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

FORM 10-Q

(Mark One)

[**X**] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended January 31, 2010

OR

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

Commission file number 1-6089

H&R BLOCK

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☐ No ☐

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

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

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

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

The number of shares outstanding of the registrant's Common Stock, without par value, at the close of business on February 28, 2010 was 329,233,821 shares.

Form 10-Q for the Period Ended January 31, 2010

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H&R BLOCK

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

	January 31, 2010	April 30, 2009
	(Unaudited)	
ASSETS		
Cash and cash equivalents	$ 1,727,677	$ 1,654,663
Cash and cash equivalents – restricted	85,313	51,656
Receivables, less allowance for doubtful accounts of $86,853 and $128,541	2,566,830	512,814
Prepaid expenses and other current assets	344,922	351,947
Total current assets	4,724,742	2,571,080
Mortgage loans held for investment, less allowance for loan losses of $97,269 and $84,073	641,157	744,899
Property and equipment, at cost, less accumulated depreciation and amortization of $653,866 and $625,075	362,170	368,289
Intangible assets, net	371,951	385,998
Goodwill	843,054	850,230
Other assets	467,055	439,226
Total assets	$ 7,410,129	$ 5,359,722
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Short-term borrowings	$ 1,675,094	$ -
Customer banking deposits	2,220,501	854,888
Accounts payable, accrued expenses and other current liabilities	756,501	705,945
Accrued salaries, wages and payroll taxes	182,151	259,698
Accrued income taxes	118,079	543,967
Current portion of long-term debt	2,576	8,782
Current Federal Home Loan Bank borrowings	25,000	25,000
Total current liabilities	4,979,902	2,398,280
Long-term debt	1,032,800	1,032,122
Long-term Federal Home Loan Bank borrowings	75,000	75,000
Other noncurrent liabilities	385,960	448,461
Total liabilities	6,473,662	3,953,863
Commitments and contingencies		
Stockholders' equity:		
Common stock, no par, stated value $.01 per share, 800,000,000 shares authorized, shares issued of 437,352,210 and 444,176,510	4,374	4,442
Additional paid-in capital	826,503	836,477
Accumulated other comprehensive income (loss)	1,086	(11,639)
Retained earnings	2,162,406	2,671,437
Less treasury shares, at cost	(2,057,902)	(2,094,858)
Total stockholders' equity	936,467	1,405,859
Total liabilities and stockholders' equity	$ 7,410,129	$ 5,359,722

See Notes to Condensed Consolidated Financial Statements

H&R BLOCK

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

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

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
Revenues:				
Service revenues	$744,327	$799,687	$1,287,270	$1,356,744
Product and other revenues	142,179	135,155	176,422	166,582
Interest income	48,346	58,604	72,746	93,498
	934,852	993,446	1,536,438	1,616,824
Operating expenses:				
Cost of revenues	645,747	684,567	1,443,146	1,489,652
Selling, general and administrative	194,661	208,814	427,563	464,054
	840,408	893,381	1,870,709	1,953,706
Operating income (loss)	94,444	100,065	(334,271)	(336,882)
Other income (expense), net	3,007	1,674	7,996	(1,802)
Income (loss) from continuing operations before taxes (benefit)	97,451	101,739	(326,275)	(338,684)
Income taxes (benefit)	43,848	34,909	(122,789)	(143,930)
Net income (loss) from continuing operations	53,603	66,830	(203,486)	(194,754)
Net loss from discontinued operations	(2,968)	(19,467)	(8,100)	(26,476)
Net income (loss)	$ 50,635	$ 47,363	$ (211,586)	$ (221,230)
Basic earnings (loss) per share:				
Net income (loss) from continuing operations	$ 0.16	$ 0.20	$ (0.61)	$ (0.59)
Net loss from discontinued operations	(0.01)	(0.06)	(0.02)	(0.08)
Net income (loss)	$ 0.15	$ 0.14	$ (0.63)	$ (0.67)
Basic shares	332,999	337,338	334,293	331,429
Diluted earnings (loss) per share:				
Net income (loss) from continuing operations	$ 0.16	$ 0.20	$ (0.61)	$ (0.59)
Net loss from discontinued operations	(0.01)	(0.06)	(0.02)	(0.08)
Net income (loss)	$ 0.15	$ 0.14	$ (0.63)	$ (0.67)
Diluted shares	334,297	338,687	334,293	331,429
Dividends per share	$ 0.15	$ 0.15	$ 0.45	$ 0.44
Comprehensive income (loss):				
Net income (loss)	$ 50,635	$ 47,363	$ (211,586)	$ (221,230)
Change in unrealized gain on available-for-sale securities, net	(464)	(1,707)	(882)	(4,271)
Change in foreign currency translation adjustments	1,484	(3,671)	13,607	(14,829)
Comprehensive income (loss)	$ 51,655	$ 41,985	$ (198,861)	$ (240,330)

See Notes to Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, amounts in 000s)

Nine Months Ended January 31,	2010	2009
Net cash used in operating activities	$ (2,729,047)	$ (2,423,562)
Cash flows from investing activities:		
Principal repayments on mortgage loans held for investment, net	56,114	72,150
Purchases of property and equipment, net	(63,242)	(73,913)
Payments made for business acquisitions, net of cash acquired	(10,828)	(290,868)
Proceeds from sale of businesses, net	66,760	11,556
Net cash provided by investing activities of discontinued operations	-	255,066
Other, net	22,370	12,283
Net cash provided by (used in) investing activities	71,174	(13,726)
Cash flows from financing activities:		
Repayments of Federal Home Loan Bank borrowings	-	(40,000)
Proceeds from Federal Home Loan Bank borrowings	-	15,000
Repayments of short-term borrowings	(982,774)	(888,983)
Proceeds from short-term borrowings	2,657,436	2,550,281
Customer banking deposits, net	1,365,163	1,326,584
Dividends paid	(151,317)	(147,569)
Repurchase of common stock, including shares surrendered	(154,201)	(7,387)
Proceeds from exercise of stock options	15,678	69,891
Proceeds from issuance of common stock, net	-	141,450
Net cash provided by financing activities of discontinued operations	-	4,783
Other, net	(29,434)	17,544
Net cash provided by financing activities	2,720,551	3,041,594
Effects of exchange rates on cash	10,336	-
Net increase in cash and cash equivalents	73,014	604,306
Cash and cash equivalents at beginning of the period	1,654,663	664,897
Cash and cash equivalents at end of the period	$ 1,727,677	$ 1,269,203
Supplementary cash flow data:		
Income taxes paid (refunds received), net	$ 269,774	$ (13,006)
Interest paid on borrowings	61,118	70,891
Interest paid on deposits	8,654	11,484
Transfers of loans to foreclosed assets	12,689	62,774

See Notes to Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation

The condensed consolidated balance sheet as of January 31, 2010, the condensed consolidated statements of operations and comprehensive income (loss) for the three and nine months ended January 31, 2010 and 2009, and the condensed consolidated statements of cash flows for the nine months ended January 31, 2010 and 2009 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 January 31, 2010 and for all periods presented have been made.

The accompanying condensed consolidated financial statements include the accounts of the Company and our wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated.

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

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. In addition, we realigned our segments as discussed in note 14, and accordingly restated segment disclosures for prior periods. These changes had no effect on our results of operations or stockholders' equity as previously reported.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our April 30, 2009 Annual Report to Shareholders on Form 10-K. All amounts presented herein as of April 30, 2009 or for the year then ended, are derived from our April 30, 2009 Annual Report to Shareholders on Form 10-K.

