

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, 1995
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

COMMISSION FILE NUMBER 1-6089

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

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

4410 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 August 31, 1995 was 104,488,285 shares.

TABLE OF CONTENTS

	Page

PART I	
Financial Information	
Consolidated Balance Sheets	
July 31, 1995 and April 30, 1995	1
Consolidated Statements of Operations	
Three Months Ended July 31, 1995 and 1994	2
Consolidated Statements of Cash Flows	
Three Months Ended July 31, 1995 and 1994	3
Notes to Consolidated Financial Statements	4

H&R BLOCK, INC.
 CONSOLIDATED BALANCE SHEETS
 Unaudited, amounts in thousands, except share amounts

	JULY 31, 1995 ----	APRIL 30, 1995 ----
ASSETS		
CURRENT ASSETS		
Cash (including certificates of deposit of \$4,053 and \$25,781)	\$ 38,637	\$ 90,248
Marketable securities	167,903	263,239
Receivables, less allowance for doubtful accounts of \$6,735 and \$7,274	258,327	260,198
Prepaid expenses	37,142	21,823
	-----	-----
TOTAL CURRENT ASSETS	502,009	635,508
INVESTMENTS AND OTHER ASSETS		
Investments in marketable securities	82,557	91,494
Excess of cost over fair value of net tangible assets acquired, net of amortization	51,858	78,205
Other	50,150	45,383
	-----	-----
	184,565	215,082
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation and amortization		
	253,755	227,448
	-----	-----
	\$ 940,329	\$ 1,078,038
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable	\$ 43,869	\$ 49,421
Accounts payable, accrued expenses and deposits	118,186	145,909
Accrued salaries, wages and payroll taxes	17,949	71,281
Accrued taxes on income	62,778	92,100
	-----	-----
TOTAL CURRENT LIABILITIES	242,782	358,711
OTHER NONCURRENT LIABILITIES		
	35,552	33,462
STOCKHOLDERS' EQUITY		
Common stock, no par, stated value \$.01 per share	1,089	1,089
Convertible preferred stock, no par, stated value \$.01 per share	4	4
Additional paid-in capital	142,015	140,578
Retained earnings	673,256	700,423
	-----	-----
	816,364	842,094
Less cost of 4,060,757 and 4,109,662 shares of common stock in treasury	154,369	156,229
	-----	-----
	661,995	685,865
	-----	-----
	\$ 940,329	\$ 1,078,038
	=====	=====

See Notes to Consolidated Financial Statements.

H&R BLOCK, INC.
 CONSOLIDATED STATEMENTS OF OPERATIONS
 Unaudited, amounts in thousands, except per share amounts

	THREE MONTHS ENDED	
	JULY 31,	
	1995	1994
REVENUES		
Service revenues	\$ 199,347	\$ 135,719
Franchise royalties	1,395	1,187
Investment income	4,307	5,151
Other income	13,065	3,343
	-----	-----
	218,114	145,400
	-----	-----
EXPENSES		
Employee compensation and benefits	54,904	44,994
Occupancy and equipment	81,511	60,910
Marketing and advertising	3,577	6,443
Supplies, freight and postage	15,211	6,680
Other	54,428	31,170
	-----	-----
	209,631	150,197
	-----	-----
EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE (BENEFIT)	8,483	(4,797)
Income tax expense (benefit)	3,257	(1,837)
	-----	-----
NET EARNINGS (LOSS)	\$ 5,226	\$ (2,960)
	=====	=====
Weighted average number of shares outstanding	107,103	105,126
	=====	=====
Net earnings (loss) per share	\$.05	\$ (.03)
	=====	=====
Dividends per share	\$.3125	\$.28
	=====	=====

See Notes to Consolidated Financial Statements.

-2-

5

H&R BLOCK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited, amounts in thousands

	THREE MONTHS ENDED	
	JULY 31,	
	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss)	\$ 5,226	\$ (2,960)
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:		
Depreciation and amortization	27,563	15,137
Gain on sale of subsidiaries	(12,445)	(2,796)
Other noncurrent liabilities	2,090	3,765
Changes in:		
Receivables	(3,888)	24,399
Prepaid expenses	(15,940)	(6,849)
Accounts payable, accrued expenses and deposits	(24,887)	(40,641)
Accrued salaries, wages and payroll taxes	(52,794)	(39,009)
Accrued taxes on income	(30,153)	(42,357)
	-----	-----
NET CASH USED IN OPERATING ACTIVITIES	(105,228)	(91,311)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(287,390)	(488,748)
Maturities of marketable securities	393,821	627,356
Purchases of property and equipment	(46,013)	(16,835)
Excess of cost over fair value of net tangible assets acquired, net of cash acquired	(216)	(682)
Proceeds from sale of subsidiary	35,000	-
Other, net	(6,563)	3,527
	-----	-----
NET CASH PROVIDED BY INVESTING ACTIVITIES	88,639	124,618
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of notes payable	(309,547)	(419,562)
Proceeds from issuance of notes payable	303,995	466,694
Dividends paid	(32,767)	(29,550)
Payments to acquire treasury shares	-	(63,610)
Proceeds from stock options exercised	3,297	3,432
	-----	-----

NET CASH USED IN FINANCING ACTIVITIES	(35,022)	(42,596)
	-----	-----
NET DECREASE IN CASH	(51,611)	(9,289)
CASH AT BEGINNING OF PERIOD	90,248	41,343
	-----	-----
CASH AT END OF PERIOD	\$ 38,637	\$ 32,054
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Income taxes paid	\$ 33,408	\$ 38,050
Interest paid	840	449

See Notes to Consolidated Financial Statements.

-3-

6

H&R BLOCK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

1. The Consolidated Balance Sheet as of July 31, 1995, the Consolidated Statements of Operations for the three months ended July 31, 1995 and 1994 and the Consolidated Statements of Cash Flows for the three months ended July 31, 1995 and 1994 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, 1995 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's April 30, 1995 Annual Report to Shareholders.

Operating revenues are seasonal in nature with peak revenues occurring in the months January through April. Thus, the three month results are not indicative of results to be expected for the year.

2. On May 1, 1995, the Company sold its wholly-owned subsidiary, MECA Software, Inc., exclusive of its rights to publish TaxCut, for \$35,000,000 cash. The sale resulted in a pretax gain of \$12,445,000, which is included in other income in the Consolidated Statements of Operations. MECA Software, Inc. was part of the Financial Services segment.
3. On May 1, 1995, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This Statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used. In connection with the adoption of this Statement, the Company reviewed the assets and related goodwill of its personal tax preparation software business for impairment. Since the expected future cash flows of this business, undiscounted and without interest charges, were less than the carrying value of the assets, the Company recognized an impairment loss of \$8,389,000. The impairment loss represents the amount by which the carrying value of the tax preparation software business assets, including goodwill, exceeded the estimated fair value of those assets. The estimated fair value was determined as the present value of estimated expected future cash flows using a discount rate appropriate for the risks associated with the personal software industry. The loss is included in other expenses in the Consolidated Statements of Operations. The personal tax preparation business is reported in the Financial Services segment.
4. On May 1, 1995, the Company changed its method of accounting for direct response advertising costs to conform with the requirements of the American Institute of Certified Public Accountants Statement of Position 93-7, "Reporting on Advertising Costs," which specifies the accounting for direct response advertising. Under this accounting method, direct response

advertising costs that meet certain criteria are reported as assets and are amortized on a cost-pool-by-cost-pool basis over the period during which the future benefits are expected to be received. Such assets are amortized

-4-

7

over a 24-month period, on an accelerated basis, beginning in the month subsequent to the expenditure. Direct response advertising consists primarily of magazine and newspaper advertisements, broadcast, direct mail costs including mailing lists and postage, and disk and CD-ROM costs related directly to new subscriber solicitations. No indirect costs are included in the capitalized direct response advertising. The net effect of the change in accounting increased assets by \$10,505,000, increased net earnings by \$6,471,000 and increased net earnings per share by \$.06 for the quarter ended July 31, 1995. Amortization of direct response advertising assets was \$512,000 for the quarter ended July 31, 1995. The Company expenses advertising costs not classified as direct response the first time the advertising takes place.

5. During the quarter ended July 31, 1995, the net unrealized holding gain on available-for-sale securities increased \$1,329,000 to \$1,564,000.
6. The Company files its Federal and state income tax returns on a calendar year basis. The Consolidated Statements of Operations reflect the effective tax rates expected to be applicable for the respective full fiscal years.
7. Net earnings (loss) per common share are based on the weighted average number of shares outstanding during each period, including, where applicable, the dilutive effect of stock options and convertible preferred stock outstanding. The weighted average shares outstanding for the first quarter of fiscal 1996 increased to 107,103,000 from 105,126,000 last year. In the fourth quarter of fiscal 1995, the Company issued 401,768 shares of convertible preferred stock to certain shareholders of SPRY, Inc. in connection with the Company's acquisition of such corporation. Each share of preferred stock is convertible into four shares of common stock on or after April 5, 1998.
8. During the three months ended July 31, 1995 and 1994, the Company issued 48,905 and 71,566 shares, respectively, pursuant to provisions for exercise of its stock option plans. During the three months ended July 31, 1994, the Company acquired 1,561,500 shares of its common stock at an aggregate cost of \$63,610,000.

-5-

8

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

FINANCIAL CONDITION

These comments should be read in conjunction with the Consolidated Balance Sheets and Consolidated Statements of Cash Flows found on pages 1 and 3, respectively.

Working capital decreased from \$276.8 million at April 30, 1995 to \$259.2 million at July 31, 1995. The working capital ratio at July 31, 1995 was 2.1 to 1 compared to 1.8 to 1 at April 30, 1995. The decrease in working capital must be viewed in the context of the Company's business which is seasonal, with peak activity in the fourth quarter, due to the nature of the Company's Tax Services segment. Tax return preparation occurs almost entirely in the fourth quarter and has the effect of increasing certain assets and liabilities during

this time. The increase in the working capital ratio was largely due to the proceeds from the sale of MECA Software, Inc. of \$35.0 million received in the first quarter of fiscal 1996.

The Company has no long-term debt. However, the Company maintains seasonal lines of credit to support short-term borrowing facilities in the United States and Canada. During the months of January through April, the Company's Canadian Tax Services regularly incurs short-term borrowings to purchase refunds due its clients. Additionally, Block Financial Corporation (BFC), a wholly-owned subsidiary of the Company, incurs short-term borrowings throughout the year to fund receivables associated with its credit card program. At July 31, 1995, short-term borrowings used to fund credit card receivables totaled \$43.9 million, compared to \$49.4 million at April 30, 1995. The Company also maintains a year-round \$100 million line of credit to support various financial activities conducted by BFC.

The Company's capital expenditures and dividend payments during the first three months were funded through internally-generated funds.

