1208	FRESNO - A
9025	248	1209	LONG BEACH - A
9022	267	1210	COLUMBUS/POLARIS - A
9027	255	1211	OKLAHOMA CTY-QUAIL SPRGS-
9022	260	1212	NORTH RIVERSIDE - A
9023	289	1213	AUBURN - A
9027	262	1216	MEMPHIS/SOUTHLAND - A
9027	256	1217	CORPUS CHRISTI - A
9022	231	1220	TOLEDO-A
9020	250	1221	COLORADO SPRINGS - A
9020	261	1222	ST LOUIS/SOUTH CNTY - A
9023	285	1223	BROCKTON - A
9023	290	1224	HARRISBURG - A
9028	276	1225	ORLANDO COLONIAL - A
9027	263	1226	METAIRIE NW ORLNS - A
9027	234	1227	DALLAS-SW CENTER-A
9025	245	1228	SACRAMENTO-ARDEN -A
9020	249	1229	BOISE - A
9020	252	1232	COON RAPIDS - A
9027	255	1236	TULSA - A
9027	258	1237	HOUSTON GREENSPOINT -A
9025	246	1238	MOUNTAIN VIEW - A
9023	285	1243	HANOVER - A
9023	290	1244	YORK/GALLERIA - A
9027	235	1247	LUBBOCK - A
9025	246	1248	HAYWARD - A
9022	265	1250	LINCOLN PARK-A
9028	270	1251	LITHONIA - A
9023	285	1253	PEABODY - A
9023	287	1254	WILMINGTON - A
9028	237	1255	TAMPA/CITRUS PK- A
9027	258	1257	FRIENDSWD HSTON BAYBRK -
9027	255	1261	MIDWEST CITY - A
9023	289	1263	WATERBURY - A
9023	286	1264	HICKSVILLE - A
9028	282	1265	VIRGINIA BEACH - A
9027	269	1266	BIRMINGHAM-CENTURY PLZ -A
9027	234	1267	FT WORTH RIDGMAR
9025	248	1268	BUENA PARK - A
9020	261	1270	ST LOUIS/CRESTWOOD - A
9020	250	1271	LITTLETON/DENVER SW-A
9023	289	1273	HOLYOKE - A
9028	282	1274	RICHMOND/CHESTERFIELD - A

9028	270	1275	ATLANTA/NORTHLAKE-A
9027	236	1276	BELLEVUE/NASHVILLE - A
9027	256	1277	SAN ANTONIO INGRAM -A
9025	240	1278	TORRANCE - A
9022	293	1280	SPRINGDALE-A
9020	250	1281	PUEBLO - A
9023	285	1283	BRAINTREE - A
9023	281	1284	ALEXANDRIA - A
9028	276	1285	ORLANDO-SOUTH-A
9027	263	1286	GRETNA - A
9027	235	1287	ALBUQUERQUE - A
9025	245	1288	STOCKTON - A
9022	260	1290	NILES-A
9022	273	1293	ROBINSON TWNSHP-A
9023	288	1294	WATCHUNG - A
9028	237	1295	ST PETERSBURG - A
9027	234	1297	HURST -A
9025	247	1298	RIVERSIDE - A
9022	260	1300	OAK BROOK-A
9020	249	1301	PROVO - A
9023	289	1303	DANBURY - A
9023	281	1304	SILVER SPRING - A
9028	275	1305	SAVANNAH - A
9027	263	1306	HATTIESBURG - A
9027	234	1307	ABILENE - A
9025	248	1309	DOWNEY - A
9022	271	1310	ELYRIA - A
9023	284	1313	NASHUA - A
9023	288	1314	NEW BRUNSWICK - A
9028	268	1315	CHATTANOOGA(NORTHGATE)-A
9027	236	1316	ANTIOCH/NASHVILLE-A
9027	235	1317	EL PASO - A
9025	233	1318	BAKERSFIELD - A
9020	252	1321	PEORIA - A
9023	288	1323	MIDDLETOWN - A
9028	239	1325	CHARLESTON/NORTHWOODS-A
9027	258	1327	BAYTOWN - A
9020	249	1328	LAS VEGAS(BLVD)-A
9027	236	1330	EVANSVILLE - A
9023	283	1333	POUGHKEEPSIE - A
9022	273	1334	PITTSBURGH-SOUTH HILLS -
9028	274	1335	GREENSBORO - A
9027	258	1336	LAKE CHARLES - A
9027	257	1337	PLANO - A

9025	251	1338	TUCSON - A
9023	285	1343	CAMBRIDGE - A
9022	273	1344	PITTSBURGH-PENN CENTER -
9028	277	1345	HIALEAH - A
9027	263	1347	LAFAYETTE - A
9022	271	1350	MENTOR - A
9022	272	1353	DE WITT/SYRACUSE - A
9023	287	1354	WILLOW GROVE-A
9028	276	1355	ALTAMONTE SPG - A
9025	247	1358	CHULA VISTA - A
9023	286	1364	LAKE GROVE - A
9028	277	1365	MIAMI/CUTLER RDG - A
9027	234	1367	WACO - A
9025	246	1368	CONCORD - A
9022	267	1370	COLUMBUS-EASTLAND-A
9023	280	1374	BEL AIR -A
9028	274	1375	WINSTON SALEM - A
9027	258	1377	HOUSTON WILLOWBROOK - A
9025	248	1378	ORANGE - A
9022	260	1380	CHICAGO-IRVING PARK-A
9028	270	1385	ATLANTA - A
9027	236	1386	GOODLETTSVILLE/NASHVILLE-
9027	235	1387	AMARILLO - A
9025	248	1388	COSTA MESA - A
9022	231	1390	ANN ARBOR-A
9028	268	1395	KNOXVILLE WEST TOWN-A
9027	235	1397	ODESSA - A
9025	247	1398	SAN BERNARDINO - A
9020	254	1401	WICHITA - A
9023	285	1403	NATICK - A
9023	286	1404	MASSAPEQUA - A
9028	238	1405	FAYETTEVILLE - A
9027	258	1407	BEAUMONT - A
9025	245	1408	SACRAMENTO-FLORIN - A
9022	271	1410	CANTON - A
9023	288	1414	NANUET - A
9028	237	1415	CLEARWATER/COUNTRYSIDE-A
9027	258	1417	HUMBLE - A
9023	281	1424	BETHESDA - A
9027	256	1427	SAN ANTONIO- A
9022	271	1430	MIDDLEBURG HTS/CLEVELAND-
9023	288	1434	WAYNE- A
9028	270	1435	MACON - A
9027	234	1437	ARLINGTON/PARKS - A

9025	247	1438	EL CAJON - A
9023	289	1443	MANCHESTER - A
9023	286	1444	WHITE PLAINS - A
9028	282	1445	RICHMOND - A
9027	234	1447	FT WORTH - A
9022	265	1450	ROSEVILLE-A
9023	287	1454	BENSALEM/CORNWELLS HTS-A
9028	238	1455	WILMINGTON - A
9028	276	1456	OVIEDO - A
9027	258	1457	THE WOODLANDS - A
9022	265	1460	LIVONIA-A
9023	283	1463	BURLINGTON - A
9023	287	1464	DEPTFORD - A
9028	237	1465	TAMPA-UNIVERSITY - A
9025	246	1468	CUPERTINO - A
9022	266	1470	GREENWOOD-A
9023	290	1473	SELINGSGROVE - A
9022	271	1474	BOARDMAN - A
9028	238	1475	DURHAM - A
9025	246	1478	SAN BRUNO - A
9023	290	1484	READING - A
9028	275	1485	ORANGE PK/JACKSONVILLE-A
9027	256	1487	AUSTIN/LAKELINE - A
9025	246	1488	SAN JOSE-EASTRIDGE - A
9022	265	1490	TROY-A
9023	287	1494	MOORESTOWN - A
9028	237	1495	FT MYERS - A
9020	261	1500	ST ANN-A
9022	272	1504	WILLIAMSVILLE/BUFFALO-A
9025	240	1508	NORTHRIDGE - A
9022	294	1510	CALUMET CITY-A
9022	272	1514	NIAGARA FALLS - A
9028	274	1515	CHARLOTTE-EASTLAND - A
9025	248	1518	CERRITOS -A
9022	271	1520	AKRON-CHAPEL HILL - A
9022	272	1524	ROCHESTER-GREECE -A
9028	239	1525	COLUMBIA - A
9025	246	1528	SAN RAFAEL - A
9022	271	1530	RICHMOND HEIGHTS - A
9023	290	1534	SCRANTON - A
9028	277	1535	PLANTATION - A
9025	245	1538	CITRUS HTS-SUNRISE -A
9022	266	1540	INDIANAPOLIS-LAFAYETTE SQ
9023	286	1544	REGO PARK - A

9028	239	1545	SPARTANBURG - A
9025	248	1548	LAGUNA HILLS - A
9023	287	1554	MAYS LANDING - A
9028	276	1555	SANFORD - A
9020	249	1558	MURRAY - A
9022	267	1560	DAYTON-DAYTON MALL-A
9022	271	1564	NILES - A
9028	270	1565	MORROW(ATL/SOUTHLAKE) - A
9025	240	1568	CARSON - A
9022	260	1570	SCHAUMBURG - A
9023	288	1574	MIDDLETOWN - A
9028	282	1575	HAMPTON - A
9025	241	1578	AIEA OAHU-PEARL RIDGE - A
9022	293	1580	LEXINGTON-A
9022	272	1584	VICTOR - A
9028	275	1585	TALLAHASSEE - A
9025	251	1588	PHOENIX-METRO CENTER - A
9022	265	1590	SAGINAW-A
9022	273	1594	MONACA - A
9028	239	1595	GREENVILLE - A
9025	248	1598	CITY OF INDUSTRY - A
9022	266	1600	INDIANAPOLIS-CASTLETON SQ
9023	281	1604	LANDOVER - A
9028	238	1605	RALEIGH - A
9025	248	1608	WESTMINSTER - A
9022	293	1610	CINCINNATI-NORTHGATE-A
9023	288	1614	LIVINGSTON - A
9028	282	1615	CHESAPEAKE/GREENBRIER-A
9025	245	1618	MODESTO - A
9022	260	1620	VERNON HILLS-A
9022	272	1623	CLAY (SYRACUSE) - A
9023	288	1624	STATEN ISLAND - A
9028	237	1625	SARASOTA - A
9025	251	1628	MESA - A
9020	261	1630	FLORISSANT-A
9023	280	1634	BALTIMORE-WEST - A
9028	275	1635	JACKSONVILLE - A
9025	248	1638	BREA - A
9020	261	1640	FAIRVIEW HTS-A
9020	254	1642	TOPEKA - A
9023	290	1644	LANCASTER - A
9028	277	1645	BOCA RATON - A
9028	274	1646	PINEVILLE - A
9025	247	1648	SAN DIEGO-NORTH - A