Management Estimates

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

Seasonality of Business

Our operating revenues are seasonal in nature with peak revenues occurring in the months of January through April. Therefore, results for interim periods are not indicative of results to be expected for the full year.

Concentrations of Risk

Our mortgage loans held for investment include concentrations of loans to borrowers in certain states, which may result in increased exposure to loss as a result of changes in real estate values and underlying economic or market conditions related to a particular geographical location. Approximately 51.6% of our mortgage loan portfolio consists of loans to borrowers located in the states of Florida, California and New York.

2. Alternative Practice Structure with McGladrey & Pullen LLP

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

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

An administrative services agreement between RSM and M&P obligates RSM to provide M&P with administrative services, information technology, office space, non-professional staff, and other infrastructure in exchange for market rate fees from M&P. RSM also provides M&P, at market rates of interest, a working capital credit facility and additional term financing to make acquisitions. Borrowings under the working capital credit facility are limited to the lower of the value of their accounts receivable, work-in-process and fixed assets or $125 million.

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

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

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

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

amounts included in our condensed consolidated balance sheet, and our exposure to economic loss, resulting from our interests in the various agreements with M&P is as follows at January 31, 2010:

(in 000s)

	Carrying Amount	Maximum Exposure to Loss
Revolving credit facility	$ 60,560	$ 125,000
Term loans	27,856	27,856
Compensation arrangements	N/A	(1)
Administrative Services Agreement	N/A	81,500(2)

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

(2) Under this agreement, M&P shares costs with RSM for office space under RSM's operating leases. M&P's anticipated share of future lease costs under existing operating leases total $15.2 million, $14.1 million, $12.7 million, $10.8 million and $28.7 million for the fiscal years ended April 30, 2011, 2012, 2013, 2014 and beyond, respectively. RSM could be exposed to loss for these amounts in the event of default by M&P.

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

Basic and diluted earnings (loss) per share is computed using the two-class method. See note 15 for additional information on our adoption of the two-class method. The two-class method is an earnings allocation formula that determines net income per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. Per share amounts are computed by dividing net income from continuing operations attributable to common shareholders by the weighted average shares outstanding during each period.

The dilutive effect of potential common shares is included in diluted earnings per share except in those periods with a loss from continuing operations. Diluted earnings per share excludes the impact of shares of common stock issuable upon the lapse of certain restrictions or the exercise of options to purchase 9.6 million shares and 16.0 million shares for the three months ended January 31, 2010 and 2009, respectively, as the effect would be antidilutive. Diluted earnings per share excludes the impact of shares of common stock issuable upon the lapse of certain restrictions or the exercise of options to purchase 16.8 million shares and 20.2 million shares for the nine months ended January 31, 2010 and 2009, respectively, as the effect would be antidilutive due to the net loss from continuing operations during each period.

The computations of basic and diluted loss per share from continuing operations are as follows:

(in 000s, except per share amounts)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
Net income (loss) from continuing operations attributable to shareholders	$ 53,603	$ 66,830	$(203,486)	$(194,754)
Amounts allocated to participating securities (nonvested shares)	(203)	(219)	(530)	(613)
Net income (loss) from continuing operations attributable to common shareholders	$ 53,400	$ 66,611	$(204,016)	$(195,367)
Basic weighted average common shares	332,999	337,338	334,293	331,429
Potential dilutive shares	1,298	1,349	-	-
Dilutive weighted average common shares	334,297	338,687	334,293	331,429
Earnings (loss) per share from continuing operations attributable to common shareholders:				
Basic	$ 0.16	$ 0.20	$ (0.61)	$ (0.59)
Diluted	0.16	0.20	(0.61)	(0.59)

The weighted average shares outstanding for the three and nine months ended January 31, 2010 totaled 333.0 million and 334.3 million, respectively, compared to 337.3 million and 331.4 million for the three and nine months ended January 31, 2009, respectively.

During the three months ended January 31, 2010, we purchased and immediately retired 6.8 million shares of our common stock at a cost of $150.0 million. We may continue to repurchase and retire common

stock or retire shares held in treasury in the future. The cost of shares retired during the period was allocated to the components of stockholders' equity as follows:

(in 000s)	
Common stock	$ 68
Additional paid-in capital	4,095
Retained earnings	145,839
	$150,002

During the nine months ended January 31, 2010 and 2009, we issued 2.2 million and 5.7 million shares of common stock, respectively, due to the exercise of stock options, employee stock purchases and vesting of nonvested shares.

During the nine months ended January 31, 2010, we acquired 0.2 million shares of our common stock at an aggregate cost of $4.2 million, and during the nine months ended January 31, 2009, we acquired 0.4 million shares at an aggregate cost of $7.4 million. Shares acquired during these periods represented shares swapped or surrendered to us in connection with the vesting of nonvested shares and the exercise of stock options.

During the nine months ended January 31, 2010, we granted 4.6 million stock options and 0.9 million nonvested shares and units in accordance with our stock-based compensation plans. The weighted average fair value of options granted was $3.27 for management options and $2.70 for options granted to our seasonal associates. Stock-based compensation expense totaled $7.2 million and $19.3 million for the three and nine months ended January 31, 2010, respectively, and $7.0 million and $20.0 million for the three and nine months ended January 31, 2009, respectively. At January 31, 2010, unrecognized compensation cost for options totaled $14.0 million, and for nonvested shares and units totaled $19.8 million.

4. Receivables

Receivables consist of the following:

			(in 000s)
As of	January 31, 2010	January 31, 2009	April 30, 2009
Participation in tax client loans	$ 1,109,795	$ 1,122,347	$ 29,616
Emerald Advance lines of credit	667,859	688,663	64,029
Business Services receivables	324,085	335,893	322,636
Receivables for tax preparation and related fees	286,732	309,379	50,400
Royalties from franchisees	82,943	80,603	8,741
Loans to franchisees	70,706	66,317	48,831
Other	111,563	125,076	117,102
	2,653,683	2,728,278	641,355
Allowance for doubtful accounts	(86,853)	(85,327)	(128,541)
	$ 2,566,830	$ 2,642,951	$ 512,814

5. Mortgage Loans Held for Investment and Related Assets

The composition of our mortgage loan portfolio as of January 31, 2010 and April 30, 2009 is as follows:

			(dollars in 000s)	
As of	January 31, 2010		April 30, 2009	
	Amount	% of Total	Amount	% of Total
Adjustable-rate loans	$449,758	61%	$534,943	65%
Fixed-rate loans	283,040	39%	286,894	35%
	732,798	100%	821,837	100%
Unamortized deferred fees and costs	5,628		7,135	
Less: Allowance for loan losses	(97,269)		(84,073)	
	$641,157		$744,899	

Activity in the allowance for loan losses for the nine months ended January 31, 2010 and 2009 is as follows:

(in 000s)

Nine Months Ended January 31,	2010	2009
Balance, beginning of the period	$ 84,073	$ 45,401
Provision	36,050	51,953
Recoveries	38	50
Charge-offs	(22,892)	(21,789)
Balance, end of the period	$ 97,269	$ 75,615

Our loan loss reserve as a percent of mortgage loans was 13.27% at January 31, 2010, compared to 10.23% at April 30, 2009.