The Company's Board of Directors has approved a series of investment initiatives for CompuServe Incorporated designed to enhance its long-term competitiveness and take advantage of accelerating growth opportunities in the market for online services. These initiatives include the launch of a new consumer online service, a simplified and less expensive pricing structure, improved customer service, two new interfaces, infrastructure expenditures and expansion of Internet activities offered through the various online services. The estimated cost of this undertaking, net of capitalized direct-response advertising, is in excess of \$70 million for fiscal 1996, and will therefore reduce the Company's fiscal 1996 profitability. However, management anticipates that these initiatives will have a positive impact on revenues in fiscal 1996 and on earnings beginning in fiscal 1997.

Subsequent to the end of the first quarter, the Company's Board announced resumption of the previously approved stock buyback program for ten million shares, initiated in December 1994. This program was suspended while consideration was given to the strategic investments in CompuServe described above. As of July 31, 1995, the Company has purchased only three million of the ten million shares authorized for repurchase.

-6-

9

Management anticipates the Company's need for short-term borrowing will increase in the near future, as a result of funding the investment initiatives at CompuServe and the stock buyback program.

RESULTS OF OPERATIONS

The analysis of operations that follows should be read in conjunction with the table below and the Consolidated Statements of Operations found on page 2.

During the first quarter of fiscal 1996, the Company sold its wholly-owned subsidiary, MECA Software, Inc. The operations of MECA prior to the sale are included in the Financial Services segment.

Prior year amounts have been reclassified to conform to current year presentation.

THREE MONTHS ENDED JULY 31, 1995 COMPARED TO
THREE MONTHS ENDED JULY 31, 1994
(AMOUNTS IN THOUSANDS)

	Revenues		Earnings (loss)	
	1995	1994	1995	1994
	-----	-----	-----	-----
Computer services	\$ 186,550	\$ 127,896	\$ 44,130	\$ 33,912
Tax services	9,956	9,563	(41,219)	(39,998)

Financial services	18,737	4,455	3,484	(1,896)
Inter-segment sales	(2,011)	(2,775)	-	-
	-----	-----	-----	-----
	213,232	139,139	6,395	(7,982)
Investment income	4,307	5,151	4,307	5,151
Unallocated corporate	575	1,110	(2,219)	(1,966)
	-----	-----	-----	-----
	\$ 218,114	\$ 145,400	8,483	(4,797)
	=====	=====		
Income tax expense (benefit)			3,257	(1,837)
			-----	-----
Net earnings (loss)			\$ 5,226	\$ (2,960)
			=====	=====

Consolidated revenues for the three months ended July 31, 1995 increased 50.0% to \$218.114 million from \$145.400 million reported last year. Consolidated pretax earnings for the first quarter of fiscal 1996 were \$8.483 million, compared to a pretax loss of \$4.797 million in the first quarter of last year. The increases are due to greater revenues and earnings reported by both the Computer Services and Financial Services segments.

Net earnings were \$5.226 million, or \$.05 per share, compared to a net loss of \$2.960 million, or \$.03 per share, for the same period last year. The loss last year included a \$.02 per share gain from operations sold. This year's earnings per share includes: 1) \$.03 per share gain from the sale of MECA Software, Inc., net of the write-off of goodwill associated with personal tax software, 2) \$.01 per share from the earnings of Spry, Inc., acquired in the fourth quarter of fiscal 1995, and 3) a \$.06 per share benefit from the change in accounting for subscriber acquisition costs.

-7-

10

An analysis of operations by segment follows.

COMPUTER SERVICES

Revenues increased 45.9% to \$186.550 million from \$127.896 million in the comparable period last year primarily due to increases in both consumer and network revenues. Consumer Services revenues were 49.5% better than last year, due to record increases in users and member usage. The number of worldwide users increased to 3.4 million in the first quarter of fiscal 1996, compared to approximately two million in fiscal 1995. Network Services revenues were 35.7% better than last year, also due to new members and increased usage. Additionally, the Internet Services division, which is new in fiscal 1996, contributed revenues of \$12.048 million for the first quarter. Fiscal 1995 first quarter results included gains totaling \$2.796 million on the sale of two small subsidiaries. Exclusive of operations sold and acquired, first quarter revenues increased 41.7% over last year.

Pretax earnings increased 30.1% to \$44.130 million from \$33.912 million in the first quarter of fiscal 1995. Earnings were unfavorably impacted by a significant increase in expenditures related to the strategic investments being made to enhance the segment's long-term growth and competitiveness. These costs were partially offset by the effects of the required adoption of the American Institute of Certified Public Accountants Statement of Position 93-7, "Reporting on Advertising Costs." (See Note 4 to Consolidated Financial Statements on page 4.) Exclusive of the change in accounting for advertising costs and operations sold and acquired, pretax earnings increased 1.5% over last year.

Pretax earnings as a percentage of revenues was 23.7% for the first quarter of fiscal 1996, compared to 26.5% for the same period last year. The decrease in the pretax margin resulted primarily from the strategic investments described above. (See Management's Discussion and Analysis of Financial Condition on page 6.)

TAX SERVICES

Revenues increased 4.1% to \$9.956 million from \$9.563 million last year, due primarily to a 10.3% increase in tax preparation fees, offset partially by

lower tuition tax school fees and electronic filing fees.

The pretax loss increased 3.1% to \$41.219 million from \$39.998 million in the first quarter of last year, due to higher office rent and employee-related expenses. Also, bad debt recoveries are significantly less than last year. Due to the seasonality of this segment's business, first quarter operating results are not indicative of expected results for the entire fiscal year.

FINANCIAL SERVICES

Revenues increased to \$18.737 million compared to \$4.455 million for the same period last year. The increase is largely due to the gain on the sale of MECA Software, Inc. of \$12.445 million. Additionally, excluding the operations of MECA Software, Inc. in fiscal 1995, revenues for the quarter almost doubled as compared to last year due to the increase in credit card revenues.

Pretax earnings were \$3.484 million compared to a pretax loss of \$1.896 million in the first quarter of fiscal 1995. The improved results are primarily due to the gain on the sale of MECA of \$12.445 million, significantly offset by an impairment loss of \$8.389 million recognized on the assets,

-8-

11

including goodwill, of the personal tax software operations. (See Note 3 to Consolidated Financial Statements on page 4 regarding the impairment loss.)

INVESTMENT INCOME

Investment income decreased 16.4% to \$4.307 million from \$5.151 million last year. The decrease resulted primarily from greater funds available for investment in fiscal 1995, largely due to the proceeds from the sale of Interim Services Inc. received in the fourth quarter of fiscal 1994.

CORPORATE AND ADMINISTRATIVE EXPENSES

The corporate and administrative pretax loss for the first quarter increased 12.9% to \$2.219 million from \$1.966 million in the comparable period last year, primarily due to greater stockholder expense.

-9-

12

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

- (10) (a) Letter dated May 10, 1995 from the Company to William P. Anderson setting forth the terms of a special management incentive program for Mr. Anderson.
- (10) (b) Amendment No. 6 to H&R Block Deferred Compensation Plan for Executives.
- (10) (c) Amendment No. 2 to H&R Block Supplemental Deferred Compensation Plan for Executives.
- (10) (d) Executive Employment Agreement between H&R Block, Inc. and Richard H. Brown dated July 29, 1995.
- (27) Financial Data Schedule

(b) Reports on Form 8-K

The registrant did not file any reports on Form 8-K during the first quarter of fiscal year 1996.

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 09/14/95

BY /s/ William P. Anderson

William P. Anderson
Senior Vice President and
Chief Financial Officer

DATE 09/14/95

BY /s/ Ozzie Wenich

Ozzie Wenich
Vice President, Finance
and Treasurer

H&R Block, Inc.
4410 Main Street
Kansas City, Missouri 64111
(816) 932-8422

Thomas M. Bloch
President and
Chief Executive Officer

May 10, 1995

Mr. William P. Anderson
Senior Vice President and
Chief Financial Officer
H&R Block, Inc.
4410 Main Street
Kansas City, Missouri 64111

Dear Bill:

As a member of the senior management teams of H&R Block, Inc., Block Financial Corporation and Legal Knowledge Systems, Inc., you have been selected to participate in a special management incentive program which, if the conditions specified herein are satisfied, can result in a fully competitive cash incentive award. Your participation in this program is separate from, and does not preclude, any participation by you in any traditional Management Incentive Plan for fiscal year 1996 to hereafter be considered by the Company's Board of Directors.

An Incentive Award of \$75,000.00 (the "Incentive Award") has been established for you under this special program. If you satisfy both of the requirements specified below for the payment of such Incentive Award, it will be paid to you on or before January 10, 1996. If you would like all or any portion of such award deferred pursuant to the H&R Block Deferred Compensation Plan for Executives, you will need to complete a deferral election form pertaining to such "bonus" during the enrollment period for the DCP in the fall of 1995.

One hundred percent (100%) of the amount of your Incentive Award (\$75,000.00) is related to the actual performance of Block Financial Corporation and Legal Knowledge Systems, Inc. for the period between May 1, 1995, and November 30, 1995 (the "Incentive Period"), in comparison to the budgeted performance of such corporations during such Incentive Period. If (i) the actual pretax loss of Block Financial Corporation ("BFC") and Legal Knowledge Systems, Inc. ("LKS") for the Incentive Period, on a consolidated basis, is less than or equal to the budgeted pretax loss of BFC and LKS for such Incentive Period, on a consolidated basis (or there are actual consolidated pretax earnings for BFC and LKS for the Incentive Period), and (ii) you are continuously employed by HRB Management, Inc. between May 1, 1995, and December 29, 1995, inclusive, you will be entitled to payment of the Incentive Award.

2

Letter to William P. Anderson
May 10, 1995
Page 2

The entire amount of the Incentive Award shall be forfeited if (i) the actual consolidated pretax loss of BFC and LKS for the Incentive Period is not less than or equal to the budgeted consolidated pretax loss for BFC and LKS for the Incentive Period, or (ii) you are not continuously employed by HRB Management, Inc. between May 1, 1995, and December 29, 1995, inclusive, provided that, this continuous employment provision (and the continuous employment condition set forth in the paragraph immediately preceding this paragraph) shall not apply if and only if such employment ceases on or before December 29, 1995, due to its termination by HRB Management, Inc. without cause (as determined by the Compensation Committee of the Board of Directors of H&R Block, Inc.).

For purposes of this program, the budgeted consolidated pretax loss of BFC and LKS for the Incentive Period shall be the approved budgeted pretax loss of BFC combined with the approved budgeted pretax loss of LKS for such Incentive Period.