9022	294	1650	MERRILLVILLE-A
9023	287	1654	MEDIA - A
9028	277	1655	MIAMI - A
9025	246	1658	SANTA ROSA - A
9022	294	1660	AURORA-A
9023	288	1664	PARAMUS - A
9028	275	1665	GAINESVILLE - A
9020	249	1668	LAS VEGAS(MEADOWS)-A
9022	271	1670	AKRON-ROLLING ACRES - A
9028	268	1675	KNOXVILLE EAST TOWN-A
9025	247	1678	CARLSBAD - A
9022	266	1680	INDIANAPOLIS-WASHING SQ -
9023	288	1684	WOODBIDGE - A
9028	270	1685	DULUTH - A
9025	233	1688	SALINAS - A
9020	261	1690	CHESTERFIELD-A
9022	271	1694	ERIE - A
9028	270	1695	ALPHARETTA - A
9025	246	1698	NEWARK - A
9022	265	1700	DEARBORN-A
9028	277	1705	W PALM BEACH - A
9025	251	1708	PHOENIX-DESERT SKY - A
9020	249	1709	HENDERSON - A
9022	271	1710	NO OLMSTED - A
9020	252	1712	GRAND FORKS - A
9022	273	1714	GREENSBURG - A
9028	277	1715	MIAMI - A
9027	235	1717	ALBUQUERQUE - A
9020	249	1718	OGDEN - A
9022	265	1720	STERLING HTS-A
9020	252	1722	BLOOMINGTON - A
9023	280	1725	ANNAPOLIS - A
9025	251	1728	TUCSON - A
9022	293	1730	FLORENCE-A
9023	286	1733	YONKERS - A
9023	287	1734	LAWRENCEVILLE - A
9028	282	1735	NORFOLK - A
9025	241	1738	KANEOHE(SUR) - A
9022	294	1740	JOLIET-A
9023	288	1744	OCEAN - A
9028	237	1745	TAMPA - A
9025	248	1748	MONTCLAIR - A
9022	294	1750	ORLAND PARK-A
9023	281	1754	GAITHERSBURG - A

9028	277	1755	BOYNTON BEACH - A
9025	247	1758	ESCONDIDO - A
9022	265	1760	NOVI-A
9023	288	1764	ROCKAWAY - A
9028	277	1765	PALM BEACH GARDENS-A
9025	251	1768	PHOENIX/PARADISE VLY-A
9022	271	1770	NORTH RANDALL - A
9023	280	1773	SALISBURY - A
9028	277	1775	PEMBROKE PINES - A
9020	252	1780	SPRINGFIELD-A
9022	272	1784	JOHNSON CITY - A
9025	246	1788	RICHMOND - A
9022	293	1790	LOUISVILLE-OKOLONA-A
9023	286	1794	EAST NORTHPORT - A
9025	251	1798	GLENDALE -A
9022	264	1800	MISHAWAKA-A
9022	232	1804	BARBOURSVILLE - A
9028	238	1805	RALEIGH - A
9022	293	1810	CINCINNATI - A
9023	281	1814	FAIRFAX - A
9022	260	1820	WEST DUNDEE-A
9022	273	1824	WEST MIFFLIN - A
9022	231	1830	FT WAYNE-A
9023	287	1834	NORTH WALES - A
9025	240	1838	BURBANK - A
9022	294	1840	CHICAGO RIDGE-A
9023	280	1844	COLUMBIA - A
9022	293	1850	LOUISVILLE-OXMOOR-A
9023	287	1853	WILMINGTON - A
9023	280	1854	PARKVILLE - A
9022	273	1863	JOHNSTOWN - A
9023	280	1864	COCKEYSVILLE - A
9025	247	1868	MORENO VLY - A
9023	287	1874	BURLINGTON - A
9023	287	1884	KING OF PRUSSIA - A
9022	272	1894	ROCHESTER - A
9028	278	1905	HATO REY - A
9028	278	1915	BAYAMON - A
9022	294	1921	MATTESON - A
9023	286	1924	VALLEY STREAM - A
9028	278	1925	CAROLINA - A
9028	278	1935	MAYAGUEZ - A
9023	289	1944	YORKTOWN HEIGHTS - A
9028	278	1945	PONCE - A

9022	232	1954	CHARLESTON - A
9028	237	1955	LAKELAND - A
9025	246	1958	SAN JOSE/OAK RIDGE - A
9028	282	1974	ROANOKE - A
9025	245	1978	RENO - A
9022	266	1980	LAFAYETTE - A
9022	272	1984	BUFFALO/HAMBURG - A
9028	274	1985	HIGH POINT - A
9025	248	1998	MONTEBELLO - A
9025	240	1999	SANTA CLARITA - A
9022	272	2003	ROCHESTER/IRONDEQUOIT-B
9022	272	2007	AUBURN - B
9022	267	2010	MANSFIELD-B
9022	271	2013	NEW CASTLE - B
9028	274	2017	GASTONIA - B
9022	231	2020	TOLEDO - B
9020	261	2021	ALTON - B
9020	291	2022	COUNCIL BLUFFS - B
9023	284	2023	CONCORD - B
9027	269	2025	DOTHAN - B
9027	263	2026	SLIDELL-B
9025	243	2027	WASILLA - B
9020	292	2029	UNION GAP - B
9020	259	2031	FOND DU LAC - B
9023	281	2034	BOWIE - B
9028	239	2035	COLUMBIA - B
9027	262	2036	JACKSON-A
9022	264	2040	BATTLE CREEK-B
9022	260	2041	ST CHARLES - B
9023	285	2043	KINGSTON - B
9025	251	2047	SIERRA VISTA - B
9025	243	2049	EVERETT - B
9022	231	2050	JACKSON-B
9020	291	2051	BELLEVUE-B
9028	268	2055	MORRISTOWN - B
9027	269	2056	MARY ESTHER/FT WALTON BCH
9025	245	2059	TRACY - B
9022	267	2060	DAYTON-SALEM-B
9022	231	2061	DEFIANCE - B
9020	252	2062	FORSYTH - B
9028	282	2064	COLONIAL HTS - B
9028	275	2065	BRUNSWICK
9022	266	2070	COLUMBUS-B
9022	293	2071	CINCINNATI-WESTERN HILLS-

9023	285	2073	WOONSOCKET - B
9023	290	2074	STROUDSBURG - A
9027	257	2077	TYLER - B
9025	247	2078	YUMA - B
9020	252	2082	FARGO-B
9027	262	2086	COLUMBUS-B
9027	263	2087	ALEXANDRIA - B
9025	233	2088	SANTA MARIA - B
9022	267	2104	ST CLAIRSVILLE - B
9028	238	2105	BURLINGTON - B
9027	262	2106	TUPELO - B
9020	259	2112	GREEN BAY-B
9023	283	2113	ROTTERDAM(SCHENECTADY) -
9022	273	2114	WASHINGTON - B
9025	244	2119	SALEM(LANCASTER) - B
9020	252	2121	PERU - B
9020	252	2122	DUBUQUE - B
9022	273	2124	DUBOIS - B
9028	275	2125	VALDOSTA - B
9022	264	2130	ELKHART-B
9020	254	2131	SALINA - B
9022	272	2134	CHEEKTOWAGA/BUFFALO-B
9028	276	2135	SEBRING - B
9025	233	2138	SANTA BARBARA - B
9022	266	2140	ANDERSON-B
9028	237	2145	PORT CHARLOTTE - B
9020	261	2146	CAPE GIRARDEAU-B
9027	234	2147	IRVING
9025	241	2148	KAHULUI MAUI - B
9025	243	2149	BELLINGHAM - B
9020	252	2152	MINOT - B
9028	277	2155	MIAMI/KENDALL - B
9028	268	2156	MARYVILLE-B
9022	293	2160	CLARKSVILLE-B
9020	252	2161	CORALVILLE - B
9027	236	2166	HUNTSVILLE-B
9023	283	2173	SARATOGA - B
9028	238	2175	GREENVILLE
9020	261	2176	PADUCAH-B
9027	234	2177	WICHITA FALLS - B
9025	244	2179	MEDFORD - B
9022	264	2180	TRAVERSE CITY-B
9023	284	2183	SO PORTLAND - B
9027	269	2186	OXFORD - B

9020	291	2191	LINCOLN-B
9028	276	2195	TITUSVILLE - B
9027	263	2196	GAUTIER - B
9027	258	2197	TEXAS CITY - B
9020	259	2200	RACINE-B
9023	284	2203	BRUNSWICK - B
9027	236	2205	COOKEVILLE - B
9027	269	2206	FAIRFIELD - B
9020	252	2212	CEDAR RAPIDS-B
9028	277	2215	KEY WEST - B
9025	251	2218	PRESCOTT - B
9025	243	2219	LACEY/OLYMPIA - B
9020	249	2220	ST GEORGE - B
9023	290	2224	CHAMBERSBURG - B
9027	236	2226	MURFREESBORO - B
9027	258	2227	LAKE JACKSON - B
9020	259	2232	MADISON-EAST-B
9027	236	2236	DECATUR - B
9025	244	2239	VANCOUVER - B
9027	255	2241	FAYETTEVILLE - B
9020	292	2242	BILLINGS - B
9023	290	2244	HANOVER - B
9028	276	2245	MELBOURNE - B
9027	256	2247	LAREDO - B
9023	290	2254	LEBANON - B
9027	263	2256	BILOXI - B
9025	233	2258	SAN LUIS OBISPO - B
9020	292	2259	MISSOULA - B
9028	268	2265	JOHNSON CITY - B
9020	250	2271	FT COLLINS - B
9020	259	2272	MILWAUKEE-GLENDALE-B
9023	285	2283	SWANSEA - B
9025	246	2288	ANTIOCH - B
9025	244	2289	ROSEBURG - B
9022	264	2290	MICHIGAN CITY-B
9023	284	2293	AUGUSTA - B
9025	233	2298	MERCED - B
9025	243	2299	ABERDEEN - B
9020	254	2301	KANSAS CITY-ANTIOCH-B
9027	269	2306	GADSDEN - B
9025	246	2308	SANTA CRUZ - B
9025	243	2309	SILVERDALE - B
9028	276	2315	JENSEN BEACH(STUART)-B
9027	236	2316	FLORENCE-B