In cases where we modify a loan and in so doing grant a concession to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring (TDR). TDR loans totaled $153.4 million and $160.7 million at January 31, 2010 and April 30, 2009, respectively. The principal balance of impaired loans and real estate owned as of January 31, 2010 and April 30, 2009 is as follows:

(in 000s)

As of	January 31, 2010	April 30, 2009
Impaired loans:		
30 – 59 days	$ 894	$ -
60 – 89 days	12,210	21,415
90+ days, non-accrual	162,391	121,685
TDR loans, accrual	103,894	60,044
TDR loans, non-accrual	49,538	100,697
	328,927	303,841
Real estate owned(1)	31,511	44,533
Total non-performing assets	$ 360,438	$ 348,374

(1) Includes loans accounted for as in-substance foreclosures of $16.4 million and $27.4 million at January 31, 2010 and April 30, 2009, respectively.

Activity related to our real estate owned is as follows:

(in 000s)

Nine Months Ended January 31,	2010	2009
Balance, beginning of the period	$ 44,533	$ 350
Additions	12,689	62,774
Sales	(17,528)	(5,506)
Impairments	(8,183)	(5,699)
Balance, end of the period	$ 31,511	$51,919

6. Goodwill and Intangible Assets

Changes in the carrying amount of goodwill for the nine months ended January 31, 2010 consist of the following:

(in 000s)

	Tax Services	Business Services	Total
Balance at April 30, 2009:			
Goodwill	$ 449,779	$ 402,639	$852,418
Accumulated impairment losses	(2,188)	-	(2,188)
	447,591	402,639	850,230
Changes:			
Acquisitions	9,378	-	9,378
Other	(530)	(1,024)	(1,554)
Impairments	-	(15,000)	(15,000)
Balance at January 31, 2010:			
Goodwill	458,627	401,615	860,242
Accumulated impairment losses	(2,188)	(15,000)	(17,188)
	$ 456,439	$ 386,615	$843,054

We test goodwill for impairment annually at the beginning of our fourth quarter, or more frequently if events occur which could, more likely than not, reduce the fair value of a reporting unit's net assets below its carrying value.

RSM EquiCo, Inc. (RSM EquiCo) is a separate reporting unit within our Business Services segment with goodwill totaling approximately $29 million. RSM EquiCo assists clients with capital markets transactions and has experienced declining revenues and profitability in the current economic environment. Accordingly, we evaluated RSM EquiCo's goodwill for impairment at January 31, 2010. The measurement of impairment of goodwill consists of two steps. In the first step, we compared the fair value of RSM EquiCo, determined using discounted cash flows, to its carrying value. As the results of the first test indicated that the fair value of RSM EquiCo was less than its carrying value, we then performed the second step, which was to determine the implied fair value of RSM EquiCo's goodwill, and to compare that to its carrying value. The second step included hypothetically valuing all of the tangible and intangible assets of RSM EquiCo. As a result, we recorded an impairment of the reporting unit's goodwill of $15.0 million during the three months ended January 31, 2010, leaving a remaining goodwill balance of approximately $14 million. The impairment is included in selling, general and administrative expenses on the condensed consolidated statements of operations.

Intangible assets consist of the following:

(in 000s)

As of	January 31, 2010			April 30, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Tax Services:						
Customer relationships	$ 65,544	$ (31,199)	$ 34,345	$ 54,655	$ (25,267)	$ 29,388
Noncompete agreements	22,875	(21,073)	1,802	23,263	(20,941)	2,322
Reacquired franchise rights	223,773	(5,021)	218,752	229,438	(1,838)	227,600
Franchise agreements	19,201	(1,493)	17,708	19,201	(533)	18,668
Purchased technology	14,500	(5,708)	8,792	12,500	(4,240)	8,260
Trade name	1,325	(350)	975	1,025	(217)	808
Business Services:						
Customer relationships	145,177	(117,890)	27,287	146,040	(111,017)	35,023
Noncompete agreements	33,117	(21,596)	11,521	33,068	(19,908)	13,160
Trade name – amortizing	2,600	(2,600)	-	2,600	(2,600)	-
Trade name – non-amortizing	55,637	(4,868)	50,769	55,637	(4,868)	50,769
	$583,749	$ (211,798)	$371,951	$577,427	$ (191,429)	$385,998

Amortization of intangible assets for the three and nine months ended January 31, 2010 was $7.1 million and $21.4 million, respectively, and $6.8 million and $20.4 million, for the three and nine months ended

January 31, 2009, respectively. Estimated amortization of intangible assets for fiscal years 2010 through 2014 is $30.1 million, $27.9 million, $24.9 million, $20.5 million and $17.1 million, respectively.

7. Borrowings

Borrowings consist of the following:

(in 000s)

As of	January 31, 2010	January 31, 2009	April 30, 2009
Short-term borrowings:			
Commercial paper	$ 792,594	$ -	$ -
HSBC credit facility	882,500	690,485	-
	$ 1,675,094	$ 690,485	$ -
Long-term borrowings:			
CLOC borrowings, due August 2010	$ -	$ 970,813	$ -
Senior Notes, 7.875%, due January 2013	599,633	599,507	599,539
Senior Notes, 5.125%, due October 2014	398,882	398,648	398,706
Other	36,861	42,709	42,659
	1,035,376	2,011,677	1,040,904
Less: Current portion	(2,576)	(9,030)	(8,782)
	$ 1,032,800	$ 2,002,647	$ 1,032,122

At January 31, 2010, we maintained $1.95 billion in revolving credit facilities to support commercial paper issuances and general corporate purposes. These unsecured committed lines of credit (CLOCs) have a maturity date of August 2010 and carry an annual facility fee, based on our credit ratings, between six and fifteen basis points. We had no outstanding balance under the CLOCs as of January 31, 2010. The CLOCs require, among other things, that we maintain a minimum net worth of $650.0 million on the last day of any fiscal quarter. At January 31, 2010, we had net worth of $936.5 million.

Effective January 12, 2010, we entered into a $2.5 billion committed line of credit agreement with HSBC Bank USA, National Association (HSBC) for the purchase of RAL participations. This line is available up to its facility limit through March 30, 2010 and then only up to $120.0 million thereafter through June 30, 2010. The line is subject to covenants similar to those in the CLOC, but secured by the RAL participation interests. At January 31, 2010, there was $882.5 million outstanding under this facility.

On March 4, 2010, we entered into a new CLOC agreement to support commercial paper issuances, general corporate purposes, or for working capital needs. This facility replaced the CLOCs discussed above. The new facility provides funding up to $1.7 billion and matures July 31, 2013. The new facility bears interest at an annual rate of LIBOR plus 1.30% to 2.80% or PRIME plus .30% to 1.80% (depending on the type of borrowing) and includes an annual facility fee of .20% to .70% of the committed amounts, based on our credit ratings. Covenants in the new facility are substantially similar to those in the previous CLOCs including: (1) maintenance of a minimum net worth of $650.0 million on the last day of any fiscal quarter; and (2) reduction of the aggregate outstanding principal amount of short-term debt, as defined in the agreement, to $200.0 million or less for thirty consecutive days during the period March 1 to June 30 of each year (“Clean-down requirement”).

H&R Block Bank (HRB Bank) is a member of the Federal Home Loan Bank (FHLB) of Des Moines, which extends credit to member banks based on eligible collateral. At January 31, 2010, HRB Bank had total FHLB advance capacity of $252.0 million. There was $100.0 million outstanding on this facility, leaving remaining availability of $152.0 million. Mortgage loans held for investment of $487.7 million serve as eligible collateral and are used to determine total capacity.