As part of the senior management teams of H&R Block, Inc., Block Financial Corporation and Legal Knowledge Systems, Inc., you play a vital role in the overall success of the Company. Your accomplishment of the requisites for the payment of the Incentive Award will provide not only a financial reward to you, but also substantive business results for the Company. I am confident that you will use your best efforts to ensure that this program proves to be beneficial to both you and the Company.

Sincerely,

/s/ Thomas M. Bloch

Thomas M. Bloch

AMENDMENT NO. 6
TO
H&R BLOCK
DEFERRED COMPENSATION PLAN FOR EXECUTIVES

H&R BLOCK, INC. (the "Company"), adopted the H&R Block Deferred Compensation Plan for Executives (the "Plan") effective as of August 1, 1987. The Company amended the Plan by Amendment No. 1 effective December 15, 1990, by Amendment No. 2 effective January 1, 1990, by Amendment No. 3 effective September 11, 1991, by Amendment No. 4 effective January 1, 1994, and by Amendment No. 5 effective May 1, 1994. The Company continues to retain the right to amend the Plan, pursuant to action by the Company's Board of Directors. The Company hereby exercises that right. This Amendment is effective as of August 1, 1995.

AMENDMENT

1. Section 2.1.15 of the Plan is replaced with the following new Section 2.1.15:

"2.1.15 'Early Retirement Date' of a Participant means the first day of the first calendar month commencing on or after the date on which (a) the Participant has reached Age 55 while in the employ of an Affiliate and (b) the Participant has completed at least ten (10) Years of Service."

2. Section 2.1.17 of the Plan, as previously amended, is further amended by replacing the second sentence thereof with the following new sentence:

"At its sole and absolute discretion, the Committee may grant to a person eligible to participate in the Plan as a Group A Participant an "Enrollment Period" consisting of the 30-day period immediately following the date on which such person is first employed by an Affiliate."

3. Section 2.1.20 of the Plan is amended by deleting the words "and has a Completed Deferral Cycle" at the end of said Section and placing the period after the word "Affiliate."

4. Section 2.1.25 of the Plan, as previously amended, is further amended (a) by replacing the first sentence thereof with the following new sentence:

"'Plan Year' means the calendar year (i) for all Permissible Deferrals elected by Group B Participants, (ii) for Permissible Deferrals of Group A Participants elected to commence January 1, 1991 or later, and (iii) for all Permissible Deferrals and for all purposes when used in Sections 4.3, 4.4, 6.2, 6.3, 6.4, 6.6 and 6.7."

and (b) by adding the following new sentence at the end of said Section:

2

"If the Committee grants to a person eligible to participate in the Plan as a Group A Participant a discretionary Enrollment Period in accordance with Section 2.1.17 and such person submits to the Company a Permissible Deferral election, such Participant's first 'Plan Year' shall be the period (i) beginning on the first day of his or her first regular pay period commencing not less than 30 days after the Company's receipt of his or her Permissible Deferral election, and (ii) ending on December 31 of the year in which such pay period falls."

5. Section 4.1.1 of the Plan, as previously amended, is further amended by adding the parenthetical "(i.e., a day on which the Common Stock is traded on the New York Stock Exchange)" after the phrase "first business day" in the second paragraph of such Section.

6. Section 4.1.2 of the Plan is amended by (a) changing the first "p" in the word "participant" in the first sentence thereof with a capital "P," and (b) by adding the following new paragraph at the end of said Section:

"If the Participant elects the Common Stock crediting rate option for

measuring the performance of the Account under Section 4.2, the Company shall post to the Account of such Participant for each calendar month a number of Deferred Compensation Units equal to (i) the dollar amount of Matching Contributions posted to the Account during such month; divided by (ii) the Closing Price on the first business day of the following calendar month. Deferred Compensation Units attributable to Matching Contributions shall be posted as of the same time as the corresponding Matching Contributions."

7. Section 4.1.3 of the Plan is amended by adding the following new paragraph at the end of said Section:

"If the Participant elects the Common Stock crediting rate option for measuring the performance of the Account under Section 4.2, the Company shall post to the Account of such Participant for the calendar month in which any Plan Year contribution is made by the Company pursuant to the first paragraph of this Section 4.1.3 a number of Deferred Compensation Units equal to (i) the dollar amount of any such Plan Year contribution made during such month; divided by (ii) the Closing Price on the first business day of the following calendar month. Deferred Compensation Units attributable to any contribution made by the Company pursuant to the first paragraph of this Section 4.1.3 shall be posted as of the same time as such corresponding contributions."

8. Section 4.1.4 of the Plan is amended by adding the following parenthetical "(and, if applicable, the corresponding number of

AMENDMENT NO. 6
DCP FOR EXECUTIVES

-2-

3

Deferred Compensation Units)" after the word "Contributions" in the first sentence of said Section 4.1.4.

9. Section 4.2 of the Plan, as previously amended, is further amended by adding the number and words "4.3 or Section" immediately prior to the number "4.4" in the first sentence of said Section.

10. Section 4.2.1 of the Plan, as previously amended, is further amended by (a) replacing the phrase "as of December 31 of the year prior to the Plan Year to which it applies" in the second sentence thereof with the phrase "as of September 30 of the Plan Year immediately prior to the Plan Year to which it applies," and (b) by adding the following new paragraph at the end of said Section:

"For Permissible Deferrals commencing prior to January 1, 1995, the effective annual yield for the fixed rate crediting option shall be equal to one hundred twenty percent (120%) of the ten-year rolling average rate of ten-year United States Treasury notes. The ten-year rolling average rate will be the rate in effect as of September 30 of the Plan Year immediately prior to the Plan Year to which it applies, as published by Salomon Brothers Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company."

11. Section 4.3 of the Plan, as previously amended, is further amended by deleting the third sentence of such Section 4.3 and adding the following sentences to the end of such Section 4.3:

"If a Participant terminates employment with all Affiliates before Normal Retirement Date or Early Retirement Date as a result of a Change of Control, gains and losses to all of that Participant's Accounts shall be credited as described in Section 4.2 up to the date of the Change of Control and crediting for such Accounts after the date of the Change of Control shall be at (i) an interest rate set annually by the Chief Financial Officer of the Company in his discretion, which shall not be less than the rate then payable on Investment Savings Accounts of \$1,000 or less at Commerce Bank of Kansas City, N.A., Kansas City, Missouri, or any successor thereto, for a Change of Control occurring prior to August 1, 1995, or (ii) an annual interest rate equal to the rate of one-year United States Treasury notes in effect as of September 30 of the Plan Year immediately prior to the Plan

Year in which the Change of Control occurs, as published by Salomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company, for a Change of Control occurring on or after August 1, 1995."

12. Section 4.4 of the Plan is replaced with the following new Section 4.4:

AMENDMENT NO. 6
DCP FOR EXECUTIVES

-3-

4

"Section 4.4 Crediting Rate Upon Resignation or Discharge.

4.4.1 If a Participant terminates employment with all Affiliates on or after August 1, 1995, but before the Normal Retirement Date or the Early Retirement Date, for reasons other than death, Disability or a Change of Control, gains and losses shall be credited to that Participant's Accounts as described in Section 4.2 up to the date of termination of employment. After the date of termination of employment of such Participant, crediting shall be at an annual interest rate equal to the rate of one-year United States Treasury notes. The rate of one-year United States Treasury notes will be determined once each Plan Year and will be the rate in effect as of September 30 of the Plan Year immediately prior to the Plan Year to which it applies, as published by Salomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company.

4.4.2 If a Participant terminates employment with all Affiliates prior to August 1, 1995, and before the Normal Retirement Date or the Early Retirement Date, for reasons other than death, Disability or a Change of Control, gains and losses to that Participant's Accounts that represent Completed Deferral Cycles shall be credited as described in Section 4.2 up to the date of termination of employment. Gains and losses to that Participant's Accounts that do not represent Completed Deferral Cycles and gains and losses after the date of termination of employment shall be credited at an interest rate equal to the average of (i) the interest rate set by the Chief Financial Officer of the Company in his discretion for the Plan Year in which the termination of employment occurs, which rate shall not be less than the rate then payable on Investment Savings Accounts of \$1,000 or less at Commerce Bank of Kansas City, N.A., Kansas City, Missouri, or any successor thereto, and (ii) the respective interest rates so set by the Chief Financial Officer of the Company for each of the two Plan Years immediately prior to the Plan Year in which the termination of employment occurs."

13. Section 6.2 of the Plan is amended (a) by replacing the first and second sentences of the second paragraph thereof with the following two new sentences:

"Notwithstanding any other provisions of the Plan, a Participant who terminates employment on or after Normal Retirement Date or Early Retirement Date may, at any time before or after a Change of Control, as defined

AMENDMENT NO. 6
DCP FOR EXECUTIVES

-4-

5

in Section 10.2, elect to receive an immediate lump-sum payment of the aggregate of the balances of said Participant's Accounts reduced by a penalty, which shall be forfeited to the Company, in lieu of payments in accordance with the Standard Form of Benefit or such optional form of benefit as may have previously been approved by the Committee under this Section 6.2. The penalty shall be equal to ten percent (10%) of the

aggregate of the balances of such Accounts if the election is made before a Change in Control and shall be equal to five percent (5%) of the aggregate of the balances of such Accounts if the election is made after a Change of Control."

and (b) by replacing the fifth sentence of the second paragraph of said Section with the following new sentence:

"Interest compounded annually shall be paid by the Company to the Participant (or the Participant's Beneficiary if the Participant is deceased) on any such refund from the date of the Company's payment of the lump sum at an annual rate equal to the rate of one-year United States Treasury notes in effect as of September 30 of the Plan Year immediately prior to the Plan Year in which such refund is paid, as published by Salomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company."

14. Section 6.3 of the Plan, as previously amended, is replaced with the following new Section 6.3:

"Section 6.3 Form of Benefits Upon Resignation or Discharge, or Termination of Employment with all Affiliates as a Result of a Change of Control.

6.3.1 Upon a Participant's termination of employment with all Affiliates before Normal Retirement Date or Early Retirement Date, but following a Change of Control, payments from the Account shall be paid in a lump sum within ninety (90) days after the date of the termination of employment.

6.3.2 If a Change of Control has not occurred, for Participants who terminate employment with all Affiliates on or after August 1, 1995, but before the Normal Retirement Date or the Early Retirement Date, for reasons other than Disability or death, payment(s) from the Account shall be in the form of (a) semimonthly payments over a 10-year period (a "10-year payout"); (b) semimonthly payments over a five-year period (a "5-year payout"); or (c) a lump sum, as elected by the Participant at the time of said Participant's first Permissible Deferral election, or, in the case of a Participant who made one or more Permissible Deferral elections

AMENDMENT NO. 6
DCP FOR EXECUTIVES

-5-

6

prior to August 1, 1995, as elected by the Participant in writing during a special election period between August 15, 1995 and September 15, 1995, inclusive (the "Special Election Period"). If a Participant has actual knowledge of the forthcoming termination of his or her employment with all Affiliates (the possession of such actual knowledge to be determined by the Committee), no election may be made by such Participant during the Special Election Period under this Section 6.3.2 (and, if the Committee determines that an election was made by a Participant with such actual knowledge, such election shall be null and void).