9025	240	2318	THOUSAND OAKS - B
9023	285	2323	HYANNIS-B
9020	292	2329	KENNEWICK(PASCO) - B
9025	243	2330	PUYALLUP - B
9020	261	2331	JEFFERSON CITY-B
9027	236	2335	CLARKSVILLE - B
9025	244	2339	SPRINGFIELD - B
9020	259	2342	KENOSHA-B
9023	283	2343	LANESBORO(PITTSFIELD)-B
9023	290	2344	STATE COLLEGE - B
9028	268	2345	CLEVELAND - B
9020	292	2349	COEUR D'ALENE - B
9020	252	2352	ST CLOUD-B
9023	283	2353	KINGSTON - B
9022	232	2354	VIENNA (PARKERSBURG) - B
9028	278	2355	HATILLO(ARECIBO) - B
9025	251	2358	FLAGSTAFF - B
9020	261	2360	QUINCY-B
9020	249	2361	GRAND JUNCTION - B
9020	250	2371	CHEYENNE - B
9020	259	2372	SHEBOYGAN-B
9023	285	2373	NO DARTMOUTH - B
9023	287	2374	VINELAND - B
9022	265	2380	BAY CITY - B
9027	255	2381	LAWTON - B
9020	259	2382	MADISON-WEST - B
9025	241	2388	HILO(SUR) - B
9025	243	2389	BURLINGTON - B
9022	267	2390	SPRINGFIELD-B
9020	291	2392	DES MOINES-B
9023	281	2395	MANASSAS - A
9020	250	2398	LONGMONT - B
9020	252	2402	BISMARCK-B
9020	291	2412	RAPID CITY-B
9028	270	2415	CENTERVILLE - B
9022	267	2420	MARION-B
9020	291	2421	GRAND ISLAND-B
9020	291	2422	SIOUX CITY-B
9028	268	2425	BRISTOL - B
9020	254	2430	MANHATTAN - B
9020	259	2432	LA CROSSE-B
9028	282	2435	CHARLOTTESVILLE - B
9023	284	2443	MANCHESTER-B
9022	231	2450	LIMA-B

9023	283	2453	GLENS FALLS - B
9028	282	2454	CHESAPEAKE - B
9023	284	2463	LEWISTON - B
9020	259	2470	WAUSAU-B
9022	265	2482	PORT HURON - B
9023	287	2484	POTTSTOWN - B
9028	237	2485	BROOKSVILLE - B
9027	234	2487	KILLEEN - B
9022	273	2494	ALTOONA - B
9027	256	2497	BROWNSVILLE - B
9020	252	2500	DULUTH-B
9027	256	2507	MCALLEN - B
9022	231	2510	SANDUSKY-B
9028	274	2515	HICKORY -B
9027	234	2517	SAN ANGELO -B
9023	288	2524	TOMS RIVER -B
9027	235	2527	LAS CRUCES -B
9023	283	2533	PLATTSBURGH - B
9027	256	2537	HARLINGEN - B
9022	271	2544	SHARON - B
9022	267	2550	ZANESVILLE-B
9028	237	2555	CRYSTAL RIVER - B
9027	257	2557	LONGVIEW - B
9028	237	2565	BRADENTON - B
9022	266	2570	MUNCIE-B
9023	284	2583	BANGOR - B
9027	234	2587	DENTON - B
9023	288	2593	NEWBURGH - B
9027	269	2595	AUBURN - B
9022	266	2600	TERRE HAUTE-B
9020	252	2602	ROCHESTER - B
9023	283	2603	NEW HARTFORD - B
9023	290	2604	WILKES BARRE - B
9022	232	2614	UNIONTOWN - B
9028	268	2615	DALTON - B
9023	283	2623	RUTLAND - B
9023	290	2624	CAMP HILL - B
9028	238	2635	ROCKY MOUNT - B
9027	258	2637	PORT ARTHUR - B
9022	265	2642	MIDLAND - B
9023	290	2644	MUNCY - B
9023	280	2654	DOVER - B
9027	235	2657	MIDLAND - B
9023	284	2663	NEWINGTON/PORTSMOUTH-B

9023	280	2664	FREDERICK - B
9022	273	2674	INDIANA - B
9028	278	2675	GUAYAMA - B
9027	257	2677	BOSSIER CITY
9022	272	2683	WATERTOWN - B
9023	290	2684	FRACKVILLE - B
9023	281	2694	FREDERICKSBURG - B
9028	237	2695	NAPLES - B
9027	263	2696	HOUMA - B
9022	232	2704	MT HOPE/BECKLEY - B
9028	239	2705	FLORENCE - B
9022	266	2710	KOKOMO-B
9020	254	2712	ST JOSEPH - B
9022	232	2714	BLUEFIELD - B
9022	273	2724	BUTLER - B
9022	273	2734	CRANBERRY-B
9022	272	2744	HORSEHEADS/ELMIRA - B
9028	276	2745	LEESBURG - A
9028	238	2755	JACKSONVILLE - B
9020	252	2760	DAVENPORT-B
9023	286	2764	BRONX-FORDHAM RD
9023	280	2774	CUMBERLAND - B
9028	239	2785	MYRTLE BEACH - B
9022	231	2790	FINDLAY-B
9027	269	2796	TUSCALOOSA - B
9022	267	2800	RICHMOND - B
9022	294	2802	BOURBONNAIS/BRADLEY - B
9027	269	2805	PANAMA CITY - B
9027	262	2806	MEMPHIS/HICKORY - B
9020	292	2808	GREAT FALLS - B
9023	280	2814	MARTINSBURG - B
9028	275	2815	ALBANY - B
9028	268	2825	KINGSPORT - B
9022	232	2826	BRIDGEPORT/CLARKSBURG - B
9028	282	2835	LYNCHBURG-RIVER RDG MALL-
9020	252	2840	BLOOMINGTON-B
9028	274	2844	SHELBY - B
9028	270	2845	ATHENS - B
9022	267	2850	CHILLICOTHE-B
9028	239	2855	CHARLESTON - B
9028	270	2865	UNION CITY - B
9020	291	2872	SIOUX FALLS - B
9028	237	2885	PORT RICHEY - B
9020	252	2920	CHAMPAIGN-B

9020	261	2922	MARION - B
9022	271	2932	ASHTABULA - B
9023	286	2933	NEW HYDE PARK-INTCPT - B
9023	285	2934	TAUNTON - B
9028	274	2935	STATESVILLE - B
9022	293	2940	FRANKLIN-B
9023	280	2945	HAGERSTOWN - B
9027	236	2950	OWENSBORO-B
9022	264	2960	BENTON HARBOR-B
9023	280	2963	WESTMINSTER - B
9028	238	2965	WILSON - B
9022	294	2980	CHICAGO/FORD CITY-B
9022	260	2990	ROCKFORD-CHERRYVALE-B

SCHEDULE 3.3A

LICENSEE MARKS

Licensee claims ownership rights in the following trademarks and/or service marks:

Mark

SCHEDULE 3.3B

SEARS MARKS

Sears claims ownership rights in the following trademarks and/or service marks:

Mark

Sears(R)
Sears Card(R)
Sears Premier Card(R)
Sears Gold MasterCard(R)
Sears Premier Gold MasterCard(R)
The Great Indoors Gold MasterCard(R)

SCHEDULE 4.1

SEARS FEES

1. Sears Fees. The Sears Fees shall be calculated as follows:
 - a. Standard Fees for Tax Preparation and Electronic Filing 19.2% of Net Sales
 - b. Fees for Tax Preparation and Electronic Filing in Test Markets identified on Schedule 4.1(a). The applicable percentage of Net Sales set forth in this subsection (b) is calculated on a per store basis.

19.6% of Net Sales if the number of paid Tax Returns completed during the Tax Season is greater than 104% of the number of Tax Returns completed during the immediately preceding Tax Season;

19.4% of Net Sales if the number of paid Tax Returns completed during the Tax Season is greater than 102%, but less than or equal to 104%, of the number of Tax Returns completed during the immediately preceding Tax Season;

19.2 % of Net Sales if the number of paid Tax Returns completed during the Tax Season is greater than 98%, but less than or equal to 102%, of the number of Tax Returns completed during the immediately preceding Tax Season;

19% of Net Sales if the number of paid Tax Returns completed during the Tax Season is greater than 96%, but less than or equal to 98% of the number of Tax Returns completed during the immediately preceding Tax Season;

18.8% of Net Sales if the number of paid Tax Returns completed during the Tax Season is less than or equal to 96% of the number of Tax Returns completed during the immediately preceding Tax Season

By way of example, if the number of paid Tax Returns during the 2004 Tax Season at a particular Store is 500, and the number of paid Tax Returns during the 2003 Tax Season at the same store was 511, then the 2004 number is 97.847 percent of the 2003 number and the applicable percentage of Net Sales would be 19% pursuant to the above schedule.

If, however, the number of paid Tax Returns during the 2004 Tax Season at that store is 530, and the number for the 2003 Tax Season was 511, then the 2004 number is 103.718 percent of the number of 2003 and the applicable percentage of Net Sales would be 19.4 percent pursuant to the above schedule.