8. Income Taxes

We file a consolidated federal income tax return in the United States and file tax returns in various state and foreign jurisdictions. Consolidated tax returns for the years 1999 through 2007 are currently under examination by the Internal Revenue Service. Tax years prior to 1999 are closed by statute. Historically, tax returns in various foreign and state jurisdictions are examined and settled upon completion of the exam.

During the nine months ended January 31, 2010, we accrued additional gross interest and penalties of $5.6 million related to our uncertain tax positions. We had gross unrecognized tax benefits of

$124.8 million and $124.6 million at January 31, 2010 and April 30, 2009, respectively. The gross unrecognized tax benefits increased $0.2 million in the current year, due primarily to interest accrual on positions related to prior years. Except as noted below, we have classified the liability for unrecognized tax benefits, including corresponding accrued interest, as long-term at January 31, 2010, which is included in other noncurrent liabilities on the condensed consolidated balance sheets.

Based upon the expiration of statutes of limitations, payments of tax and other factors in several jurisdictions, we believe it is reasonably possible that the total gross amount of reserves for previously unrecognized tax benefits may decrease by approximately $18.2 million within twelve months of January 31, 2010. This portion of our liability for unrecognized tax benefits has been classified as current and is included in accounts payable, accrued expenses and other current liabilities on the condensed consolidated balance sheets.

9. Interest Income and Expense

The following table shows the components of operating interest income and expense of our continuing operations:

(in 000s)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
Interest income:				
Mortgage loans	$ 7,567	$11,131	$23,535	$36,494
Emerald Advance lines of credit	36,867	43,311	39,944	44,539
Other	3,912	4,162	9,267	12,465
	$48,346	$58,604	$72,746	$93,498
Interest expense:				
Borrowings	$19,617	$21,623	$57,088	$60,849
Deposits	3,340	3,719	7,673	11,646
FHLB advances	509	1,326	1,526	3,981
	$23,466	$26,668	$66,287	$76,476

10. Fair Value

The following table presents for each hierarchy level the financial assets that are measured at fair value on both a recurring and non-recurring basis at January 31, 2010:

(dollars in 000s)

	Total	Level 1	Level 2	Level 3
Recurring:				
Available-for-sale securities	$ 40,956	$ -	$40,956	$ -
Non-recurring:				
Impaired mortgage loans held for investment	244,757	-	-	244,757
	$285,713	$ -	$40,956	$244,757
As a percentage of total assets	3.9%	-%	0.6%	3.3%

There were no significant changes to the unobservable inputs used in determining the fair values of our level 2 and level 3 financial assets.

The carrying amounts and estimated fair values of our financial instruments at January 31, 2010 are as follows:

(in 000s)

	Carrying Amount	Estimated Fair Value
Mortgage loans held for investment	$ 641,157	$ 473,633
IRAs and other time deposits	747,831	747,148
Long-term debt	1,035,376	1,144,323

11. Regulatory Requirements

HRB Bank files its regulatory Thrift Financial Report (TFR) on a calendar quarter basis with the Office of Thrift Supervision (OTS). The following table sets forth HRB Bank's regulatory capital requirements at December 31, 2009, as calculated in the most recently filed TFR:

(dollars in 000s)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio(1)	$374,952	33.7%	$ 89,032	8.0%	$ 111,290	10.0%
Tier 1 risk-based capital ratio(2)	$360,715	32.4%	N/A	N/A	$ 66,774	6.0%
Tier 1 capital ratio (leverage)(3)	$360,715	16.4%	$ 264,722	12.0%	$ 110,301	5.0%
Tangible equity ratio(4)	$360,715	16.4%	$ 33,090	1.5%	N/A	N/A

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

Block Financial LLC (BFC) typically makes capital contributions to HRB Bank to help it meet its capital requirements. BFC made capital contributions to HRB Bank of $235.0 million during the nine months ended January 31, 2010, and $245.0 million during the fiscal year ended April 30, 2009.

As of January 31, 2010, HRB Bank's leverage ratio was 13.7%.

12. Commitments and Contingencies

Changes in deferred revenue balances related to our Peace of Mind (POM) program, the current portion of which is included in accounts payable, accrued expenses and other current liabilities and the long-term portion of which is included in other noncurrent liabilities in the condensed consolidated balance sheets, are as follows:

(in 000s)

Nine Months Ended January 31,	2010	2009
Balance, beginning of period	$146,807	$140,583
Amounts deferred for new guarantees issued	21,139	23,480
Revenue recognized on previous deferrals	(58,122)	(56,375)
Balance, end of period	$109,824	$107,688

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

(in 000s)

As of	January 31, 2010	April 30, 2009
Franchise Equity Lines of Credit – undrawn commitment	$ 20,629	$ 38,055
Contingent business acquisition obligations	25,990	24,165
Media advertising purchase obligation	39,865	45,768

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

such claims are asserted, we believe the fair value of guarantees and indemnifications relating to our continuing operations is not material as of January 31, 2010.

Discontinued Operations

Sand Canyon Corporation (SCC) maintains recourse with respect to loans previously sold or securitized under indemnification of loss provisions relating to breach of representations and warranties made to purchasers or insurers.

At January 31, 2010 and April 30, 2009, our loan repurchase reserve totaled $198.3 million and $206.6 million, respectively. This liability is included in accounts payable, accrued expenses and other current liabilities on our condensed consolidated balance sheets.

13. Litigation and Related Contingencies

We are party to investigations, legal claims and lawsuits arising out of our business operations. As required, we accrue our best estimate of loss contingencies when we believe a loss is probable and we can reasonably estimate the amount of any such loss. Amounts accrued, including obligations under indemnifications, totaled $31.6 million and $27.9 million at January 31, 2010 and April 30, 2009, respectively. Litigation is inherently unpredictable and it is difficult to predict the outcome of particular matters with reasonable certainty and, therefore, the actual amount of any loss may prove to be larger or smaller than the amounts reflected in our consolidated financial statements.

RAL Litigation

We have been named as a defendant in numerous lawsuits throughout the country regarding our refund anticipation loan programs (collectively, "RAL Cases"). The RAL Cases have involved a variety of legal theories asserted by plaintiffs. These theories include allegations that, among other things: disclosures in the RAL applications were inadequate, misleading and untimely; the RAL interest rates were usurious and unconscionable; we did not disclose that we would receive part of the finance charges paid by the customer for such loans; untrue, misleading or deceptive statements in marketing RALs; breach of state laws on credit service organizations; breach of contract, unjust enrichment, unfair and deceptive acts or practices; violations of the federal Racketeer Influenced and Corrupt Organizations Act; violations of the federal Fair Debt Collection Practices Act and unfair competition regarding debt collection activities; and that we owe, and breached, a fiduciary duty to our customers in connection with the RAL program.

The amounts claimed in the RAL Cases have been very substantial in some instances, with one settlement resulting in a pretax expense of $43.5 million in fiscal year 2003 (the "Texas RAL Settlement") and other settlements resulting in a combined pretax expense in fiscal year 2006 of $70.2 million.