6.3.3 If a Change of Control has not occurred, for Participants who terminate employment with all Affiliates prior to August 1, 1995 (or who terminate employment with all Affiliates on or after August 1, 1995, and who are ineligible to make an election during the Special Election Period due to their actual knowledge of the termination of their employment), but before the Normal Retirement Date or the Early Retirement Date, for reasons other than Disability or death, payment(s) from the Account shall be in the form of (a) semimonthly payments over a three-year period for all Permissible Deferrals that satisfy a Completed Deferral Cycle, or (b) a lump sum for all Permissible Deferrals that do not satisfy a Completed Deferral Cycle.

6.3.4 If no election under Section 6.3.2 is made by the Participant eligible to make such an election, payment from the Account shall be in the form of a lump sum. An election made in accordance with Section 6.3.2 shall apply to all Permissible Deferral elections made by the Participant under the Plan and is irrevocable.

6.3.5 If an eligible Participant has elected a 10-year payout or a 5-year payout pursuant to Section 6.3.2, and the amount of each semimonthly installment, as initially calculated, is less than \$500 (such calculation to be accomplished by amortizing the aggregate of the Participant's Account balances over the payment period using a crediting rate equal to the rate of one-year United States Treasury notes in effect as of September 30 of the Plan Year prior to the Plan Year in which the termination of employment occurs), the form of payment(s) for such Participant shall be a 5-year payout in lieu of an elected 10-year payout (unless the amount of each semimonthly installment under a 5-year payout, as so calculated, is also less than \$500, in which case the form of payment will be a

AMENDMENT NO. 6
DCP FOR EXECUTIVES

-6-

7

single lump sum), or a lump sum in lieu of an elected 5-year payout, as the case may be.

6.3.6 Notwithstanding any other provisions of the Plan, an eligible Participant who (1) elects either a 10-year payout or a 5-year payout and either such payout is not automatically converted to a lump sum pursuant to Section 6.3.5, and (2) terminates employment before the Normal Retirement Date or the Early Retirement Date may, at any time before or after a Change in Control, as defined in Section 10.2, elect to receive an immediate lump-sum payment of the aggregate of the balances of said Participant's Accounts reduced by a penalty, which shall be forfeited to the Company, in lieu of payments in accordance with the 10-year payout or the 5-year payout, whichever is applicable. The penalty shall be equal to ten percent (10%) of the aggregate of the balances of such Accounts if the election is made before a Change in Control and shall be equal to five percent (5%) of the aggregate of the balances of such Accounts if the election is made after a Change in Control. However, the penalty shall not apply if the Committee determines, based on advice of counsel or a final determination or ruling by the Internal Revenue Service or any court of competent jurisdiction, that by reason of the provisions of this paragraph any Participant has recognized or will recognize gross income for federal income tax purposes under this Plan in advance of payment to the Participant of Plan benefits. The Company shall notify all Participants of any such determination by the Committee and shall thereafter refund all penalties which were imposed hereunder in connection with any lump-sum payments made at any time during or after the first year to which the Committee's determination applies (i.e., the first year for which, by reasons of the provisions of this paragraph, gross income under this Plan is recognized for federal income tax purposes in advance of payment of benefits). Interest compounded annually shall be paid by the Company to the Participant (or the Participant's Beneficiary if the Participant is deceased) on any such refund from the date of the Company's payment of the lump sum at an annual rate equal to the rate of one-year United States Treasury notes in effect as of September 30 of the Plan Year immediately prior to the Plan Year in which such refund is paid, as published by Salomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company. The Committee may also reduce or eliminate the penalty if it determines that the right to elect an immediate lump-sum payment under this

8

paragraph, with the reduced penalty or with no penalty, as the case may be, will not cause any Participant to recognize gross income for federal income tax purposes under this Plan in advance of payment to the Participant of Plan benefits."

15. Section 6.4 of the Plan, as previously amended, is replaced with the following new Section 6.4:

"Section 6.4. Amount of Benefit.

6.4.1 Except for distributions in the form of a lump sum, benefit payments shall be in the form of semimonthly cash installments paid during the applicable payment period (the "Overall Payment Period").

6.4.2 Except as provided in Section 6.4.5, the amount of each installment payment shall be level during the portion of the Overall Payment Period ending on December 31 of the Plan Year in which benefit payments commence (the "Initial Payment Period"), during each complete Plan Year of the Overall Payment Period thereafter (a "Plan Year Payment Period"), and during any remaining period of the Overall Payment Period following the last Plan Year Payment Period (the "Remainder Payment Period"), but will vary from one such portion of the Overall Payment Period to the next. If a Participant is receiving benefits pursuant to Section 6.2 as of August 1, 1995, payments shall be made in accordance with this Section 6.4.2 and either Section 6.4.3 or Section 6.4.4 effective as of January 1, 1996.

6.4.3 Except as provided in Section 6.4.4, the amount of each level benefit payment for the Initial Payment Period, if any, each Plan Year Payment Period, and the Remainder Payment Period, if any, shall be calculated using the balance in the Account as of the beginning of the applicable payment period and amortizing such balance over the remaining Overall Payment Period using the applicable interest rate, such that the Account balance at the end of the Overall Payment Period is zero. The applicable interest rate to be used for amortization and reamortization purposes under this Section 6.4.3 shall be (i) the crediting rate determined in accordance with Section 4.2 if the Participant elected the fixed rate investment option and receives benefits pursuant to Section 6.2, (ii) an assumed interest rate of zero percent (0%) per annum if the Participant elected the Common Stock investment option and receives benefits pursuant to Section 6.2, and (iii) the post-termina-

9

tion crediting rate determined in accordance with Section 4.4.1 if the Participant receives benefits pursuant to Section 6.3.2. If the Participant elected the Common Stock investment option and receives benefits pursuant to Section 6.2, the balance in the Account as of the beginning of each Plan Year Payment Period and the Remainder Payment Period, if any, shall be the value of such Account as of the first business day of such Plan Year Payment Period or the Remainder Payment Period, as the case may be.

6.4.4 If the Participant elected the variable rate investment option and receives benefits pursuant to Section 6.2, (a) the amount of each level payment for the Initial Payment Period, if any, shall be calculated using the balance in the Account as of the beginning of the Initial Payment Period and amortizing such balance over the remaining Overall Payment Period using an assumed interest rate of five percent (5%) per annum; (b) the amount of each level payment for each Plan Year Payment Period shall be calculated taking the balance in the Account as of November 30 of the Plan Year immediately prior to such Plan Year Payment Period, subtracting the benefit payments made during the portion of such Plan Year following November 30,

and amortizing the difference over the remaining Overall Payment Period using an assumed interest rate of five percent (5%) per annum; and (c) the amount of each level payment for the Remainder Payment Period, if any, shall be calculated by taking the balance in the Account as of November 30 of the Plan Year immediately prior to the Remainder Payment Period, subtracting the benefit payments made during the portion of the Plan Year following November 30, and amortizing the difference over the Remainder Payment Period using an assumed interest rate of zero percent (0%) per annum. If the actual crediting rate for the Remainder Payment Period is more than zero percent, the additional gain resulting from the difference shall be paid to the Participant in a single payment within six months after the last day of the Remainder Payment Period.

6.4.5 If the Participant terminates employment with all Affiliates prior to August 1, 1995, and receives benefits pursuant to Section 6.3.3, semimonthly payments for Permissible Deferrals that satisfy a Completed Deferral Cycle shall be level during the entire Overall Payment Period and shall be calculated using the balance in the Account at the commencement of benefit payments, and amortizing such balance over three years at the crediting

AMENDMENT NO. 6
DCP FOR EXECUTIVES

-9-

10

rate determined in accordance with Section 4.4.2.

6.4.6 Generally, the Account shall continue to be credited during the Overall Payment Period with gains and losses as provided in Section 4.3. However, if a Participant receives benefits pursuant to Section 6.3 (other than pursuant to Section 6.3.1), the Account shall be credited with gains and losses as provided in Section 4.4. Except as provided otherwise, if a Participant dies, Section 6.6 shall apply.

6.4.7 Notwithstanding anything in this Plan to the contrary, the Committee may, in its sole discretion, (i) increase or reduce any assumed interest rate set forth in this Section 6.4 and any such assumed interest rate, as so adjusted, shall be effective for calculating level semimonthly installments for Participants whose benefit payments commence after the date of such adjustment, and (ii) change the date set forth in Section 6.4.4 on which the balance in the Participant's Account is to be determined for purposes of calculating the amount of each level payment for each Plan Year Payment Period and each Remainder Payment Period, and any such revised date shall be effective for calculating level semimonthly installments for the Plan Year Payment Period or the Remainder Payment Period beginning on or after the effective date of such revision."

16. Section 6.6.1 of the Plan, as previously amended, is further amended by replacing the fourth and fifth sentences of the first paragraph of said Section with the following new sentences:

"If such benefits were payable pursuant to Section 6.2, the Account shall be credited from the date of the Participant's death at a rate equal to the rate of one-year United States Treasury notes, said rate to be determined once each Plan Year and to be the rate in effect as of September 30 of the Plan Year immediately prior to the Plan Year to which it applies, as published by Salomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company. The Participant's Beneficiary may make the election to receive an immediate lump-sum payment of the balance of said Participant's Account in accordance with the provisions of Section 6.2 or Section 6.3.6, whichever is applicable, and all provisions set forth therein relating to penalties shall apply to any such election."

17. Section 6.6.2 of the Plan, as previously amended, is further amended (1) by replacing item (a) of the second sentence of such Section with the following new item (a):

11

"(a) the Participant's Account as of the date of the Participant's death annuitized over a ten-year period at an interest rate equal to the rate of one-year United States Treasury notes in effect as of September 30 of the Plan Year immediately prior to the Plan Year in which payment of the pre-retirement death benefit commences, as published by Salomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company; or"

and (2) by replacing the fifth sentence of said Section with the following new sentence:

"If the pre-retirement death benefit is computed pursuant to 6.6.2(a), the Account shall continue to be credited during the payment period at an interest rate equal to the rate of one-year United States Treasury notes, said rate to be determined once each Plan Year and to be the rate in effect as of September 30 of the Plan Year immediately prior to the Plan Year to which it applies, as published by Salomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company."