- c. Small Store Sears Fees - A "Small Store" is defined as a store with less than \$15,000,000 in annual revenue and fees shall be as follows:

9% of Net Sales for all products
13% of Net Sales after the first year of sales above \$15,000,000
Standard Fees as set forth in Section 1a above thereafter

- d. New Store (not a replacement store location)
9% of Net Sales for the first twelve months of operation
After the first twelve months, Small Store Sears Fees apply
- e. Tax Classes - Fees for Tax Classes shall be based upon a seven dollar (\$7.00) per square foot annual cost, prorated for the time that Licensee occupies such space.

2. Assumed Commission.

In the event that Licensee fails to meet the store minimum requirement set forth in Section 6.1 of the Agreement, Licensee shall pay an assumed commission on the number of stores required to reach the Designated Sears Store minimum. The Assumed Commission will equal the average Sears Fees of the bottom quartile Designated Sears Stores from the previous year.

3. Financial Services.

In complete satisfaction of any obligation to pay fees to Sears based upon sales by Licensee of financial services products to Customers as defined in Section 4.1, during each Tax Season, Licensee shall pay Sears, at the conclusion of each Tax Season, the greater of either (i) Fifteen Percent of the Net Sales to U.S. tax operations, or (ii) the amount of Fifty Thousand Dollars (\$50,000).

4. Check Cashing

Sears shall receive 85% of the Check Cashing Fee
Licensee shall receive 15% of the Check Cashing Fee

5. Peace of Mind Program.

Licensee shall pay a fee of 15% of Net Sales to Sears for the Peace of Mind Program.

6. Other Services.

Sears Fees for Other Services shall be agreed to annually by the parties.

7. Interchange Fee.

The Sears Fees set forth above shall include an Interchange Fee of at least one percent (1%) for the processing of the Sears Cards. Such Interchange Fee may be changed at Sears' sole discretion, but shall not increase the Sears Fees set forth herein unless otherwise agreed by the parties.

SCHEDULE 4.1(a)

TEST MARKETS

To be determined by the parties.

SCHEDULE 6.1(a)

FACILITY SPECIFICATIONS

1. See attached "Office Layout Guidelines" that show the general layout and space requirements of average Sears office locations.
2. The size of a tax service office shall be calculated as follows:
 - a. One work station per 300 returns produced.
 - b. Sears shall use reasonable efforts to provide 125 square feet of space per work station (this includes space for storage and reception).
3. Sears shall provide routine janitorial services in the Licensed Business Area consistent with the janitorial services regularly performed in the Designated Sears Store.
4. Licensee may update and revise these specifications from time to time as necessary, but such changes must be agreed and approved in writing by Sears.

SCHEDULE 6.1(f)

HVAC

Appropriate heating, ventilation and air conditioning to Licensee's offices. Reasonable office temperatures of between 64 degreesF and 78 degreesF shall be maintained on average during normal business hours, except during circumstances beyond Sears' reasonable control, including but not limited to power outages, brown-outs and extreme weather circumstances.

SCHEDULE 6.2

CONSTRUCTION/REMODEL COSTS

LICENSED BUSINESS AREA AT DESIGNATED SEARS STORE

Sears shall be responsible for the following in the construction of a Licensed Business Area, including Additional Locations, at a Designated Sears Store:

- a. if required by Sears, perimeter walls, painted standard Sears colors;
- b. floor covered with standard Sears carpet/tile;
- c. ceiling containing standard Sears lighting; and
- d. standard electrical outlets.

Licensee shall be responsible for all other costs and expenses, including, without limitation furniture, fixtures, equipment, displays, cabinets, counters, shelving, and other such items. Licensee shall also be responsible for any non-standard walls, wall coverings, floor coverings, ceilings, lighting and electrical within the Licensed Business Area.

EXPIRED, TERMINATED, VACATED OR ABANDONED LICENSED BUSINESS AREA

If a Licensed Business Area expires or is terminated, vacated or abandoned, Licensee shall have the financial responsibility to remove all Licensee's Equipment, signs and non-permanent fixtures. Licensee shall cap all gas, electrical and plumbing lines and disconnect all telephones. The Licensed Business Area shall be vacated in a "broom-clean" condition.

SCHEDULE 9.2

CREDIT CARD CONDITIONS

Licensee's acceptance and processing of the Credit Cards (as defined in the Agreement) shall be performed in accordance with the following:

1. Acceptance of Credit Cards. Licensee shall accept each Credit Card presented by a Cardholder as payment for Authorized Merchandise/Services, and Sears shall reimburse Licensee for the amount of such Credit Card Sale in accordance with the terms of this Schedule, provided that Licensee complies with all of the other procedures in the Agreement and this Schedule relating to the acceptance of Credit Cards each time it makes a Credit Card Sale (as defined in the Agreement), including but not limited to the following conditions:
 - (a) The Credit Card is presented to Licensee on or before the expiration date, if any;
 - (b) The Credit Card is used as payment for Authorized Merchandise/ Services purchased by a Cardholder;
 - (c) Licensee has followed the procedures for the completion of Sales Slips as set forth in Paragraph 2 below; and
 - (d) Licensee has obtained Authorization for the Credit Card Sale as required pursuant to Paragraph 3 below.

For purposes of this Schedule, "Sales Slips" means evidence of a Credit Card Sale in paper, electronic or imaged form, as designated by Sears to Licensee, and "Authorization" means permission from the Issuer or its agent to make a Credit Card Sale.

2. Completion of Sales Slips.
 - (a) General Requirements. For each Credit Card Sale, Licensee shall prepare a Sales Slip using the form approved by Sears, which may be modified from time to time by Sears in its sole discretion. Each Sales Slip must be legible and fully completed with the following information:
 - (i) Date and location of the Credit Card Sale, including the unit number assigned by Sears for the Licensed Business location;
 - (ii) Brief description of the Authorized Merchandise/Services;
 - (iii) Total amount of the Credit Card Sale, including itemized purchases, any additional fees and credits, and applicable state and local taxes;
 - (iv) Credit Card account number; and

(v) Authorization number or code (where applicable).

In the event Licensee obtains Authorization (as defined in Paragraph 3 below) for each Credit Card Sale through the POS Terminal, Licensee shall not be required to obtain an imprint of the Credit Card. Licensee shall include all Authorized Merchandise/Services purchased in a single transaction on one Sales Slip except for customer deposits or partial payments. Licensee shall not increase the price of Authorized Merchandise/Services or charge an additional fee to Cardholders for using a Credit Card for purchasing Authorized Merchandise/Services.

- (b) Cardholder's Signature. Except in the case of internet, telephone or mail orders, a Sales Slip must be signed by the Cardholder for each Credit Card Sale at the time the Credit Card Sale is made and in the presence of an authorized representative or employee of Licensee. The signature on the Sales Slip must be reasonably similar to the signature appearing on the signature panel of the Credit Card. After completion of the Credit Card Sale, Licensee shall provide a legible and completed copy of the Sales Slip to the Cardholder. If Licensee fails to obtain the signature of the Cardholder on the Sales Slip and the Cardholder has not authorized the Credit Card Sale or denies the validity of the Credit Card Sale, the Credit Card Sale shall be subject to Chargeback pursuant to Paragraph 6 below. If the Credit Card has not been signed, Licensee shall ask the Cardholder to sign the Credit Card and verify such signature with the Cardholder's driver's license or other government issued identification before completion of the Credit Card Sale.
- (c) Loss and Retention of Sales Slips. Licensee shall be responsible for the loss, damage or corruption of any Sales Slips. Licensee shall retain copies of all Sales Slips for at least three (3) years after the date of the Credit Card Sales to which they apply. Licensee shall provide copies of Sales Slips to Sears or the Cardholder within five (5) days of a request from either party. Licensee's failure to provide a requested Sales Slip shall subject Licensee to Chargeback pursuant to Paragraph 6 below.
- (d) Telephone and Mail Order Sales. In addition to each of the requirements set forth in Paragraph 2(a) above, for internet, telephone and mail order sales, Licensee must record the shipping address and shipping date, if known, at the time of the Credit Card Sale, on the Sales Slip. Licensee will use reasonable judgment in identifying its customers. Licensee agrees to ship merchandise or deliver services within the time required by applicable law, and Licensee is responsible for compliance with all such applicable laws. The Cardholder's signature is not required with respect to mail order, telephone order or internet order Credit Card Sales, provided an Authorization number has been given and recorded and Licensee identifies each such Credit Card Sale as "Mail Order", "Telephone Order" or "Internet Order" on the Sales Slip. If a Cardholder asserts that he/she had not authorized a mail order, telephone order or internet order Credit Card Sale, asserts that he/she did not receive the merchandise within the time required

by law, or otherwise denies the validity of the Credit Card Sale, such Credit Card Sale shall be subject to Chargeback pursuant to Paragraph 6 below.

3. Authorization.

- (a) General Requirements. In accordance with the terms of this Paragraph 3, Licensee shall obtain Authorization for each proposed Credit Card Sale. For purposes of this Schedule, the purchase of one or more Authorized Merchandise/Services made by a Cardholder at one Licensed Business location and at one time shall be deemed to constitute a single Credit Card Sale.
- (b) Obtaining Authorization.
 - (i) Electronic Locations. Licensee will obtain Authorization for Credit Card Sales through the POS Terminal (if Licensee is using a POS Terminal provided by Sears). If a referral code is displayed on the POS Terminal and the dollar amount of the Credit Card Sale ("Proposed Purchase Amount") is above a dollar limit established for such Credit Card Sale ("Floor Limit") at the Designated Sears Store, Licensee shall telephone the Issuer to obtain further instructions, using a telephone number provided by Sears for such purpose. Licensee shall not process any Credit Card Sale in which the Proposed Purchase Amount exceeds the Floor Limit without obtaining the prior approval and consent of the Issuer.
 - (ii) Non-Electronic Authorization. When the POS Terminal is unable to obtain Authorization electronically, Licensee shall contact the Issuer of the Credit Card (or its agent) (the "Authorization Center") using the telephone number provided for such purpose by Sears. If the Authorization Center approves the Credit Card Sale, Licensee will be given an Authorization code or number which must be recorded on the Sales Slip.
- (c) Right of Chargeback. If Authorization for any Credit Card Sale is required but not obtained by Licensee, or an Authorization code is not recorded when Licensee is required to do so, or Authorization is requested by Licensee but declined by the Issuer, Sears may process a Chargeback for such Credit Card Sale pursuant to Paragraph 6 below.
- (d) Card Retrieval and Retention. Licensee shall follow reasonable instructions given by the Authorization Center in connection with a Credit Card Sale, such as obtaining Cardholder identification or Credit Card retention. If the Authorization Center instructs Licensee to take the Credit Card and the Cardholder refuses, Licensee will make no further effort to obtain the Credit Card.