We have settled all but one of the RAL Cases. The sole remaining RAL Case is a putative class action entitled *Sandra J. Basile, et al. v. H&R Block, Inc., et al.*, April Term 1992 Civil Action No. 3246 in the Court of Common Pleas, First Judicial District Court of Pennsylvania, Philadelphia County, instituted on April 23, 1993. The plaintiffs seek unspecified actual and punitive damages, injunctive relief, attorneys' fees and costs. A Pennsylvania class was certified, but later decertified by the trial court in December 2003. The trial court's decertification decision is currently on appeal. We believe we have meritorious defenses to this case and intend to defend it vigorously. There can be no assurances, however, as to the outcome of this case or its impact on our consolidated results of operations.

Peace of Mind Litigation

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

Lorie J. Marshall, et al. v. H&R Block Tax Services, Inc., et al., Case No. 08-CV-591 in the U.S. District Court for the Southern District of Illinois, is a putative class action case originally filed in the Circuit Court of Madison County, Illinois on January 18, 2002. The plaintiffs allege that the sale of POM guarantees constitutes (1) statutory fraud by selling insurance without a license, (2) an unfair trade practice, by omission and by "cramming" (i.e., charging customers for the guarantee even though they did not request it or want it), and (3) a breach of fiduciary duty. The plaintiffs seek unspecified damages, injunctive relief, attorneys' fees and costs. The Madison County court ultimately certified a class consisting of all persons

residing in 13 states who from January 1, 1997 to final judgment (1) were charged a separate fee for POM by "H&R Block;" (2) were charged a separate fee for POM by an "H&R Block" entity not licensed to sell insurance; or (3) had an unsolicited charge for POM posted to their bills by "H&R Block." Persons who received the POM guarantee through an H&R Block Premium office were excluded from the class. We subsequently removed the case to federal court in the Southern District of Illinois, where it is now pending. In November 2009, the federal court issued an order effectively vacating the state court's class certification ruling and allowing plaintiffs time to file a renewed motion for class certification under the federal rules. Plaintiffs filed a new motion for class certification seeking certification of an 11-state class. A hearing on plaintiffs' motion is set for April 30, 2010.

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

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

Express IRA Litigation

On March 15, 2006, the New York Attorney General filed a lawsuit in the Supreme Court of the State of New York, County of New York (Index No. 06/401110) entitled *The People of New York v. H&R Block, Inc. and H&R Block Financial Advisors, Inc. et al*. The complaint asserts nationwide jurisdiction and alleges fraudulent business practices, deceptive acts and practices, common law fraud and breach of fiduciary duty with respect to the Express IRA product and seeks equitable relief, disgorgement of profits, damages and restitution, civil penalties and punitive damages. In July 2007, the Supreme Court of the State of New York issued a ruling that dismissed all defendants other than H&R Block Financial Advisors, Inc. (HRBFA) and the claims of common law fraud. The intermediate appellate court reversed this ruling in January 2009. To avoid the cost and inherent risk associated with litigation, we reached an agreement to settle this case and the civil actions described below, subject to approval by the federal court presiding over the civil actions. Details regarding the settlement are described below. We believe we have meritorious defenses to the claims in this case and, if for any reason the settlement is not approved, we will continue to defend this case vigorously. There can be no assurances, however, as to the outcome of this case or its impact on our consolidated results of operations.

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

In addition to the New York and Mississippi Attorney General actions, a number of civil actions were filed against HRBFA and us concerning the Express IRA product, the first of which was filed on March 15, 2006. Except for two cases pending in state court, all of the civil actions have been consolidated by the panel for Multi-District Litigation into a single action styled *In re H&R Block, Inc. Express IRA Marketing Litigation* (Case No. 06-1786-MD-RED) in the United States District Court for the Western District of Missouri. To avoid the cost and inherent risk associated with litigation, we have reached an agreement to settle these cases and the New York Attorney General action, subject to approval by the federal court presiding over the Multi-District Litigation. The settlement would require a minimum payment of $11.4 million and a maximum payment of $25.4 million. The actual cost of the settlement would depend on the number of claims submitted by class members. The federal court granted preliminary approval of

the settlement on January 25, 2010 and scheduled a final fairness hearing on May 17, 2010. We believe we have meritorious defenses to the claims in these cases and, if for any reason the settlement is not approved, we will continue to defend them vigorously. We previously recorded a liability for our best estimate of the expected loss. There can be no assurances, however, as to the outcome of these cases or their impact on our consolidated results of operations.

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

Securities and Shareholder Litigation

On April 6, 2007, a putative class action styled *In re H&R Block Securities Litigation* (Case No. 06-0236-CV-W-ODS) was filed against the Company and certain of its officers in the United States District Court for the Western District of Missouri. The complaint alleged, among other things, deceptive, material and misleading financial statements and failure to prepare financial statements in accordance with generally accepted accounting principles. The complaint sought unspecified damages and equitable relief. The court dismissed the complaint in February 2008, and the plaintiffs appealed the dismissal in March 2008. In addition, plaintiffs in a shareholder derivative action that was consolidated into the securities litigation filed a separate appeal in March 2008, contending that the derivative action was improperly consolidated. The derivative action is *Iron Workers Local 16 Pension Fund v. H&R Block, et al.*, in the United States District Court for the Western District of Missouri, Case No. 06-cv-00466-ODS (instituted on June 8, 2006) and was brought against certain of our directors and officers purportedly on behalf of the Company. The derivative action alleged breach of fiduciary duty, abuse of control, gross mismanagement, waste, and unjust enrichment pertaining to (1) our restatement of financial results in fiscal year 2006 due to errors in determining our state effective income tax rate and (2) certain of our products and business activities. In September 2009, the appellate court affirmed the dismissal of the securities fraud class action, but reversed the dismissal of the shareholder derivative action. We believe we have meritorious defenses to the claims in the shareholder derivative action and intend to defend the action vigorously. There can be no assurances, however, as to its outcome.

RSM McGladrey Litigation

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

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

As more fully described in note 2, RSM and M&P operate in an alternative practice structure. Accordingly, certain claims and lawsuits against M&P could have an impact on RSM. More specifically, any judgments or settlements arising from claims and lawsuits against M&P which exceed its insurance coverage could have a direct adverse effect on M&P's operations. Although RSM is not responsible for the liabilities of M&P, significant M&P litigation and claims could impair the profitability of the APS and impair the ability to attract and retain clients and quality professionals. This could, in turn, have a material adverse effect on RSM's operations and impair the value of our investment in RSM. There is no assurance regarding the outcome of any claims or litigation involving M&P.

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

Litigation and Claims Pertaining to Discontinued Mortgage Operations

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

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

SCC also remains subject to potential claims for indemnification and loan repurchases pertaining to loans previously sold. In the current non-prime mortgage environment, it is likely that the frequency of repurchase and indemnification claims may increase over historical experience and give rise to additional litigation. In some instances, H&R Block, Inc. was required to guarantee SCC's obligations. The amounts involved in these potential claims may be substantial, and the ultimate resulting liability is difficult to predict. Because SCC's operating results are included in our consolidated financial statements, the amounts SCC may be required to pay in the discharge or settlement of these claims in the event of unfavorable outcomes could have a material adverse impact on our consolidated results of operations.

Other Claims and Litigation

We are from time to time party to investigations, claims and lawsuits not discussed herein arising out of our business operations. These investigations, claims and lawsuits include actions by state attorneys general, other state regulators, individual plaintiffs, and cases in which plaintiffs seek to represent a class of others similarly situated. Some of these investigations, claims and lawsuits pertain to RALs, the electronic filing of customers' income tax returns, the POM guarantee program, wage and hour claims and investment products. We believe we have meritorious defenses to each of these investigations, claims and lawsuits,

and we are defending or intend to defend them vigorously. The amounts claimed in these matters are substantial in some instances; however the ultimate liability with respect to such matters is difficult to predict. In the event of an unfavorable outcome, the amounts we may be required to pay in the discharge of liabilities or settlements could have a material adverse impact on our consolidated results of operations.