18. Section 6.7 of the Plan is amended by replacing the second paragraph of said Section with the following new paragraph:

"The Committee may permit a withdrawal of any deferrals. If a withdrawal is permitted, a Participant's deferrals shall be credited at the lesser of (a) the amount as described in Section 4.2; or (b) an interest rate equal to the rate of one-year United States Treasury notes in effect as of September 30 of the Plan Year immediately prior to the Plan Year in which application for such withdrawal is made, as published by Salomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company. Withdrawals shall be distributed in the form of a lump sum as soon as is reasonably convenient."

19. Section 9.1 of the Plan, as previously amended, is further amended by (a) deleting the phrase "whether or not such Account represents a Completed Deferral Cycle" in the third sentence of said Section, (b) by replacing the comma after the phrase "Section 4.2" in such third sentence with a period, and (c) by replacing the fifth sentence of said Section with the following new sentence:

"Notwithstanding anything in this Section 9.1 to the contrary, the Committee may, in its discretion, (i) amend the Plan to reduce or eliminate the penalty described in Section 6.2 and/or the penalty described in Section 6.3.6, in accordance with the provisions of such Section 6.2 and/or such Section 6.3.6, (ii) amend the Plan to increase or reduce any assumed interest rate set

12

forth in Section 6.4, in accordance with the provisions of Section 6.4.7, or (iii) amend the Plan to change the date set forth in Section 6.4.4 on which the balance in the Participant's Account is to be determined for purposes of calculating the amount of each level payment for each Plan Year Payment Period and each Remainder Payment Period, in accordance with the provisions of Section 6.4.7."

20. Section 9.2 of the Plan is amended by deleting the phrase "whether or not it represents a Completed Deferral Cycle" at the end of the fifth sentence of

the first paragraph of such Section and by replacing the comma after the phrase "Section 9.1" in such sentence with a period.

21. Schedule A attached to the Plan is amended by (a) replacing the "Fixed" table with the following table:

"Fixed or Common Stock	Minimum Annual Deferral
All ages	\$3,000"

and (b) by replacing "60 - 65" under the "Age" column of the "Variable" table with "61 - 65."

22. Except as modified in this Amendment No. 6, the Plan, as previously amended, shall remain in full force and effect, including the Company's right to amend or terminate the Plan as set forth in Article 9 of the Plan.

H&R BLOCK, INC.

By _____

Its _____

AMENDMENT NO. 6
DCP FOR EXECUTIVES

AMENDMENT NO. 2
TO H&R BLOCK
SUPPLEMENTAL DEFERRED COMPENSATION PLAN FOR EXECUTIVES

H&R BLOCK, INC. (the "Company"), adopted the H&R Block Supplemental Deferred Compensation Plan for Executives (the "Plan") effective as of May 1, 1994. The Company amended the Plan by Amendment No. 1 effective September 7, 1994. The Company continues to retain the right to amend the Plan, pursuant to action by the Company's Board of Directors. The Company hereby exercises that right. This amendment is effective as of August 1, 1995.

AMENDMENT

1. The Plan is amended by adding the following new Section 2.1.8a immediately after Section 2.1.8 and immediately prior to Section 2.1.9:

"2.1.8a 'BUSINESS DAY' for purposes of the Plan means a day on which the Common Stock is traded on the New York Stock Exchange."

2. Section 4.1.2 of the Plan is amended by adding the following new paragraph at the end of said Section:

"The Company shall post to the Account of such Participant for the calendar month in which any Plan Year contribution is made by the Company pursuant to the first paragraph of this Section 4.1.2 a number of Deferred Compensation Units equal to (i) the dollar amount of any such Plan Year contribution made during such month; divided by (ii) the Closing Price on the first Business Day of the following calendar month. Deferred Compensation Units attributable to any contribution made by the Company pursuant to the first paragraph of this Section 4.1.2 shall be posted as of the same time as such corresponding contributions."

3. Section 4.1.3 of the Plan is amended by adding the words "and Company Contributions (and the corresponding number of Deferred Compensation Units)" after the word "deferrals" in the first sentence of said Section 4.1.3, and by adding the word and numbers "and 4.1.2" after the numbers "4.1.1" in said first sentence.

4. Section 4.3 of the Plan, as previously amended, is further amended by replacing such Section 4.3 with the following new Section 4.3:

"Section 4.3 Valuation For Purposes of Computing Benefit Payments.

4.3.1 Valuation Upon Retirement, Death, Disability or Termination of Employment with all Affiliates as a Result of a Change in Control. If a Participant terminates employment with all Affiliates (a) before Normal Retirement Date or Early Retirement Date as a result of a Change of

2

Control, or (b) at or after Normal Retirement Date or Early Retirement Date, or if a Participant dies prior to the termination of employment, his or her Account shall be valued for purposes of determining benefit payments under Article 6 as of the first Business Day of the calendar month which immediately follows the calendar month in which the termination of employment or death occurs, as described in Section 4.2. If a Participant is Disabled, his or her Account shall be valued for purposes of determining benefit payments under Article 6 as of the first Business Day of the first calendar month that immediately follows the later of (i) the calendar month in which his or her Early Retirement Date occurs, or (ii) the calendar month in which the last day of the 90-day period referred to in Section 4.1.3 occurs. Except for distributions in the form of a lump sum and distributions pursuant to Section 6.6.2, a Participant's Account shall be valued on the first Business Day of each calendar year following the calendar year in which benefit payments commence, as described in Section 6.4.2.

4.3.2 Valuation Upon Resignation or Discharge. If a

Participant terminates employment with all Affiliates before Normal Retirement Date or Early Retirement Date for reasons other than death, Disability, or a Change in Control, his or her Account shall be valued for purposes of determining benefit payments under Article 6 as of the first Business Day of the calendar month which immediately follows the calendar month in which the termination of employment occurs, as described in Section 4.2. Earnings after such valuation date shall be credited at an annual interest rate equal to the rate of one-year United States Treasury notes. The rate of one-year United States Treasury notes will be determined once each Plan Year and will be the rate in effect as of September 30 of the Plan Year immediately prior to the Plan Year to which it applies, as published by Salomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company."

5. Section 6.2 of the Plan is amended by replacing the fifth sentence of the second paragraph thereof with the following new sentence:

"Interest compounded annually shall be paid by the Company to the Participant (or the Participant's Beneficiary if the Participant is deceased) on any such refund from the date of the Company's payment of the lump sum at an annual rate equal to the rate of one-year United States Treasury notes in effect as of September 30 of the Plan Year immediately prior to the Plan Year in which such refund is paid, as published by Salomon Brothers, Inc.,

AMENDMENT NO. 2 TO SUPPLEMENTAL
DEFERRED COMPENSATION PLAN FOR EXECUTIVES

-2-

3

or any successor thereto, or as determined by the Chief Financial Officer of the Company."

6. Section 6.3 of the Plan, as previously amended, is replaced with the following new Section 6.3:

"Section 6.3 Form of Benefits Upon Resignation or Discharge, or Termination of Employment with all Affiliates as a Result of Change of Control.

6.3.1 Upon a Participant's termination of employment with all Affiliates before Normal Retirement Date or Early Retirement Date, but following a Change of Control, payments from the Account shall be paid in a lump sum within ninety (90) days after the date of the termination of employment.

6.3.2 If a Change of Control has not occurred, for Participants who terminate employment with all Affiliates on or after August 1, 1995, but before the Normal Retirement Date or the Early Retirement Date, for reasons other than Disability or death, payment(s) from the Account shall be in the form of (a) semimonthly payments over a 10-year period (a "10-year payout"); (b) semimonthly payments over a five-year period (a "5-year payout"); or (c) a lump sum, as elected by the Participant at the time of said Participant's first Permissible Deferral election, or, in the case of a Participant who made one or more Permissible Deferral elections prior to August 1, 1995, as elected by the Participant in writing during a special election period between August 15, 1995 and September 15, 1995, inclusive (the "Special Election Period"). If a Participant has actual knowledge of the forthcoming termination of his or her employment with all Affiliates (the possession of such actual knowledge to be determined by the Committee), no election may be made by such Participant during the Special Election Period under this Section 6.3.2 (and, if the Committee determines that an election was made by a Participant with such actual knowledge, such election shall be null and void).

6.3.3 If no election under Section 6.3.2 is made by the

Participant eligible to make such an election, payment from the Account shall be in the form of a lump sum. An election made in accordance with Section 6.3.2 shall apply to all Permissible Deferral elections made by the Participant under the Plan and is irrevocable.

6.3.4 If an eligible Participant has elected a 10-year payout or a 5-year payout pursuant to Section 6.3.2, and the amount of each semimonthly

AMENDMENT NO. 2 TO SUPPLEMENTAL
DEFERRED COMPENSATION PLAN FOR EXECUTIVES

-3-

4

installment, as initially calculated, is less than \$500 (such calculation to be accomplished by amortizing the value of the Participant's Account over the payment period using a crediting rate equal to the rate of one-year United States Treasury notes in effect as of September 30 of the Plan Year prior to the Plan Year in which the termination of employment occurs), the form of payment(s) for such Participant shall be a 5-year payout in lieu of an elected 10-year payout (unless the amount of each semimonthly installment under a 5-year payout, as so calculated, is also less than \$500, in which case the form of payment will be a single lump sum), or a lump sum in lieu of an elected 5-year payout, as the case may be.

6.3.5 Notwithstanding any other provisions of the Plan, an eligible Participant who (1) elects either a 10-year payout or a 5-year payout and either such payout is not automatically converted to a lump sum pursuant to Section 6.3.4, and (2) terminates employment before the Normal Retirement Date or the Early Retirement Date may, at any time before or after a Change in Control, elect to receive an immediate lump-sum payment of the value of said Participant's Account reduced by a penalty, which shall be forfeited to the Company, in lieu of payments in accordance with the 10-year payout or the 5-year payout, whichever is applicable. The penalty shall be equal to ten percent (10%) of the value of such Account if the election is made before a Change in Control and shall be equal to five percent (5%) of the value of such Account if the election is made after a Change in Control. However, the penalty shall not apply if the Committee determines, based on advice of counsel or a final determination or ruling by the Internal Revenue Service or any court of competent jurisdiction, that by reason of the provisions of this paragraph any Participant has recognized or will recognize gross income for federal income tax purposes under this Plan in advance of payment to the Participant of Plan benefits. The Company shall notify all Participants of any such determination by the Committee and shall thereafter refund all penalties which were imposed hereunder in connection with any lump-sum payments made at any time during or after the first year to which the Committee's determination applies (i.e., the first year for which, by reasons of the provisions of this paragraph, gross income under this Plan is recognized for federal income tax purposes in advance of payment of benefits). Interest compounded annually shall be paid by the Company to the Participant (or the Participant's Beneficiary if the Participant is deceased) on any such refund

AMENDMENT NO. 2 TO SUPPLEMENTAL
DEFERRED COMPENSATION PLAN FOR EXECUTIVES

-4-

5

from the date of the Company's payment of the lump sum at an annual

rate equal to the rate of one-year United States Treasury notes in effect as of September 30 of the Plan Year immediately prior to the Plan Year in which such refund is paid, as published by Salomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company. The Committee may also reduce or eliminate the penalty if it determines that the right to elect an immediate lump-sum payment under this paragraph, with the reduced penalty or with no penalty, as the case may be, will not cause any Participant to recognize gross income for federal income tax purposes under this Plan in advance of payment to the Participant of Plan benefits."