4. Operating Standards. Licensee shall observe other operating standards established by each Issuer from time to time ("Operating Standards") with respect to the Credit Card

Sales made by Licensee on such Issuer's Credit Card. A copy of the current Sears Card Operating Standards is attached to this Schedule as Attachment 1.

5. **Cardholder Credits and Payments.** When merchandise or services originally purchased with a Credit Card are returned for refund, unless specifically required by law, Licensee shall not give cash refunds for Authorized Merchandise/Services returned or rejected by a Cardholder to any Cardholder in connection with a Credit Card Sale. For each non-cash refund issued by Licensee to a Cardholder of all or a portion of a Credit Card Sale (a "Credit"), Licensee shall prepare and deliver to the Cardholder evidence of each Credit in a paper form (a "Credit Slip"), which Licensee shall complete in accordance with the instructions provided by Sears from time to time. Licensee will retain copies of all Credit Slips for three (3) years from the date of the refund and will submit Credit Slips evidencing such Credits to Sears within the time period required by law in order that the appropriate Credit may be entered on the Cardholder's account. The Credit indicated on the Credit Slip may not exceed the original Credit Card Sale amount.
6. **Chargeback Rights and Procedures.** If Licensee has not complied with any of the terms of this Schedule or the Agreement with respect to any Credit Card Sale, Sears may process a Chargeback to Licensee for the amount of the Credit Card Sale, including without limitation each Credit Card Sale made on any Credit Card account with respect to which Licensee did not properly process the Credit Card Sale or any portion thereof. A "Chargeback" means Sears' refusal, under the terms of this Schedule, to pay Licensee pursuant to the terms of the Agreement, and reimbursement to Sears of a Credit Card Sale for which Licensee was previously paid. Sears is not required to pay Licensee for a Credit Card Sale that is being charged back. If Sears has already paid Licensee for such Credit Card Sale, Sears in its sole discretion may deduct the amount to be charged back through its settlement with Licensee under Section 9.4 of the Agreement or offset such amount from future payments due Licensee under the Agreement. Any Chargebacks not paid by the aforesaid means shall be due and payable by Licensee promptly upon demand. Notwithstanding anything to the contrary herein, in the event a Cardholder, in accordance with the provisions of applicable state law or the federal Truth in Lending Act and its implementing Regulation, Regulation Z, as they may be amended from time to time, files with an Issuer or Sears a billing error notice, unauthorized charge inquiry or alleges a quality dispute with respect to merchandise or services purchased from Licensee, Sears has the right of Chargeback against Licensee with respect to each Credit Card Sale which is the subject of such inquiry or dispute. Licensee shall cooperate with the Issuer in any investigation relating to any such inquiry or dispute, and Licensee shall respond fully and accurately to the Issuer's requests for information, documents or other assistance relating to any such investigation immediately, and no later than twenty (20) days after receipt. If any Issuer charges Sears a fee for excessive Chargebacks against transactions of the Licensed Business, Licensee shall reimburse Sears for the amount of such fee within five (5) days after receiving Sears' invoice for such fee accompanied by reasonable supporting documentation.
7. **Representations and Warranties.** Licensee represents and warrants to Sears that each Credit Card Sale will arise out of a bona fide sale of Authorized Merchandise/Services by

Licensee and will not involve the use of a Credit Card for any other purpose. Licensee will indemnify Sears for Licensee's use of a Credit Card outside the scope of the Agreement or for unauthorized purposes.

8. Credit Policies and Account Terms. Licensee acknowledges that each Issuer has the sole and exclusive right to set credit policies and account terms and conditions, including but not limited to finance charge rates, fees and other terms of the account agreement, for its Credit Card accounts and that such policies, terms and conditions are beyond Sears' control. Sears will use its best efforts to give Licensee prior notice of any changes in credit policies or account terms that are reasonably likely to have a material impact on Licensee's Credit Card Sales or to otherwise materially affect Licensee's obligations under the Agreement.
9. Termination of Card Acceptance. Licensee acknowledges that Sears may, in its sole discretion and upon notice to Licensee, terminate the acceptance of the Credit Card at any Licensed Business location for good cause, including high fraudulent activity, excessive Chargebacks or other course of business conduct at such location that is injurious to the business relationship between Licensee and Sears.
10. Defined Terms. Capitalized terms not otherwise expressly defined in this Schedule have the meanings ascribed to them in the Agreement.

OPERATING INSTRUCTIONS

Sears Card Logo

Licensee shall properly display the appropriate Sears Card logos ("Logos") on promotional materials to inform the public that the Sears Card will be honored at the Licensed Business. Use of decals, signs, printed materials and broadcast materials which bear the Logos must comply with the specifications provided to Licensee. Licensee may use the Logos, or the names or representations thereof, on promotional printed or broadcast materials only to indicate that the Sears Card is accepted for payment.

Altered and Counterfeit Cards (Licensees With Store-based Operations)

Licensee's employees should be familiar with the appearance of a valid Sears Card and must check cards presented for signs of counterfeiting or alterations. Licensee's employees should exercise reasonable care in checking each Sears Card.

Preparation of Sales Slip and Credit Slip

When imprinting is required, Licensee will use a suitable imprinter to legibly imprint on each Sales Slip and Credit Slip the embossed information from the Sears Card and from the Licensed Business plate and will fully complete the Sales Slip or Credit Slip.

Licensee shall provide the Cardholder with a completed copy of the Sales Slip or Credit Slip, as applicable, at the time of each completed Sears Card Sale. Licensee will include the following information on the Cardholder's copy of the Sales Slip or Credit Slip:

1. Cardholder's Account Number;
2. Licensed Business name, merchant number and address;
3. Itemized description of merchandise or service purchased;
4. Itemized charges and total amount of the Sears Card sale (including sales tax);
5. Sears Card sale date;
6. Authorization number or code, where applicable; and
7. For Credits, original sale date and reason for refund, if applicable.

Authorization Requirements

Sears will provide Authorization services to Licensed Business locations within the United States and its territories through authorization center ("Authorization Center(s)"). The Authorization

Centers will be open for business seven (7) days per week, in conjunction with Sears' retail store hours.

Licensee must obtain Authorization from the Authorization Center on all Sears Card sales except as otherwise required in these Operating Instructions.

To obtain Authorization of a sales transaction, Licensee must provide Sears with:

1. The Cardholder's Account number;
2. The Licensed Business Account number, if applicable; and
3. The total amount of the transaction (including sales tax and/or tip).

The Authorization code must be entered in the appropriate box on the Sales Slip or shown on the automatically printed register receipt. Sears Card Authorizations are valid for forty-five (45) days.

Authorization Floor Limit

In addition to any Floor Limits on Schedule 9.2, help desks will assign maximum Floor Limits for Licensee when the Authorization system is not available. If Licensee accepts a Sears Card sale at or above a Floor Limit without Authorization, Licensee does so at its own risk, subject to Chargeback. Licensee should not construe the assigned Floor Limits as a guarantee against potential Chargeback. Any infraction of the Floor Limit policy shall be for the total dollar amount of the transaction and not only the portion over the assigned Floor Limit.

Request for Cancellation of Authorization

If Licensee or a Cardholder cancels or voids a sale transaction prior to its completion and an Authorization was previously obtained for such Sears Card sale, Licensee should request a cancellation of such Authorization, if requested by Cardholder, which Licensee shall complete in accordance with the instructions provided by Sears from time to time. An Authorization should be canceled on the day it was made.

Remittance of Sales Slips and Credit Slips

Licensee shall electronically submit daily sales data to Sears or its designee. Sales Slips and Credit Slips will show Cardholder Account number, name, address, city, state, and may include other information reasonably related to customer identification.

Chargeback Reason Codes - Immediate

Transactions violating the rules and instructions as established in these "Operating Instructions" are subject to immediate Chargeback for the following reasons:

Definition - - - - -	Explanation - - - - -
Declined Authorization	A purchase was completed after Licensee received a declined message from the Authorization Center.
Invalid Card number	Transaction was submitted using an account number for which no valid account exists or can be located.
Non-Receipt of Requested Item	Sales Slip not provided in response to ticket retrieval request.
Requested Item- Illegible Copy	Sales Slip provided in response to ticket retrieval is not legible.
Service Establishment Adjustment	Used in situations where Licensee has violated general operating procedures not covered by other definitions. A detailed explanation will be provided for Licensee.

Chargeback Reason Codes - Prior Notification

A pending Chargeback notification will be provided to Licensee in the following cases. Licensee will have fifteen (15) business days to resolve the inquiry/dispute to avoid the Chargeback. If the inquiry/dispute is not resolved by Licensee within fifteen (15) business days, or Licensee has not notified the Authorization Center of the resolution by the end of the fifteenth (15th) business day, then Sears, at its option, may process a Chargeback to Licensee.

Definition - - - - -	Explanation - - - - -
Transaction Exceeds Floor Limit	Any transaction at or above Licensee's assigned Floor Limit for which a required Authorization was not obtained and which cannot, for whatever reason, be promptly collected from the Cardholder.
Cardholder Disputes	This Chargeback reason will be used for any Cardholder dispute.
Merchandise/Service	Regarding the quality of merchandise purchased or services rendered or any portion thereof.
Non-Receipt of Merchandise	Cardholder charged for merchandise or services never received or canceled prior to receipt.
Alteration of Amount	This reason will apply only to Cardholder disputes claiming that the purchase amount for which the Cardholder signed was altered after the Cardholder signed the Sales Slip and without his/her consent or direction. Upon presentation of adequate proof of such claim, such as a Sales Slip, only the difference can be charged back.