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

14. Segment Information

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

(in 000s)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
Revenues:				
Tax Services	$747,685	$796,866	$ 944,953	$ 983,300
Business Services	178,482	185,177	562,702	592,873
Corporate	8,685	11,403	28,783	40,651
	$934,852	$993,446	$1,536,438	$1,616,824
Pretax income (loss):				
Tax Services	$131,189	$133,473	$ (212,973)	$ (218,309)
Business Services	(11,222)	10,695	(9,727)	23,481
Corporate	(22,516)	(42,429)	(103,575)	(143,856)
Income (loss) from continuing operations before income taxes	$ 97,451	$101,739	$ (326,275)	$ (338,684)

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

These segment changes also resulted in the reclassification of assets between segments. Identifiable assets by reportable segment at January 31, 2010 are as follows:

(in 000s)

Tax Services	$5,187,631
Business Services	835,074
Corporate	1,387,424
	$7,410,129

15. Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2009-13, "Revenue Recognition (Topic 605) – Multiple-Deliverable Revenue Arrangements" (ASU 2009-13). This guidance amends the criteria for separating consideration in multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (1) vendor-specific objective evidence; (2) third-party evidence; or

(3) estimates. This guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. In addition, this guidance significantly expands required disclosures related to a vendor's multiple-deliverable revenue arrangements. This guidance is effective prospectively for revenue arrangements entered into or materially modified beginning with our fiscal year 2012. We are currently evaluating the effect of this guidance on our consolidated financial statements.

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

In June 2009, the FASB issued guidance, under Topic 860 – Transfers and Servicing. This guidance will require more disclosure about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a qualifying special purpose entity and changes the requirements for derecognizing financial assets. This guidance will be effective at the beginning of our fiscal year 2011. We are currently evaluating the effect of this guidance on our consolidated financial statements.

In December 2007, the FASB issued guidance, under Topic 805 – Business Combinations, requiring an acquiring entity to recognize all the assets acquired and liabilities assumed in a transaction, including non-controlling interests, at the acquisition-date fair value with limited exceptions. This guidance will require acquisition-related expenses to be expensed and will generally require contingent consideration to be recorded as a liability at the time of acquisition. Under this guidance, subsequent changes to deferred tax valuation allowances relating to acquired businesses and acquired liabilities for uncertain tax positions will no longer be applied to goodwill but will instead be typically recognized as an adjustment to income tax expense. We adopted the provisions of this guidance as of May 1, 2009. The adoption did not have a material impact on our consolidated financial statements.

In June 2008, the FASB issued guidance, under Topic 260 – Earnings Per Share, addressing whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, should be included in the process of allocating earnings for purposes of computing earnings per share. We adopted the provisions of this guidance as of May 1, 2009. The adoption and retrospective application of this guidance did not change the current year or prior period earnings per share amounts for the fiscal quarter. The adoption of this accounting guidance will reduce earnings per share as previously reported for fiscal year 2009 by $0.01. See additional discussion in note 3.

16. Condensed Consolidating Financial Statements

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

Condensed Consolidating Income Statements					(in 000s)
Three Months Ended January 31, 2010	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ -	$83,291	$ 851,581	$ (20)	$ 934,852
Cost of revenues	-	86,020	559,799	(72)	645,747
Selling, general and administrative	-	2,881	191,800	(20)	194,661
Total expenses	-	88,901	751,599	(92)	840,408
Operating income (loss)	-	(5,610)	99,982	72	94,444
Other income (expense), net	97,451	(1,609)	4,688	(97,523)	3,007
Income (loss) from continuing operations before taxes (benefit)	97,451	(7,219)	104,670	(97,451)	97,451
Income taxes (benefit)	43,848	(2,721)	46,569	(43,848)	43,848
Net income (loss) from continuing operations	53,603	(4,498)	58,101	(53,603)	53,603
Net loss from discontinued operations	(2,968)	(2,968)	-	2,968	(2,968)
Net income (loss)	$ 50,635	$ (7,466)	$ 58,101	$(50,635)	$ 50,635

Three Months Ended January 31, 2009	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ -	$ 85,044	$ 908,466	$ (64)	$ 993,446
Cost of revenues	-	79,743	604,819	5	684,567
Selling, general and administrative	-	44,125	164,791	(102)	208,814
Total expenses	-	123,868	769,610	(97)	893,381
Operating income (loss)	-	(38,824)	138,856	33	100,065
Other income (expense), net	101,739	(1,968)	3,610	(101,707)	1,674
Income (loss) from continuing operations before taxes (benefit)	101,739	(40,792)	142,466	(101,674)	101,739
Income taxes (benefit)	34,909	(16,013)	50,942	(34,929)	34,909
Net income (loss) from continuing operations	66,830	(24,779)	91,524	(66,745)	66,830
Net loss from discontinued operations	(19,467)	(20,113)	-	20,113	(19,467)
Net income (loss)	$ 47,363	$ (44,892)	$ 91,524	$ (46,632)	$ 47,363

Nine Months Ended January 31, 2010	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ -	$127,513	$ 1,409,001	$ (76)	$ 1,536,438
Cost of revenues	-	177,441	1,265,777	(72)	1,443,146
Selling, general and administrative	-	7,836	419,803	(76)	427,563
Total expenses	-	185,277	1,685,580	(148)	1,870,709
Operating loss	-	(57,764)	(276,579)	72	(334,271)
Other income (expense), net	(326,275)	(5,449)	13,517	326,203	7,996
Loss from continuing operations before tax benefit	(326,275)	(63,213)	(263,062)	326,275	(326,275)
Income tax benefit	(122,789)	(25,707)	(97,082)	122,789	(122,789)
Net loss from continuing operations	(203,486)	(37,506)	(165,980)	203,486	(203,486)
Net loss from discontinued operations	(8,100)	(8,100)	-	8,100	(8,100)
Net loss	$ (211,586)	$ (45,606)	$ (165,980)	$211,586	$ (211,586)

Nine Months Ended January 31, 2009	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ -	$ 124,145	$ 1,495,472	$ (2,793)	$ 1,616,824
Cost of revenues	-	172,187	1,317,475	(10)	1,489,652
Selling, general and administrative	-	74,669	389,669	(284)	464,054
Total expenses	-	246,856	1,707,144	(294)	1,953,706
Operating loss	-	(122,711)	(211,672)	(2,499)	(336,882)
Other income (expense), net	(338,684)	(5,858)	4,024	338,716	(1,802)
Loss from continuing operations before tax benefit	(338,684)	(128,569)	(207,648)	336,217	(338,684)
Income tax benefit	(143,930)	(50,553)	(92,329)	142,882	(143,930)
Net loss from continuing operations	(194,754)	(78,016)	(115,319)	193,335	(194,754)
Net loss from discontinued operations	(26,476)	(28,577)	-	28,577	(26,476)
Net loss	$ (221,230)	$(106,593)	$ (115,319)	$221,912	$ (221,230)