7. Section 6.4 of the Plan, as previously amended, is replaced with the following new Section 6.4:

"Section 6.4. Amount of Benefit.

6.4.1 Except for distributions in the form of a lump sum, benefit payments shall be in the form of semimonthly cash installments paid during the applicable payment period (the "Overall Payment Period"). The amount of each installment payment shall be level during the portion of the Overall Payment Period ending on December 31 of the Plan Year in which benefit payments commence (the "Initial Payment Period"), during each complete Plan Year of the Overall Payment Period thereafter (a "Plan Year Payment Period"), and during any remaining period of the Overall Payment Period following the last Plan Year Payment Period (the "Remainder Payment Period"), but will vary from one such portion of the Overall Payment Period to the next.

6.4.2 Except for distributions pursuant to Section 6.3, the amount of each level benefit payment for the Initial Payment Period, if any, shall be calculated using the balance in the Account as of the valuation date specified in Section 4.3.1 and dividing it by the total number of semimonthly periods in the Overall Payment Period. For each Plan Year Payment Period, and for the Remainder Payment Period, if any, the amount of each level benefit payment shall be adjusted to reflect the value of the Account as of the first Business Day of such Plan Year Payment Period or Remainder Payment Period, as the case may be, and shall be calculated by dividing the balance in the Account as of such first Business Day by the total number of semimonthly periods remaining in the entire payment period.

AMENDMENT NO. 2 TO SUPPLEMENTAL
DEFERRED COMPENSATION PLAN FOR EXECUTIVES

-5-

6

6.4.3 For distributions pursuant to Section 6.3 (other than pursuant to Section 6.3.1), the amount of each level benefit payment for the Initial Payment Period, if any, for each Plan Year Payment Period, and for the Remainder Payment Period, if any, shall be calculated using the balance in the Account as of the beginning of the applicable payment period and amortizing such balance over the remaining Overall Payment Period at the crediting rate specified in Section 4.3.2, such that the Account balance at the end of the Overall Payment Period is zero.

6.4.4 Generally, the Account shall continue to be credited during the Overall Payment Period with gains and losses as provided in Section 4.3.1. However, if a Participant receives benefits pursuant to Section 6.3 (other than pursuant to Section 6.3.1), the Account shall be credited with gains and losses as provided in Section 4.3.2. Except as provided otherwise, if a Participant dies, Section 6.6 shall apply."

8. Section 6.6.1 of the Plan, as previously amended, is further amended by replacing said Section 6.6.1 with the following new Section 6.6.1:

"6.6.1 Death After Benefit Commencement. In the event a Participant dies after benefit payments have commenced (other than payments made pursuant to Section 6.7), the remaining benefit payments, if any, shall be paid to the Participant's Beneficiary in the same manner such benefits would have been paid to the Participant had the Participant survived. A Beneficiary may petition the Committee for an alternative method of payment. If such benefits were payable pursuant to Section 6.3, the Account shall continue to be valued during the payout period as provided in Sections 4.2, 4.3.2, and 6.4.3. If such benefits were payable pursuant to Section 6.2, the Account shall continue to be valued during the payment period as provided in Sections 4.2, 4.3.1 and 6.4.2. The Participant's Beneficiary may make the election to receive an immediate lump-sum payment of the balance of said Participant's Account in accordance with the provisions of Section 6.2 or Section 6.3.5, whichever is applicable, and all provisions therein relating to penalties shall apply to such election."

9. Section 6.6.2 of the Plan, as previously amended, is further amended (1) by replacing the second sentence of the first paragraph of such Section with the following new sentence:

AMENDMENT NO. 2 TO SUPPLEMENTAL
DEFERRED COMPENSATION PLAN FOR EXECUTIVES

-6-

7

"The amount of such pre-retirement death benefit is the Participant's Account as of the first Business Day of the calendar month which immediately follows the calendar month in which the Participant's death occurs annuitized over a ten-year period at an interest rate equal to the rate of one-year United States Treasury notes in effect as of September 30 of the Plan Year immediately prior to the Plan Year in which payment of the pre-retirement death benefit commences, as published by Salomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company."

and (2) by replacing the third sentence of the second paragraph of said Section with the following new sentence:

"Earnings on the Account shall continue to be credited during the payment period at an interest rate equal to the rate of one-year United States Treasury notes, said rate to be determined once each Plan Year and to be the rate in effect as of September 30 of the Plan Year immediately prior to the Plan Year to which it applies, as published by Salomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company."

10. Section 9.1 of the Plan, as previously amended, is further amended by replacing the fourth sentence of said Section with the following new sentence:

"Notwithstanding anything in this Section 9.1 to the contrary, the Committee may, in its discretion, amend the Plan to reduce or eliminate the penalty described in Section 6.2 and/or the penalty described in Section 6.3.5, in accordance with the provisions of such Section 6.2 and/or such Section 6.3.5."

11. Except as modified in this Amendment No. 2, the Plan, as previously amended, shall remain in full force and effect, including the Company's right to amend or terminate the Plan as set forth in Article 9 of the Plan, amended as provided above.

H&R BLOCK, INC.

By _____

Its _____

AMENDMENT NO. 2 TO SUPPLEMENTAL
DEFERRED COMPENSATION PLAN FOR EXECUTIVES

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is dated July 29, 1995, and is entered into by and between H & R BLOCK, INC., a Missouri corporation ("Block") and RICHARD H. BROWN ("Executive").

ARTICLE ONE

EMPLOYMENT

1.01 - Term of Employment. Block hereby employs Executive and Executive hereby accepts such employment by Block for the period beginning on the earlier of August 10, 1995, or the effective date of the cessation of his employment by Ameritech Corporation and ending on the date three years following such date and continuing thereafter for successive periods of one year each ("Employment Period") unless no later than 45 days preceding the end of any such period either party hereto furnishes the other with written notice of his or its desire to terminate this Agreement, in which case this Agreement and Executive's employment hereunder shall terminate on the last day of such 45-day notice period. Any termination or expiration of this Agreement shall not be effective as to those portions of this Agreement which, by their express terms as set forth below, require performance by either party following termination of this Agreement.

1.02 - Duties. (a) Executive is employed by Block to serve as the President and Chief Executive Officer of Block subject to the authority and direction of Block's Board of Directors (the "Board") and, subject to the foregoing, the Executive shall have such authority and responsibility and duties as are normally associated with such position. Upon the occurrence of a vacancy in the offices of Chairman of the Board and its Executive Committee, Block shall use its best efforts to cause the Executive to be elected to such offices.

(b) So long as he is employed under this Agreement, Executive agrees to devote his full business time and efforts exclusively on behalf of Block and to competently and diligently discharge his duties hereunder. Executive shall not be prohibited from engaging in such personal, charitable, or other nonemployment activities as do not interfere with his full-time employment hereunder and which do not violate the other provisions of this Agreement. Executive may, following approval by the Board, become a member of the board of directors of a "for-profit" corporation or entity. Such approval will not be unreasonably withheld by the Board but such approval may be withheld if the Board reasonably determines that such activity conflicts with Executive's duties hereunder, either in terms of Executive's time to be devoted thereto or in terms of the relationship of such corporation's or entity's business to the present or future business then conducted or proposed to be conducted by Block, whether or not such business

2

is directly competitive with the business of Block. Executive shall comply fully with all reasonable policies of Block as are from time to time in effect and applicable to his position.

1.03 - Compensation. (a) Base Salary. Block shall pay to Executive during the Employment Period, a minimum gross salary at an annual rate of \$650,000 ("Base Salary"), payable monthly or at any shorter pay periods as Block may use for its other executive employees. The Base Salary shall be reviewed for increases by the Board or appropriate committee thereof no less often than annually during the Employment Period and, if so increased by the Board, such increased amount shall become the "Base Salary" for purposes of this Agreement.

(b) Bonuses.

(i) Block shall pay Executive a special, one-time, initial employment bonus of \$250,000 promptly following the beginning of the Employment Period.

(ii) Executive shall be entitled to participate in Block's 1996 Fiscal Year Management Incentive Plan. Under such Plan, the Executive shall have a

target bonus of \$375,000, an opportunity to earn 150% of such target bonus and the criteria for payment thereunder shall be based only upon Block's achievement of its budgeted pre-tax earnings. Solely for purpose of determining the eligibility of Executive to participate in such Plan for the fiscal year ending April 30, 1996, Executive shall be deemed to have been employed by Block on May 1, 1995. Throughout the Employment Period, Executive shall be entitled to participate in Block's Management Incentive Plan for all fiscal years during such Employment Period and his minimum target bonus for each such fiscal year shall not be less than 57 percent of his base salary in effect as of the beginning of each such fiscal year.

(c) Stock; Stock Options.

(i) Executive shall, promptly, after the date of commencement of the Employment Period, receive an award of 46,370 Restricted Shares of Block's common stock under The 1993 Long-Term Executive Compensation Plan of H & R Block, Inc. 18,153 of such Restricted Shares shall vest on January 1, 1996 and one-third of the balance shall vest, respectively, on the last day of each of the first through third years of the Employment Period. Prior to the time such Restricted Shares are so vested, the Executive shall be entitled to receive any cash dividends payable with respect to unvested shares.

2

3

(ii) Executive shall, promptly after the date of commencement of the Employment Period, be granted an option under Block's applicable stock option plan to purchase 250,000 shares of Block's common stock at a price per share equal to the closing price thereof on the New York Stock Exchange on the date of grant. Such option shall expire on the tenth anniversary of the date it is granted and shall vest and become exercisable as to one-third of the shares covered thereby on each of the three anniversaries of the date such option is granted. The parties anticipate that Executive shall participate with other Block executives in grants of options for future fiscal years in varying amounts under applicable Block stock option plans as approved from time to time by the Board.

(iii) Executive shall receive awards under the H & R Block Long-Term Performance Program attached hereto as Exhibit A (the "Program"). Executive is hereby awarded 6,500 Performance Units under the Program as respects the Performance Period May 1, 1995 through April 30, 1998. For and with respect to each succeeding three-year Performance Period, Executive shall be awarded that number of Performance Units having a market value at the beginning of each such Performance Period of no less than \$260,000. (Capitalized words used in this subsection (iii) shall have the meanings ascribed thereto in the Program.)

(d) Relocation Benefits.