Duplicate Processing	Cardholder has been charged more than one time for a single transaction.
Non-Receipt of Credit	Cardholder claims that a Credit issued by Licensee was never posted to the Cardholder Account. The Chargeback is limited to the amount of the Credit.
Credit Posted as Debit	Cardholder possesses Credit Slip which appears as debit on his/her statement.
Unauthorized Purchase	The Cardholder claims that neither the Cardholder nor any party authorized by the Cardholder participated in the transaction and that the Cardholder has no knowledge of it.
Missing Signature	Sales slip is missing signature or Licensee failed to follow telephone Authorization procedure and Cardholder does not recognize sale.

Licensee is expected to resolve a Cardholder dispute/inquiry directly with the Cardholder. Sears will not arbitrate the dispute.

Merchant Program Agreement

In addition to the Chargebacks identified above, Sears may Chargeback any Sears Card sale with respect to which Licensee fails to comply with the terms and conditions set forth in the License Agreement.

Reversal of Chargebacks/Representation

Licensee will have ninety (90) days from Chargeback to cure the reason for Chargeback and request a reversal from Sears. Sears, exercising its reasonable judgment, shall decide whether any Chargeback is to be reversed. If Sears decides to reverse a Chargeback, Licensee will submit to Sears:

- 1) The original Sales Slip or equivalent information in electronic or optic format; and, where applicable,
- 2) Documentation of the Cardholder's agreement to the reversal.

Unless agreed to by Sears, Licensee may not resubmit any Sales Slip once that item has been charged back for any reason. Nor may Licensee resubmit the amount in question by preparing a new Sales Slip, unless that Sales Slip bears the imprint to the Cardholder's Sears Card and is signed by the Cardholder.

Good Faith Chargeback Reversals

If the ninety (90) day reversal period has elapsed, Licensee may request a good faith reversal if extreme extenuating circumstances exist. Sears, using its reasonable judgment, shall be sole determiner in granting any good faith reversals. If a good faith reversal is granted, the transaction will be posted to the Cardholder's Account. If the Cardholder objects for any reason, the amount will immediately be charged back to Licensee with no further reversal rights.

Sears Card Payments at Designated Locations

- 1) Licensee shall accept Sears Card payments at all Licensed Business locations that have the technical capability to do so (if Licensee is using a POS Terminal provided by Sears). Licensee shall accept such payments at no charge or fee to Sears Cardholders.
- 2) Licensee shall ring each Sears Card payment through the POS Terminal and record the payment data at the time of receipt of the payment.
- 3) Licensee must provide a receipt to Sears Cardholder for each payment, regardless of whether the payment is by check or cash if requested by the Cardholder.
- 4) In the event that any Sears Cardholder payment does not post or is received in an incorrect amount, due to an error in ringing the payment or a systems malfunction by Licensee or at the Licensed Business, Licensee shall re-ring the payment, upon request by Sears and the Issuer's verification that the payment did not post.
- 5) Licensee agrees to use reasonable efforts to assist Sears in researching any Cardholder inquiries regarding payments. In the event Licensee does not respond to Sears' inquiry within thirty (30) business days or is unable to provide sufficient documentation within such time, the amount of the payment in dispute will be subject to Chargeback pursuant to the Agreement.
- 6) All checks for payments on a Cardholder's Sears Card account shall be made payable to "Sears" or "Sears, Roebuck and Co." and not to Licensee.
- 7) Licensee agrees to follow all laws, regulations and reporting requirements applicable to taking any cash payments of ten thousand dollars (\$10,000) or more.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is entered into as of June 28, 2004, by and between H&R Block Services, Inc., a Missouri corporation (the "Company"), and Timothy C. Gokey ("Executive").

ARTICLE ONE

EMPLOYMENT

1.01 - Agreement as to Employment. Effective June 28, 2004 (the "Employment Date"), the Company hereby employs Executive to serve in the capacity set forth in Section 1.02, and Executive hereby accepts such employment by the Company, subject to the terms of this Agreement. The Company reserves the right, in its sole discretion, to change the title of Executive at any time.

1.02 - Duties.

(a) Executive is employed by the Company to serve as its President, U.S. Tax Operations, subject to the authority and direction of the Board of Directors of the Company and the President of the Company. Subject to the foregoing, Executive will have such authority and responsibility and duties as are normally associated with the position of President, U.S. Tax Operations. The Company reserves the right to modify, delete, add, or otherwise change Executive's job responsibilities, in its sole discretion, at any time. Executive will perform such other duties as are assigned to Executive from time to time.

(b) So long as Executive is employed under this Agreement, Executive agrees to devote Executive's full business time and efforts exclusively on behalf of the Company and to competently and diligently discharge Executive's duties hereunder. Executive will not be prohibited from (i) engaging in personal, civic, charitable, educational, religious, or other nonemployment activities that do not significantly interfere with Executive's full-time employment hereunder and (ii) managing his personal investments or financial affairs, provided such activities do not violate the other provisions of this Agreement or the H&R Block, Inc. Code of Business Ethics & Conduct, which Executive acknowledges having read and understood. Executive will comply fully with all reasonable policies of the Company as are from time to time in effect and applicable to Executive's position. Executive understands that the business of H&R Block, Inc. ("Block"), the Company, and/or any other direct or indirect subsidiary of Block (each such other subsidiary an "Affiliate") may be subject to governmental regulation, some of which may require Executive to submit to background investigation as a condition of Block, the Company, and/or Affiliates' participation in certain activities subject to such regulation. If Executive, Block, the Company, or Affiliates are unable to participate, in whole or in part, in any such activity as the result of any action or inaction on the part of Executive, then this Agreement and Executive's employment hereunder may be terminated by the Company with reasonable notice and opportunity

to respond.

1.03 - Compensation.

(a) Base Salary. The Company will pay to Executive a minimum gross salary at an annual rate of \$400,000 ("Base Salary"), payable semimonthly or at any other pay periods as the Company may use for its other executive-level employees. The Base Salary will be reviewed no less often than annually during the term of Executive's employment hereunder and, if increased, such increased amount will become the "Base Salary" for purposes of this Agreement.

(b) Short-Term Incentive Compensation. Executive shall participate in the H&R Block Short-Term Incentive Plan and the discretionary short-term incentive program. Under such Plan and program, Executive shall have an aggregate target bonus for fiscal year 2005 of \$240,000 and shall receive a minimum guaranteed bonus of 50% of target and an opportunity to earn a maximum of 150% of such target bonus (prorated as described below). Subject to such minimum guarantee, the payment of the actual award under such Plan and program shall be based upon such performance criteria which shall be determined by the Compensation Committee of the Board of Directors of Block (the "Compensation Committee"). Under such Plan and program, for fiscal year 2005 only, Executive's actual incentive compensation shall be prorated based upon the number of months during such year that Executive is actually employed by the Company, provided that Executive must remain employed through April 30, 2005 to receive any payments under the Plan and program. Such incentive compensation shall be paid to Executive following the completion of fiscal year 2005 when the same is paid to other senior executives of the Company.

(c) Stock Options.

(i) Executive shall be granted on the Employment Date a stock option under the H&R Block 2003 Long-Term Executive Compensation Plan, as amended (the "2003 Plan"), to purchase 50,000 shares of Block's common stock at an option price per share equal to its closing price on the New York Stock Exchange on the date of grant, such option to expire on the tenth anniversary of the date of grant; to vest and become exercisable as to one-third (16,666) of the shares covered thereby on the first anniversary of the date of grant, as to an additional one-third (16,667) of such shares on the second anniversary of the date of grant, and as to the remaining one-third (16,667) of the shares on the third anniversary of the date of grant; to be an incentive stock option for the maximum number of shares permitted by Internal Revenue Code Section 422 and the regulations promulgated thereunder; and to otherwise be a nonqualified stock option.

(ii) If Executive becomes disabled, terminates employment with the Company or an Affiliate because of such disability, and qualifies for benefits under the Company's Long-Term Disability Plan, then any portion of any outstanding incentive stock options and nonqualified stock options that would have vested during the 12-month period following Executive's last day of active employment with the Company or an Affiliate ("Last Day of Employment") had Executive remained an employee with the Company or

Affiliate during such 12-month period will vest as of the Last Day of Employment. Such disability vesting provision shall apply only to options (1) granted to the Executive under the 2003 Plan, or any similar stock option plan to the 2003 Plan or agreement, and (2) outstanding at the close of business on such Last Day of Employment. The determination of accelerated vesting shall be made as of the Last Day of Employment and shall be based solely on any time-specific vesting schedule included in the applicable stock option agreement without regard to any accelerated vesting provision not related to the Executive's long-term disability in such stock option agreement.

(d) Restricted Stock. Executive shall be awarded on the Employment Date, 10,000 restricted shares of Block's common stock ("Restricted Shares") under the 2003 Plan. One-third of the 10,000 Restricted Shares shall vest (i.e., the restrictions on such shares shall terminate), respectively, on each of the first three anniversaries following such Employment Date (in increments of 3,333, 3,333 and 3,334 whole shares). Prior to the time such Restricted Shares are so vested, (i) such Restricted Shares shall be nontransferable, (ii) Executive shall be entitled to receive any cash dividends payable with respect to unvested Restricted Shares and vote such unvested Restricted Shares at any meeting of shareholders of Block, and (iii) Executive may, if he so chooses, recognize income by promptly filing a Section 83(b) election in accordance with such section of the Internal Revenue Code of 1986, as amended (the "Code").

(e) Reimbursement of Certain Legal Expenses. The Company will reimburse Executive up to \$7,500 for legal expenses actually incurred by Executive in connection with negotiation, preparation and review of this Agreement and any related agreement.

1.04 - Relocation Benefits.

(a) The Company will reimburse Executive for reasonable packing, shipping, transportation costs and other expenses incurred by Executive in relocating Executive, Executive's family and personal property to the Greater Kansas City Area, in accordance with the H&R Block Executive Relocation Program.

(b) If Executive's former employer requires Executive to repay relocation expenses it paid in connection with Executive's relocation from Minneapolis to Charlotte in 2003-2004, the Company will reimburse Executive's former employer on behalf of Executive.

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

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

Company's business.