Condensed Consolidating Balance Sheets					(in 000s)
January 31, 2010	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Cash & cash equivalents	$ -	$1,333,879	$ 400,963	$ (7,165)	$ 1,727,677
Cash & cash equivalents – restricted	-	61,893	23,420	-	85,313
Receivables, net	8	1,826,437	740,385	-	2,566,830
Mortgage loans held for investment	-	641,157	-	-	641,157
Intangible assets and goodwill, net	-	-	1,215,005	-	1,215,005
Other assets	2,780,404	362,303	811,844	(2,780,404)	1,174,147
Total assets	$ 2,780,412	$4,225,669	$ 3,191,617	$(2,787,569)	$ 7,410,129
Short-term borrowings	$ -	$1,675,094	$ -	$ -	$ 1,675,094
Customer deposits	-	2,227,666	-	(7,165)	2,220,501
Long-term debt	-	998,515	34,285	-	1,032,800
FHLB borrowings	-	100,000	-	-	100,000
Other liabilities	65	97,990	1,347,212	-	1,445,267
Net intercompany advances	1,843,880	(981,063)	(862,817)	-	-
Stockholders' equity	936,467	107,467	2,672,937	(2,780,404)	936,467
Total liabilities and stockholders' equity	$ 2,780,412	$4,225,669	$ 3,191,617	$(2,787,569)	$ 7,410,129

April 30, 2009	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Cash & cash equivalents	$ -	$ 241,350	$ 1,419,535	$ (6,222)	$ 1,654,663
Cash & cash equivalents – restricted	-	4,303	47,353	-	51,656
Receivables, net	38	114,442	398,334	-	512,814
Mortgage loans held for investment	-	744,899	-	-	744,899
Intangible assets and goodwill, net	-	-	1,236,228	-	1,236,228
Other assets	3,289,435	308,481	850,981	(3,289,435)	1,159,462
Total assets	$ 3,289,473	$1,413,475	$ 3,952,431	$(3,295,657)	$ 5,359,722
Customer deposits	$ -	$ 861,110	$ -	$ (6,222)	$ 854,888
Long-term debt	-	998,245	33,877	-	1,032,122
FHLB borrowings	-	100,000	-	-	100,000
Other liabilities	2	130,362	1,836,477	12	1,966,853
Net intercompany advances	1,883,612	(827,453)	(1,056,147)	(12)	-
Stockholders' equity	1,405,859	151,211	3,138,224	(3,289,435)	1,405,859
Total liabilities and stockholders' equity	$ 3,289,473	$1,413,475	$ 3,952,431	$(3,295,657)	$ 5,359,722

Condensed Consolidating Statements of Cash Flows					(in 000s)
Nine Months Ended January 31, 2010	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Net cash provided by (used in) operating activities:	$ 11,590	$(1,868,572)	$ (872,065)	$ -	$ (2,729,047)
Cash flows from investing:					
Mortgage loans originated for investment, net	-	56,114	-	-	56,114
Purchase property & equipment	-	616	(63,858)	-	(63,242)
Payments made for business acquisitions, net of cash acquired	-	-	(10,828)	-	(10,828)
Proceeds from sale of businesses, net	-	-	66,760	-	66,760
Net intercompany advances	276,743	-	-	(276,743)	-
Other, net	-	23,989	(1,619)	-	22,370
Net cash provided by (used in) investing activities	276,743	80,719	(9,545)	(276,743)	71,174
Cash flows from financing:					
Repayments of short-term borrowings	-	(982,774)	-	-	(982,774)
Proceeds from short-term borrowings	-	2,657,436	-	-	2,657,436
Customer banking deposits	-	1,366,106	-	(943)	1,365,163
Dividends paid	(151,317)	-	-	-	(151,317)
Repurchase of common stock	(154,201)	-	-	-	(154,201)
Proceeds from stock options	15,678	-	-	-	15,678
Net intercompany advances	-	(151,334)	(125,409)	276,743	-
Other, net	1,507	(9,052)	(21,889)	-	(29,434)
Net cash provided by (used in) financing activities	(288,333)	2,880,382	(147,298)	275,800	2,720,551
Effects of exchange rates on cash	-	-	10,336	-	10,336
Net increase (decrease) in cash	-	1,092,529	(1,018,572)	(943)	73,014
Cash – beginning of period	-	241,350	1,419,535	(6,222)	1,654,663
Cash – end of period	$ -	$ 1,333,879	$ 400,963	$ (7,165)	$ 1,727,677

Nine Months Ended January 31, 2009	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Net cash used in operating activities:	$ (3,360)	$(1,868,531)	$ (551,671)	$ -	$ (2,423,562)
Cash flows from investing:					
Mortgage loans originated for investment, net	-	72,150	-	-	72,150
Purchase property & equipment	-	(5,366)	(68,547)	-	(73,913)
Payments made for business acquisitions, net of cash acquired	-	-	(290,868)	-	(290,868)
Proceeds from sale of businesses, net	-	-	11,556	-	11,556
Net intercompany advances	(71,691)	-	-	71,691	-
Investing cash flows of discontinued operations	-	255,066	-	-	255,066
Other, net	-	7,483	4,800	-	12,283
Net cash provided by (used in) investing activities	(71,691)	329,333	(343,059)	71,691	(13,726)
Cash flows from financing:					
Repayments of short-term borrowings	-	(928,983)	-	-	(928,983)
Proceeds from short-term borrowings	-	2,565,281	-	-	2,565,281
Customer banking deposits	-	1,326,275	-	309	1,326,584
Dividends paid	(147,569)	-	-	-	(147,569)
Acquisition of treasury shares	(7,387)	-	-	-	(7,387)
Proceeds from stock options	69,891	-	-	-	69,891
Proceeds from issuance of stock	141,450	-	-	-	141,450
Net intercompany advances	-	(448,639)	520,330	(71,691)	-
Financing cash flows of discontinued operations	-	4,783	-	-	4,783
Other, net	18,666	-	(1,122)	-	17,544
Net cash provided by financing activities	75,051	2,518,717	519,208	(71,382)	3,041,594
Net increase (decrease) in cash	-	979,519	(375,522)	309	604,306
Cash – beginning of period	-	34,611	630,933	(647)	664,897
Cash – end of period	$ -	$ 1,014,130	$ 255,411	$ (338)	$ 1,269,203

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

H&R Block provides tax services, banking services and business and consulting services. Our Tax Services segment provides income tax return preparation services, electronic filing services and other services and products related to income tax return preparation to the general public primarily in the United States, Canada and Australia. This segment also offers The H&R Block Prepaid Emerald MasterCard® and Emerald Advance lines of credit through H&R Block Bank (HRB Bank), which was previously reported in our Consumer Financial Services segment. Our Business Services segment consists of RSM McGladrey, Inc. (RSM), a national accounting, tax and business consulting firm primarily serving mid-sized businesses. Corporate operating losses include interest income from U.S. passive investments, interest expense on borrowings, net interest margin and gains or losses relating to mortgage loans held for investment, real estate owned, residual interests in securitizations and other corporate expenses, principally related to finance, legal and other support departments. All periods presented reflect our new segment reporting structure.

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

On July 21, 2009, M&P provided 210 days notice of its intent to terminate the administrative services agreement, resulting in termination of the APS unless revoked or modified prior to the expiration of the notice period. As a protective measure, on September 15, 2009, RSM also provided notice of its intent to terminate the administrative services agreement. Effective February 3, 2010, RSM and M&P entered into new agreements, withdrawing their prior notices of termination. See additional discussion of the new agreements in note 2 to the condensed consolidated financial statements.