(i) Block shall reimburse the Executive for all reasonable packing, shipping and transportation costs incurred by Executive in relocating himself, his family and personal property from Lake Forest, Illinois, to the Greater Kansas City Area. In addition, Block shall reimburse Executive for the costs of interim (up to 120 days) housing in Kansas City, prior to the time Executive's family relocates to Kansas City and for the costs of air fare, parking, etc.; for weekend trips to Chicago during such period.

(ii) Block shall reimburse Executive for the reasonable and customary charges for real estate commissions and legal fees, if any, in connection with the sale of Executive's residence in Lake Forest, Illinois, and the purchase of a residence in the Greater Kansas City Area.

(iii) Executive shall exercise his reasonable best efforts to cause the sale at the highest price of his Illinois residence. In the event that, despite such efforts, Executive is unable to sell such residence

within six months after commencement of the Employment Period then, upon request by Executive, Block shall either: purchase such residence, free and clear of all liens and encumbrances, at a price equal to the mean average of three appraisals by three qualified, independent appraisers (one selected and paid for by Block; one selected and paid for by Executive; and one selected by such appraisers and paid one-half by each of Block and Executive); or, at Block's election, cause such purchase to be made by an independent relocation service in accordance with economically similar arrangements.

1.04 - Business Expenses. Block shall 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 Block policy approved by the Board and in effect from time to time and to the extent such expenses are reasonable and necessary to the conduct by Executive of Block's business.

1.05 - Fringe Benefits. During the Employment Period, Block shall make available to Executive such insurance, sick leave, deferred compensation, stock options (also referred to in Section 1.03(b)(ii) above), retirement, vacation and other like benefits as are approved by the Board and provided from time to time to the other executive-level employees of Block or Block's subsidiaries; provided, however, such benefits shall not, during the Employment Period, be substantially dissimilar from those offered by Block during its 1996 fiscal year to Executive's predecessor at Block. Executive shall not be required to fulfill any waiting-period requirements in order to be eligible for participation in applicable, Block health insurance plans. Block shall also pay up to \$80,000 annually as respects annual premiums for split-dollar life insurance on the life of Executive, which insurance is selected by Executive and as to which Executive meets any age health or similar eligibility requirements.

1.06 - Termination of Employment and Employment Period. The employment of Executive under this Agreement may be terminated during the Employment Period in accordance with subsections (a) through (d), below.

(a) Executive's employment may be terminated by Block if the Board determines that "cause" for such termination exists and Block furnishes 30 days' prior written notice of such termination to Executive. As used in this Agreement, the term "cause" shall refer only to any one or more of the following grounds:

(i) 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 the Executive in the performance of his material duties to Block; or

(ii) commission by Executive 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

(iii) Executive's conviction of a misdemeanor (involving an act of moral turpitude) or a felony; or

(iv) for any reason (or no reason) at any time after the last day of Block's fiscal year during which Executive attains normal retirement age under Block's benefit plans; or

(v) Executive's death or total and permanent disability. The term "total and permanent disability" shall have the meaning ascribed thereto under any long-term disability plan maintained by Block.

(b) Executive's employment may be terminated by Executive if he determines that "good reason" for such termination exists and Executive furnishes 30 days' prior written notice of such termination to Block. As used in this Agreement, the term "good reason" shall refer only to any one or more of the following grounds:

(i) substantial reduction by Block (over the objection of Executive) in Executive's duties, authority or status; or

(ii) the failure by Block to pay the Base Salary, bonus or other compensation required hereunder; or

(iii) the failure, at or immediately following Block's 1997 Annual Meeting of Shareholders or, if earlier, upon the occurrence of a vacancy in the offices of Chairman of the Board and Chairman of the Executive Committee of the Board to cause Executive at such time to be elected Chairman of the Board and Chairman of the Executive Committee of the Board (whether or not Block's best effort therefor are made in the manner specified in section 1.02(a) above); or

(iv) for any reason (or no reason) during the 60-day period following the date of a "Change of Control" of Block occurs. For the purpose of this subsection, a "Change of Control" shall mean:

5

6

(x) 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

(y) individuals who, as of the date hereof, constitute the Board (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) shall 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

(z) approval by the shareholders of Block of a reorganization, merger or consolidation 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

6

7

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 or of the sale or other disposition of all or substantially all of the assets of Block.

(c) Except as provided in subsection (d) below, if Block terminates Executive's employment without "cause" or upon expiration of the Employment Period following written notice from Block that it wishes to terminate Executive's employment upon such expiration or if Executive terminates his employment with Block for "good reason", then, upon such termination of Executive's employment: (i) Block shall continue to pay to Executive the Base Salary in effect upon such termination or expiration throughout the two-year period following such termination or expiration as the same would have been made had Executive remain employed by Block hereunder; (ii) Block shall pay to Executive, at such times as the same would have been paid to Executive had he remained employed hereunder, the following bonus payments: (x) a prorata portion of his annual bonus (such portion of the actual, annual bonus earned for the fiscal year during which such termination or expiration occurs as is proportionate to the portion of active employment hereunder by Executive during such fiscal year) together with such portion of the target bonus for such fiscal year as is proportionate to the portion of such fiscal year he is not so employed; (y) for the second fiscal year after such termination or expiration, the target bonus in effect for the fiscal year during which such termination or expiration occurs; and (z) for the third fiscal year after such termination or expiration, such portion of the target bonus paid under subsection (y) above as is proportionate to the portion of the fiscal year of Executive's active employment specified in subsection (x) above; and (iii) all unvested options to purchase shares of Block common stock held by Executive shall vest upon the date of termination or expiration of Executive's employment and such options, and all other vested options held by Executive on the date of termination or expiration, shall be exercisable by Executive for a period of two years after such termination or expiration; and (iv) all restrictions on any shares of Block common stock held by Executive shall terminate and such common stock shall fully vest upon the date of termination or expiration of Executive's employment; and (v) Block shall, during the two-year period following such termination or expiration of Executive's employment, continue Executive's health, life and disability insurance benefits, but only to the extent Executive does not obtain similar benefits paid for by a third party after such termination or expiration. Except as set forth above in this subsection (c), Block shall have no further obligations to

7

8

Executive upon commencement of payments under this subsection. Upon such termination or expiration, Block shall provide Executive such outplacement services (from a provider reasonably selected by Executive) as are then customarily provided by other companies to their similarly situated executives.

(d) Upon termination of Executive's employment pursuant to subsection 1.06(a) above or upon the voluntary resignation of Executive or upon the expiration of the Employment Period following written notice from Executive that he wishes to terminate his employment upon such expiration, Block shall have no further obligations under this Agreement and no further payments of Base Salary or bonus shall be payable by Block to Executive, except as required by the express terms of any written benefit plans or written arrangements maintained by Block and applicable to Executive at the time of such termination or expiration of Executive's employment.

ARTICLE TWO

CONFIDENTIALITY

2.01 - Background and Relationship of Parties. The parties 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 Block, Executive will be expected to have access to all information of value to 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, developments, designs, marketing plans, product information, business and financial information and plans, strategies, forecasts, new products and services, financial statements, budgets, projections, prices and acquisition plans. Proprietary Information shall 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.

8

9

2.02 - Proprietary Information is Property of Block. (a) All Proprietary Information shall be the sole property of Block and its assigns, and Block shall be the sole owner of all patents, copyrights, trademarks, names and other rights in connection therewith and without regard to whether Block is at any particular time developing or marketing the same. Executive assigns to Block any rights Executive may have or may acquire in such Proprietary Information. At all times, 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 Block or as may be required by law or the order of any court or governmental authority.

(b) In the event of the termination of Executive's employment by Block for any reason (including no reason), Executive shall promptly deliver to Block all copies of all documents, notes, drawings, specifications, documentation, data and other materials of any nature belonging to Block and obtained during the course of Executive's employment with Block. In addition, upon such termination, Executive will not remove from the premises 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; NO CONFLICTS; NONCOMPETITION

3.01 - General. The parties hereto acknowledge that, during the course of Executive's employment by Block, the Executive shall have access to information valuable to Block concerning its key employees and, in addition to Executive's access to such information, Executive may, during (and in the course of) Executive's employment by Block, develop relationships with such key employees whereby information valuable to Block concerning its employees was acquired by Executive. Such information includes, without limitation: the identity, skills and performance levels of Block's key employees, as well as compensation and benefits paid by Block to such key employees.

3.02 - Non-Hiring. During the Employment Period and during the term of any subsequent employment with Block and during the time Executive is receiving payments hereunder and for a period of one year after the later of: termination by Block or Executive for any reason (or no reason) of such employment; or cessation of such payments, the Executive will not knowingly recruit, solicit or hire any key employee of Block or any subsidiary of Block or otherwise induce any such key employee to leave the employment of Block to become an employee of or otherwise be associated with any

10

other party or with Executive or any company or business with which Executive is or may become associated.

3.03 - No Conflicts. Executive represents that the performance by Executive of all the terms of this Agreement will not breach any agreement as 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 with him to Block nor will Executive use in the performance of employment responsibilities at Block 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 shall fulfill all such obligations during his employment with Block.

3.04 - Non-Competition.

(i) During any period of Executive's employment with Block (during the Employment Period and any period of employment thereafter) Executive shall not engage in, or own or control any interest in (except as a passive investor in publicly-held companies, holding less than one percent of its outstanding securities), or act as an officer, director or employee of, or consultant, advisor or lender to, any firm, corporation, institution or business which engages in any line of business which is competitive with any line of business of Block or any of its subsidiaries (or which Block or any subsidiary is engaged in evaluating or developing).

(ii) During the time Executive is receiving payments hereunder and for a period of one year after the later of: termination of Executive's employment hereunder by Block or Executive (for any reason including no reason); or cessation of such payments; Executive will not (except as permitted by subsection (iii) below) own or control any interest in (except as a passive investor in publicly-held companies, holding less than one percent of its outstanding equity securities) or act as an officer, director or employee of, or consultant, advisor or lender to, any firm, corporation, institution or business which engages in any line of business which is competitive with any line of business of Block or any of its subsidiaries (or which Block or any such subsidiary is or was engaged in evaluating or developing) at the time Employee's employment terminates or during the 180-day period prior thereto.

(iii) For purposes of subsection (ii) above, the term "line of business" shall not include any line of business comprising the telecommunications industry nor as to Block, any line of business which is immaterial in quantity and character to the business and prospective businesses of Block

10

11

or any subsidiary of Block; and, as to any corporation, firm, institution or business with which Executive proposes to become associated, as set forth in said subsection (iii), any line of business which is immaterial in size within the industry it operates and to such corporation, firm, institution or business.

3.05 - Reasonableness of Restrictions. Executive acknowledges that the restrictions contained in this Agreement are reasonable but 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 shall not be affected thereby and the provision found invalid, illegal or otherwise unenforceable or unreasonable shall be considered by Block 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, shall be enforced.