1.06 - Fringe Benefits. During the term of Executive's employment hereunder, and subject to the discretionary authority given to the applicable benefit plan administrators, the Company will make available to Executive such insurance, sick leave, deferred compensation, short-term incentive compensation, bonuses, stock options, restricted stock, retirement, vacation, and other like benefits as are approved and provided from time to time to the other executive-level employees of the Company or Affiliates, including but not limited to, entitling the Executive to participate in the H&R Block Deferred Compensation Plan and the H&R Block Executive Survivor Plan, according to the provisions of such plans.

1.07 - Termination of Employment.

(a) Without Notice. The Company may, at any time, in its sole discretion, terminate this Agreement and the employment of Executive without notice in the event of:

(i) Executive's misconduct that interferes with or prejudices the proper conduct of the business of Block, the Company or any Affiliate or which may reasonably result in harm to the reputation of Block, the Company and/or any Affiliate; or

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

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

(iv) Executive's violation of Article Two or Three of this Agreement; or

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

(vi) Executive's willful failure to discharge Executive's duties; or

(vii) Executive's suspension by the Internal Revenue Service from participation in the Electronic Filing Program; or

(viii) The inability of Executive, Block, the Company, and/or an Affiliate to participate, in whole or in part, in any activity subject to governmental regulation as the result of any action or inaction on the part of Executive, as described in Section 1.02(b); or

(ix) Executive's total and permanent disability. The term "total and

permanent disability" will have the meaning ascribed thereto under any long-term disability plan maintained by the Company or Block for executives of the Company.

(b) With Notice. Either party may terminate this Agreement for any reason, or no reason, by providing not less than 45 days' prior written notice of such termination to the other party, and, if such notice is properly given, this Agreement and Executive's employment hereunder will terminate as of the close of business on the 45th day after such notice is deemed to have been given or such later date as is specified in such notice.

(c) Termination Due to a Change of Control.

(i) If Executive or the Company terminates Executive's employment under this Agreement for any reason (or no reason) during the 180-day period following the date of the occurrence of a "Change of Control" of Block then, upon any such termination of Executive's employment and conditioned on Executive's execution of an agreement with the Company under which Executive releases all known and potential claims against Block, the Company, and Affiliates, the Company will provide Executive, upon Executive's election (the "Change of Control Election") with the same level of severance compensation and benefits as would be provided under the H&R Block Severance Plan (the "Severance Plan") as the Severance Plan exists either (A) on the date of this Agreement or (B) on Executive's last day of active employment by the Company or any Affiliate (the "Last Day of Employment"), as if Executive had incurred a "Qualifying Termination" (as such term is defined in the Severance Plan); provided, however, (1) the "Severance Period" (as such term is defined in the Severance Plan) will be 12 months, notwithstanding any provision in the Severance Plan to the contrary, (2) Executive will be credited with not less than 12 "Years of Service" (as such term is defined in the Severance Plan) for the purpose of determining severance compensation under Section 4(a) of the Severance Plan as it exists on the date of this Agreement or the comparable section of the Severance Plan as it exists on Executive's Last Day of Employment, notwithstanding any provision in the Severance Plan to the contrary, (3) any portion of any option to purchase shares of Block common stock granted pursuant to Sections 1.03(c) or 1.06 of this Agreement and held by Executive at the time of such termination of employment that is not yet vested in accordance with its terms shall fully vest upon the date of such termination of employment, and shall be exercisable for a period of three months after such date of termination of employment, and (4) any nonvested Restricted Shares awarded pursuant to Section 1.03(d) of this Agreement shall immediately vest on Executive's Last Day of Employment, notwithstanding any provision in the Severance Plan to the contrary, and (5) all restrictions on any Restricted Shares awarded to Executive other than the Restricted Shares awarded pursuant to Section 1.03(d) of this Agreement, that would have vested in accordance with their terms by reason of lapse of time within 18 months after the effective date of the termination of employment (absent such termination of employment) shall terminate (and such Restricted Shares shall be fully vested) and any Restricted Shares that would not have vested in accordance with their terms by reason of lapse of time within 18 months after the effective date of termination of employment shall

be forfeited, notwithstanding any provision in the Severance Plan to the contrary. The Severance Plan as it exists on the date of this Agreement is attached hereto as Exhibit A. Executive must notify the Company in writing within 5 business days after Executive's Last Day of Employment of Executive's Change of Control Election. Severance compensation and benefits provided under this Section 1.07(c) will terminate immediately if Executive violates Sections 3.02, 3.03, or 3.05 of this Agreement or becomes reemployed with the Company or an Affiliate.

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

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

(B) individuals who, as of the date hereof, constitute the Board of Directors of Block (generally, the "Board," and as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual or individuals becoming a director subsequent to the date hereof, whose election, or nomination for election by Block's shareholders, was approved by a vote of at least a majority of the Board (or nominating committee of the Board) will be considered as though such individual were a member or members of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Block (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(C) the completion of a reorganization, merger or consolidation approved by the shareholders of Block, in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the voting securities of Block immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of the then

outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such reorganization, merger or consolidation, or a complete liquidation or dissolution of Block, as approved by the shareholders of Block, or the sale or other disposition of all or substantially all of the assets of Block, as approved by the shareholders of Block.

(d) Termination for Good Reason.

(i) If Executive terminates Executive's employment under this Agreement for "good reason" then, upon any such termination of Executive's employment and conditioned on Executive's execution of an agreement with the Company under which Executive releases all known and potential claims against Block, the Company and Affiliates, the Company will provide Executive with the same level of severance compensation and benefits as would be provided under the Severance Plan as the Severance Plan exists on the date of this Agreement, as if Executive had incurred a "Qualifying Termination" (as such term is defined in the Severance Plan); provided, however, (1) the "Severance Period" (as such term is defined in the Severance Plan) will be 12 months, notwithstanding any provision in the Severance Plan to the contrary, and; (2) Executive will be credited with not less than 12 "Years of Service" (as such term is defined in the Severance Plan) for the purpose of determining severance compensation under Section 4(a) of the Severance Plan as it exists on the date of this Agreement or the comparable section of the Severance Plan as it exists on Executive's Last Day of Employment, notwithstanding any provision in the Severance Plan to the contrary, and (3) all restrictions on any Restricted Shares awarded to Executive that would have vested in accordance with their terms by reason of lapse of time within 18 months after the effective date of the termination of employment (absent such termination of employment) shall terminate (and such Restricted Shares shall be fully vested) and any Restricted Shares that would not have vested in accordance with their terms by reason of lapse of time within 18 months after the effective date of termination of employment shall be forfeited, notwithstanding any provision in the Severance Agreement to the contrary. The Severance Plan as it exists on the date of this Agreement is attached hereto as Exhibit A. Severance compensation and benefits provided under this Section 1.07(d) will terminate immediately if Executive violates Sections 3.02, 3.03, or 3.05 of this Agreement or becomes reemployed with the Company or an Affiliate.

(ii) For the purpose of this subsection, "good reason" shall mean:

(A) Any material diminution in Executive's duties, responsibilities, or authority from those in effect on the Employment Date (a "Diminution Event"). If a Diminution Event occurs, Executive shall have 45 days from the date of such Diminution Event to terminate his employment for good reason for this reason. If Executive does not terminate his employment for

this reason within such 45 day period, Executive waives his right to terminate his employment by reason of such Diminution Event; or

(B) A reduction by the Company in Executive's base salary to an annual rate below \$400,000, notwithstanding any other provision in this agreement; or

(C) Any other material breach of this Agreement by the Company which is not remedied by the Company within a reasonable period of time not to exceed 30 days after the Company's receipt of written notice of the breach from Executive.

(D) To the extent that this Agreement or any agreement referred to herein imposes an obligation on Block or otherwise requires that Block take (or refrain from taking) any action, any material breach of such obligation or requirement by Block shall be treated as a material breach of this Agreement by the Company.

(e) Severance. Executive will receive severance compensation and benefits as would be provided under the Severance Plan, as the same may be amended from time to time, if Executive incurs a "Qualifying Termination," as such term is defined in the Severance Plan, and executes an agreement with the Company under which Executive releases all known and potential claims against Block, the Company, and Affiliates. Such compensation and benefits will, upon Executive's election (the "Severance Election") be at the same level of severance compensation and benefits as would be provided under the Severance Plan as such plan exists either (A) on the date of this Agreement or (B) Executive's Last Day of Employment; provided, however, (1) the "Severance Period" (as such term is defined in the Severance Plan) will be 12 months, notwithstanding any provision in the Severance Plan to the contrary, and (2) Executive will be credited with not less than 12 "Years of Service" (as such term is defined in the Severance Plan) for the purpose of determining severance compensation under Section 4(a) of the Severance Plan as it exists on the date of this Agreement or the comparable section of the Severance Plan as it exists on Executive's Last Day of Employment, notwithstanding any provision in the Severance Plan to the contrary, and (3) all restrictions on any Restricted Shares awarded to Executive that would have vested in accordance with their terms by reason of lapse of time within 18 months after the effective date of the termination of employment (absent such termination of employment) shall terminate (and such Restricted Shares shall be fully vested) and any Restricted Shares that would not have vested in accordance with their terms by reason of lapse of time within 18 months after the effective date of termination of employment shall be forfeited, notwithstanding any provision in the Severance Agreement to the contrary. The Severance Plan as it exists on the date of this Agreement is attached hereto as Exhibit A. Executive must notify the Company in writing within 5 business days after Executive's Last Day of Employment of Executive's Severance Election. Severance compensation and benefits provided under this Section 1.07(d) will terminate immediately if Executive violates Sections 3.02, 3.03, or 3.05 of this Agreement or becomes reemployed with the Company or an Affiliate.

(f) Death/Disability. In the event of Executive's death or total and permanent disability, as determined by any long-term disability plan maintained by the Company or Block for its executives, the Executive or his estate shall be paid all compensation and benefits set forth under the Severance Plan and as described in paragraph (e) hereof, as if Executive incurred a "Qualifying Termination," as such term is defined under the Severance Plan.

(g) Further Obligations. Upon termination of Executive's employment under this Agreement, neither the Company, Block, nor any Affiliate will have any further obligations under this Agreement and no further payments of Base Salary or other compensation or benefits will be payable by the Company, Block, or any Affiliate to Executive, except (i) as set forth in this Section 1.07, (ii) as required by the express terms of any written benefit plans or written arrangements maintained by the Company or Block and applicable to Executive at the time of such termination of Executive's employment, or (iii) as may be required by law. Any termination of this Agreement, however, will not be effective as to Sections 3.02, 3.03 and 3.05, or any other portions or provisions of this Agreement which, by their express terms, require performance by either party following termination of this Agreement.

ARTICLE TWO

CONFIDENTIALITY

2.01 - Background and Relationship of Parties. The parties hereto acknowledge (for all purposes including, without limitation, Articles Two and Three of this Agreement) that Block and its subsidiaries have been and will be engaged in a continuous program of acquisition and development respecting their businesses, present and future, and that, in connection with Executive's employment by the Company, Executive will be expected to have access to all information of value to the Company and Block and that Executive's employment creates a relationship of confidence and trust between Executive and Block with respect to any information applicable to the businesses of Block and its subsidiaries. Executive will possess or have unfettered access to information that has been created, developed, or acquired by Block and its subsidiaries or otherwise become known to Block and its subsidiaries and which has commercial value in the businesses in which Block and its subsidiaries have been and will be engaged and has not been publicly disclosed by Block. All information described above is hereinafter called "Proprietary Information." By way of illustration, but not limitation, Proprietary Information includes trade secrets, customer lists and information, employee lists and information, developments, systems, designs, software, databases, know-how, marketing plans, product information, business and financial information and plans, strategies, forecasts, new products and services, financial statements, budgets, projections, prices, and acquisition and disposition plans. Proprietary Information does not include any portions of such information which are now or hereafter made public by third parties in a lawful manner or made public by parties hereto without violation of this Agreement.

2.02 - Proprietary Information is Property of Block.

(a) All Proprietary Information is the sole property of Block (or the applicable subsidiary of Block) and its assigns, and Block (or the applicable subsidiary of Block) is the sole owner of all patents, copyrights, trademarks, names, and other rights in connection therewith and without regard to whether Block (or any subsidiary of Block) is at any particular time developing or marketing the same. Executive hereby assigns to Block any rights Executive may have or may acquire in such Proprietary Information. At all times during and after Executive's employment with the Company or any Affiliate, Executive will keep in strictest confidence and trust all Proprietary Information and Executive will not use or disclose any Proprietary Information without the written consent of Block, except as may be necessary in the ordinary course of performing duties as an employee of the Company or as may be required by law or the order of any court or governmental authority.

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

ARTICLE THREE

NON-HIRING; NON-SOLICITATION; NO CONFLICTS; NON-COMPETITION

3.01 - General. The parties hereto acknowledge that, during the course of Executive's employment by the Company, Executive will have access to information valuable to the Company and Block concerning the employees of Block and its subsidiaries ("Block Employees") and, in addition to Executive's access to such information, Executive may, during (and in the course of) Executive's employment by the Company, develop relationships with such Block Employees whereby information valuable to Block and its subsidiaries concerning the Block Employees was acquired by Executive. Such information includes, without limitation: the identity, skills, and performance levels of the Block Employees, as well as compensation and benefits paid by Block to such Block Employees. Executive agrees and understands that it is important to protect Block, the Company, Affiliates and their employees, agents, directors, and clients from the unauthorized use and appropriation of Block Employee information, Proprietary Information, and trade secret business information developed, held, or used by Block, the Company, or Affiliates, and to protect Block, the Company, and Affiliates and their employees, agents, directors, and customers Executive agrees to the covenants described in this Article III.

3.02 - Non-Hiring. During the period of Executive's employment hereunder, and for a period of 1 year after the later of Executive's Last Day of Employment or cessation of such payments, Executive may not directly or indirectly recruit, solicit, or hire any Block Employee or

otherwise induce any such Block Employee to leave the employment of Block (or the applicable employer-subsiidiary of Block) to become an employee of or otherwise be associated with any other party or with Executive or any company or business with which Executive is or may become associated. The running of the 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.

3.03 - Non-Solicitation. During the period of Executive's employment hereunder and during the time Executive is receiving payments hereunder, and for 1 year after the later of Executive's Last Day of Employment or cessation of such payments, Executive may not directly or indirectly solicit or enter into any arrangement with any person or entity which is, at the time of the solicitation, a significant customer or vendor of the Company or an Affiliate for the purpose of engaging in any business transaction of the nature performed by the Company or such Affiliate, or contemplated to be performed by the Company or such Affiliate, for such customer or vendor, provided that this Section 3.03 will only apply to customers or vendors for whom Executive personally provided services while employed by the Company or an Affiliate or customers or vendors about whom or which Executive acquired material information while employed by the Company or an Affiliate. The running of the 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.

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

3.05 - Non-Competition. During the period of Executive's employment hereunder and during the time Executive is receiving payments hereunder, and for 1 year after the later of Executive's Last Day of Employment or cessation of such payments, Executive may not engage in, or own or control any interest in (except as a passive investor in less than one percent of the outstanding securities of publicly held companies), or act as an officer, director or employee of, or consultant, advisor or lender to, any firm, corporation, partnership, limited liability company, institution, business, government agency, or entity that engages in any line of business that is competitive with any Line of Business of Block (as defined below), provided that this Section 3.05 will not apply to Executive if Executive's primary place of employment by the Company or an Affiliate as of the Last Day of Employment is in either the State of California or the State of North Dakota. "Line of Business of Block" means any line of business (including lines of business under evaluation or development) of the Company, as well as any one or more lines of business (including lines of business under evaluation or development) of any Affiliate by which

Executive was employed during the two-year period preceding the Last Day of Employment, provided that, "Line of Business of Block" will in all events include, but not be limited to, the income tax return preparation business, and provided further that if Executive's employment was, as of the Last Day of Employment or during the 2-year period immediately prior to the Last Day of Employment, with HRB Management, Inc. or any successor entity thereto, "Line of Business of Block" means any line of business (including lines of business under evaluation or development) of Block and all of its subsidiaries. The running of the 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.

3.06 - Effectiveness of Agreement. A change in Executive's employer to a subsidiary or affiliate corporation of the Company shall not trigger the provisions of Article Three of this Agreement.

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

ARTICLE FOUR

MISCELLANEOUS

4.01 - Third-Party Beneficiary. The parties hereto agree that Block is a third-party beneficiary as to the obligations imposed upon Executive under this Agreement and as to the rights and privileges to which the Company is entitled pursuant to this Agreement, and that Block is entitled to all of the rights and privileges associated with such third-party-beneficiary status.

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

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

4.04 - Successors and Assigns. This Agreement is binding upon Executive and the heirs, executors, assigns and administrators of Executive or Executive's estate and property and will inure to the benefit of the Company, Block and their successors and assigns. Executive may not assign or transfer to others the obligation to perform Executive's duties hereunder. The Company may assign this Agreement to an Affiliate with the consent of Executive, in which case, after such assignment, the "Company" means the Affiliate to which this Agreement has been assigned.

4.05 - Withholding Taxes. From any payments due hereunder to Executive from the Company, there will be withheld amounts reasonably believed by the Company to be sufficient to satisfy liabilities for federal, state, and local taxes and other charges and customary withholdings. Executive remains primarily liable to such authorities for such taxes and charges to the extent not actually paid by the Company. This Section 4.05 does not affect the Company's obligation to "gross up" any relocation benefits paid to Executive pursuant to Subsection 1.04(b).

4.06 - Indemnification. To the fullest extent permitted by law and Block's Bylaws, the Company hereby indemnifies during and after the period of Executive's employment hereunder Executive from and against all loss, costs, damages, and expenses including, without limitation, legal expenses of counsel selected by the Company to represent the interests of Executive (which expenses the Company 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 Company or Block or serving in such capacity for another corporation at the request of the Company or Block. Notwithstanding the foregoing, the indemnification provided in this Section 4.06 will not apply to any loss, costs, damages, and expenses arising out of or relating in any way to any employment of Executive by any former employer or the termination of any such employment.

4.07 - Right to Offset. To the extent not prohibited by applicable law and in addition to any other remedy, the Company has the right but not the obligation to offset any amount that Executive owes the Company under this Agreement against any amounts due Executive by Block, the Company, or Affiliates.

4.08 - Waiver of Jury Trial. Both parties to this Agreement, and Block, as a third-party beneficiary pursuant to Section 4.01 of this Agreement, waive any and all right to any trial by jury in any action or proceeding directly or indirectly related to this Agreement and Executive's employment hereunder.

4.09 - Notices. All notices required or desired to be given hereunder must be in writing and will be deemed served and delivered if delivered in person or mailed, postage prepaid to Executive at: _____; and to the Company at: 4400 Main Street, Kansas City, Missouri 64111, Attention: President, with a copy to H&R Block, Inc., 4400 Main Street, Kansas City, Missouri 64111, Attention: Corporate Secretary; or to such other address and/or person designated by either party in writing to the other party. Any notice given by mail will be deemed given as of the date it is so mailed and postmarked or received by a nationally

recognized overnight courier for delivery.

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

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

EXECUTIVE:

Dated: 6/28/04

/s/ Timothy C. Gokey

Timothy C. Gokey

Accepted and Agreed:

H&R Block Services, Inc.,
a Missouri corporation

By: /s/ Jeffery W. Yabuki

Jeffery W. Yabuki, President

Dated: 7/03/04

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

I, Mark A. Ernst, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of H&R Block, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 8, 2004

/s/ Mark A. Ernst

Mark A. Ernst
Chief Executive Officer
H&R Block, Inc.

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

I, Melanie K. Coleman, Principal Accounting Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of H&R Block, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 8, 2004

/s/ Melanie K. Coleman

Melanie K. Coleman
Principal Accounting Officer
H&R Block, Inc.

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

In connection with the quarterly report of H&R Block, Inc. (the "Company") on Form 10-Q for the period ending July 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark A. Ernst, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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/ Mark A. Ernst

Mark A. Ernst
Chief Executive Officer
H&R Block, Inc.
September 8, 2004

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

In connection with the quarterly report of H&R Block, Inc. (the "Company") on Form 10-Q for the period ending July 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Melanie K. Coleman, Principal Accounting Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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/ Melanie K. Coleman

Melanie K. Coleman
Principal Accounting Officer
H&R Block, Inc.
September 8, 2004