ARTICLE FOUR

MISCELLANEOUS

4.01 - Entire Agreement. This Agreement constitutes the entire agreement and understanding between Block and Executive concerning the subject matter hereof. No modification, amendment, termination or waiver of this Agreement shall be binding unless in writing and signed by Executive and a duly authorized officer of Block. Failure of Block or Executive to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such terms, covenants and conditions.

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

4.03 - Successors and Assigns. This Agreement shall be binding upon Executive and the heirs, executors, assigns and administrators of Executive or his estate and property and shall inure to the benefit of Block and its successors and assigns. Executive may not assign or transfer to others the right to receive payments hereunder nor the obligation to perform duties hereunder.

11

12

4.04 - Taxes.

(i) From any payments due hereunder to Executive from Block, there shall be withheld amounts reasonably believed by Block 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 Block.

(ii) Block shall reimburse Executive for the amount of any excise taxes paid by Executive (net of any tax benefits received), pursuant to Section 4999 of the Internal Revenue Code of 1986, as amended, which taxes are so paid as respects payments made to Executive under Section 1.06(c) above upon termination of Executive's employment hereunder pursuant to Section 1.06(b)(iii) above.

4.05 - Indemnification. To the fullest extent permitted by law, Block hereby indemnifies during and after the Employment Period the Executive from and against all loss, costs, damages and expenses including, without limitation, legal expenses of counsel selected by Block to represent the interests of Executive (which expenses Block will, to the extent so permitted, advance to executive as the same are incurred) arising out of or in connection with the fact that Executive is or was a director, officer, employee or agent of Block or serving in such capacity for another corporation at the request of Block.

4.06 - Certain Legal Fees. Block shall reimburse the Executive for the reasonable amounts, not to exceed \$100,000, of fees and expenses incurred by Executive in connection with the prosecution by Executive of any legal actions against his former employer resulting from his employment by Block.

4.07 - Arbitration. Except as to actions described in Section 4.02 above, any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration proceedings conducted in Kansas City, Missouri, in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the

Arbitrator(s) may be entered in any court having jurisdiction thereof. All costs and expenses of the arbitrator(s) and all costs and expenses of experts, attorneys, witnesses and other parties retained by the prevailing party shall be borne by the party that does not prevail in such arbitration. The parties further agree that arbitration proceedings must be instituted within 180 days after an allegedly aggrieved party to this Agreement has actual knowledge of such claim or controversy, and that the failure to institute arbitration proceedings within such time period shall constitute an absolute bar to the institution of any proceedings

12

13

and a waiver of all claims. The parties further agree that the substantive laws of the State of Missouri shall be applied in such proceedings as respects all questions of law.

4.08 - Notices. Notices hereunder shall be deemed delivered five days following deposit thereof in the United States mails (postage prepaid) addressed to Executive at: 487 Walnut Road, Lake Forest, Illinois 60045 and to Block at: 4410 Main Street, Kansas City, Missouri 64111; Attn: Henry W. Bloch; or to such other address and/or person designated by either party in writing to the other party.

4.09 - 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: July 29, 1995

/s/ Richard H. Brown

Richard H. Brown

Accepted and Agreed:

H & R BLOCK, INC.,
a Missouri corporation

By:/s/ Henry W. Bloch

Henry W. Bloch, Chairman

Dated: July 29, 1995

13

14

EXHIBIT (10) (D), CONTINUED
EXHIBIT A

H&R BLOCK, INC.

1993 LONG-TERM EXECUTIVE COMPENSATION PLAN

1. PURPOSES. The purposes of this 1993 Long-Term Executive Compensation Plan are to provide incentives and rewards to those employees largely responsible for the success and growth of H&R Block, Inc., and its subsidiary corporations and to assist all such corporations in attracting and retaining executives and other key employees with experience and ability.

2. DEFINITIONS.

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

(b) COMMON STOCK means the Common Stock, without par value, of the Company.

(c) COMPANY means H&R Block, Inc., a Missouri corporation, and, unless the context otherwise requires, includes its subsidiary corporations and their respective divisions, departments and subsidiaries and the respective divisions, departments and subsidiaries of such subsidiaries.

(d) INCENTIVE STOCK OPTION means a Stock Option which meets all of the requirements of an "incentive stock option" as defined in Section 422(b) of the Internal Revenue Code of 1986, as now in effect or hereafter amended (the "Internal Revenue Code").

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

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

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

(h) PLAN means this 1993 Long-Term Executive Compensation Plan, as the same may be amended from time to time.

15

(i) RECIPIENT means an employee of the Company who has been granted an Award under the Plan.

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

(k) STOCK APPRECIATION RIGHT means the right to receive, upon exercise of a Stock Appreciation Right granted under this Plan, shares of Common Stock, cash, or a combination of cash and shares of Common Stock, based on the increase in the market value of the shares of Common Stock covered by such Stock Appreciation Right from the initial day of the Performance Period for such Stock Appreciation Right to the date of exercise.

(l) STOCK OPTION means the right to purchase, upon exercise of a Stock Option granted under this Plan, shares of the Company's Common Stock.

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

The Committee shall have full power and authority to construe, interpret and administer the Plan and, subject to the powers herein specifically reserved to the Board of Directors and subject to the other provisions of this Plan, to make determinations which shall be final, conclusive and binding upon all persons including, without limitation, the Company, the shareholders of the Company, the Board of Directors, the Recipients and any persons having any interest in any Awards which may be granted under the Plan. The Committee shall

impose such additional conditions upon the grant and exercise of Awards under this Plan as may from time to time be deemed necessary or advisable, in the opinion of counsel to the Company, to comply with applicable laws and regulations. The Committee from time to time may adopt rules and regulations for carrying out the Plan and written policies for implementation of the Plan. Such policies may include, but need not be limited to, the type, size and terms of Awards to be made to Recipients and the conditions for payment of such Awards.

2

16

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

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

6. STOCK SUBJECT TO THE PLAN. The total number of shares of Common Stock issuable under this Plan may not at any time exceed 5,000,000 shares, subject to adjustment as provided herein. All of such shares may be issued or issuable in connection with the exercise of Incentive Stock Options. Shares of Common Stock not actually issued pursuant to an Award shall be available for future Awards. Shares of Common Stock to be delivered or purchased under the Plan may be either authorized but unissued Common Stock or treasury shares.

7. AWARDS.

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

(b) The Committee may establish performance goals to be achieved within such Performance Periods as may be selected by it

3

17

using such measures of the performance of the Company as it may select as a condition to the receipt of any Award.

8. VESTING REQUIREMENTS. The Committee may determine that all or a portion of an Award or a payment to a Recipient pursuant to an Award, in any form

whatsoever, shall be vested at such times and upon such terms as may be selected by it.

9. DEFERRED PAYMENTS AND DIVIDEND AND INTEREST EQUIVALENTS.

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

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

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

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

4

18

12. CONTINUATION OF EMPLOYMENT. The Committee shall require that a Recipient be an employee of the Company at the time an Award is paid or exercised. The Committee may provide for the termination of an outstanding Award if a Recipient ceases to be an employee of the Company and may establish such other provisions with respect to the termination or disposition of an Award on the death or retirement of a Recipient as it, in its sole discretion, deems advisable. The Committee shall have the sole power to determine the date of any circumstances which shall constitute a cessation of employment and to determine whether such cessation is the result of retirement, death or any other reason.

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

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

15. ASSIGNABILITY. No Award granted pursuant to the Plan shall be

transferable or assignable by the Recipient other than by will or the laws of descent and distribution and during the lifetime of the Recipient shall be exercisable or payable only by or to him or her.

16. DILUTION OR OTHER ADJUSTMENTS. In the event of any changes in the capital structure of the Company, including but not limited to a change resulting from a stock dividend or splitup, or combination or reclassification of shares, the Board of Directors shall make such equitable adjustments with respect to Awards or any provisions of this Plan as it deems necessary and appropriate, including, if necessary, any adjustment in the maximum number of shares of Common Stock subject to the Plan or the number of shares of Common Stock subject to an outstanding Award.

17. MERGER, CONSOLIDATION, REORGANIZATION, LIQUIDATION, ETC. If the Company shall become a party to any corporate merger, consolidation, major acquisition of property for stock, reorganization, or liquidation, the Board of Directors shall make such arrangements it deems advisable with respect to outstanding Awards, which shall be binding upon the Recipients of outstanding Awards,

5

19

including, but not limited to, the substitution of new Awards for any Awards then outstanding, the assumption of any such Awards and the termination of or payment for such Awards.

18. WITHHOLDING TAXES. The Company shall have the right to deduct from all Awards hereunder paid in cash any federal, state, local or foreign taxes required by law to be withheld with respect to such Awards and, with respect to Awards paid in other than cash, to require the payment (through withholding from the Recipient's salary or otherwise) of any such taxes. Subject to such conditions as the Committee may establish, Awards under the Plan payable in shares of Common Stock may provide that the Recipients thereof may elect, in accordance with any applicable regulations, to have the Company withhold shares of Common Stock to satisfy all or part of any such tax withholding obligations, with the value of such withheld shares of Common Stock based upon their fair market value on the date the tax withholding is required to be made.

19. COSTS AND EXPENSES. The cost and expenses of administering the Plan shall be borne by the Company and not charged to any Award nor to any Recipient.

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

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

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

23. AMENDMENT AND DISCONTINUANCE. The Board of Directors of the Company shall have the right at any time during the continuance of the Plan to amend, modify, supplement, suspend or terminate the Plan, provided that in the absence of the approval of the holders of a majority of the shares of Common Stock of the Company present in person or by proxy at a duly constituted meeting of shareholders of the Company, no such amendment, modification or supplement shall (i) increase the aggregate number of shares which may be issued

under the Plan, unless such increase is by reason of any change in capital structure referred to in Section 16 hereof, (ii) change the termination date of the Plan provided in Section 24, or (iii) delete or amend the market value restrictions contained in Sections 10 and 11 hereof, and provided further, that no amendment, modification or termination of the Plan shall in any manner affect any Award of any kind theretofore granted under the Plan without the consent of the Recipient of the Award, unless such amendment, modification or termination is by reason of any change in capital structure referred to in Section 16 hereof or unless the same is by reason of the matters referred to in Section 17 hereof.

24. TERMINATION. The Committee may grant Awards at any time prior to September 7, 2003, on which date this Plan will terminate except as to Awards then outstanding hereunder, which Awards shall remain in effect until they have expired according to their terms or until September 7, 2003, whichever first occurs. No Incentive Stock Option shall be exercisable later than 10 years following the date it is granted.

25. APPROVAL. This Plan shall take effect upon due approval by the shareholders of the Company.

<ARTICLE> 5

<LEGEND>

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND THE CONSOLIDATED STATEMENTS OF OPERATIONS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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