TAX SERVICES

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

Tax Services – Operating Statistics (U.S. only)		
Three Months Ended January 31,	2010	2009
Tax returns prepared (in 000s):		
Company-owned operations	2,292	2,579
Franchise operations(1)	1,347	1,339
Total retail operations	3,639	3,918
Software	635	780
Online	719	643
Free File Alliance	201	178
Total digital tax solutions	1,555	1,601
	5,194	5,519
Net average fee per tax return prepared:(2)		
Company-owned operations	$205.06	$202.07
Franchise operations	181.20	171.67
	$196.23	$191.68
“Same-office” tax returns prepared (in 000s):(3)		
Company-owned operations	2,249	2,335
Franchise operations	1,292	1,376
Total retail operations	3,541	3,711
Offices:		
Company-owned	6,431	7,029
Company-owned shared locations(4)	760	1,542
Total company-owned offices	7,191	8,571
Franchise	3,909	3,565
Franchise shared locations(4)	406	787
Total franchise offices	4,315	4,352
	11,506	12,923

(1) Fiscal year 2009 returns include approximately 112,000 returns prepared in offices we sold or franchised in fiscal year 2010. Tax returns prepared in these offices are presented within company-owned operations for fiscal year 2009.
(2) Calculated as net tax preparation fees divided by retail tax returns prepared.
(3) Same-office returns represent returns prepared at 6,978 company-owned and 3,871 franchise offices open in both fiscal year 2010 and 2009. Prior year numbers have been reclassified between company-owned and franchise operations for offices which were refranchised during either year.
(4) Shared locations include offices located within Sears and other third-party businesses. In the prior year, these locations also included offices within Wal-Mart stores.

Tax Services – Operating Results				(in 000s)
	Three Months Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
Tax preparation fees	$485,277	$534,389	$ 578,207	$ 620,728
Royalties	75,174	72,980	84,836	81,963
Loan participation and related fees	38,163	36,766	38,463	36,123
Interest income on Emerald Advance	36,867	43,311	39,944	44,539
Fees from Emerald Card activities	21,814	23,678	42,933	42,328
Fees from Peace of Mind guarantees	11,079	10,549	58,122	56,375
Other	79,311	75,193	102,448	101,244
Total revenues	747,685	796,866	944,953	983,300
Compensation and benefits:				
Field wages	208,466	217,927	302,783	313,831
Other wages	29,634	32,822	88,355	89,704
Benefits and other compensation	44,023	51,044	85,134	84,766
	282,123	301,793	476,272	488,301
Occupancy and equipment	98,625	100,981	279,568	276,737
Marketing and advertising	87,670	90,083	109,770	110,023
Bad debt	56,762	62,062	59,034	63,614
Depreciation and amortization	23,226	20,492	67,952	57,359
Supplies	15,409	18,729	23,255	27,657
Other	64,676	69,253	155,659	177,918
Gains on sale of tax offices	(11,995)	-	(13,584)	-
Total expenses	616,496	663,393	1,157,926	1,201,609
Pretax income (loss)	$131,189	$133,473	$ (212,973)	$ (218,309)

Three months ended January 31, 2010 compared to January 31, 2009

Tax Services' revenues decreased $49.2 million, or 6.2%, for the three months ended January 31, 2010 from the prior year. Tax preparation fees decreased $49.1 million, or 9.2%, primarily due to an 11.1% decrease in U.S. retail tax returns prepared in company-owned offices, partially offset by a 1.5% increase in the net average fee per U.S. retail tax return. The decrease in U.S. retail tax returns prepared in company-owned offices is primarily due to the following factors:

- During fiscal year 2010, we sold more than 270 tax offices to franchisees. Approximately 112,000 tax returns prepared in company-owned offices in fiscal year 2009 were prepared by franchisees in 2010. Adjusting for these returns, the decline in tax returns prepared in company-owned offices was 7.1% from fiscal 2009 to 2010.
- We believe the decline of 7.1% is primarily due to a decline in returns filed with the IRS as well as a 1-2% shift (through February) from assisted tax preparation to do-it-yourself alternatives. We estimate that IRS filings to date are down approximately 4 to 5 percent through February 28, and believe these declines are principally attributable to difficult economic conditions in the U.S., in particular, the extended duration of high unemployment levels.
- In addition, during fiscal year 2010, we closed certain under-performing offices and exited offices serving clients in Wal-Mart locations. We believe that tax returns prepared declined by approximately 1% (net of client retention through other office locations) as a result of these office closures.

The business of our Tax Services segment is highly seasonal and results for our third quarter represent only a small portion of the tax season. Third quarter results may not be indicative of the results we expect for the entire fiscal year. Tax returns prepared in company-owned and franchise offices through February 28, 2010 decreased 9.4% from the prior year, compared with a 7.1% decline through January 31.

Royalties increased $2.2 million, or 3.0%, due to the conversion of more than 270 company-owned offices into franchises, partially offset by a decline in tax returns prepared in existing franchise offices.

Loan participation and related fees increased $1.4 million, or 3.8%, as lower loan volumes were offset by higher average loan amounts.

Interest income on Emerald Advance lines of credit decreased $6.4 million, or 14.9%. This decline was primarily a result of lower loan volumes due to these lines of credit only being offered to prior year tax clients in fiscal year 2010, and both prior and new clients in fiscal year 2009.

Total expenses decreased $46.9 million, or 7.1%, for the three months ended January 31, 2010. Total compensation and benefits decreased $19.7 million, or 6.5%, primarily as a result of lower commission-based wages due to the decline in the number of tax returns prepared. Bad debt expense decreased $5.3 million, or 8.5%, primarily as a result of lower Emerald Advance lines of credit and RAL volumes, and more restrictive underwriting criteria. Other expenses decreased $4.6 million, or 6.6%, primarily as a result of lower legal expenses. During the three months ended January 31, 2010 we recognized gains of $12.0 million on the sale of certain company-owned offices to franchisees. Gains totaling $45.4 million were deferred at January 31, 2010 and are expected to be recognized principally in the fourth quarter of fiscal year 2010.

The pretax income for the three months ended January 31, 2010 and 2009 was $131.2 million and $133.5 million, respectively.

Nine months ended January 31, 2010 compared to January 31, 2009

Tax Services' revenues decreased $38.3 million, or 3.9%, for the nine months ended January 31, 2010 from the prior year. Tax preparation fees decreased $42.5 million, or 6.9%, primarily due to a 9.7% decrease in U.S. retail tax returns prepared in company-owned offices, offset by a 1.5% increase in the net average fee per U.S. retail tax return.

Royalties increased $2.9 million, or 3.5%, primarily due to the conversion of more than 270 company-owned offices into franchises, partially offset by a decline in tax returns prepared in existing franchise offices.

Loan participation and related fees increased $2.3 million, or 6.5%, as lower loan volumes were offset by higher average loan amounts.

Interest income on Emerald Advance lines of credit decreased $4.6 million, or 10.3%. This decline was primarily a result of lower loan volumes due to these lines of credit only being offered to prior year tax clients.

Total expenses decreased $43.7 million, or 3.6%, for the nine months ended January 31, 2010. Total compensation and benefits decreased $12.0 million, or 2.5%, primarily as a result of lower commission-based wages due to the decline in the number of tax returns prepared. Bad debt expense decreased $4.6 million, or 7.2%, primarily as a result of lower volumes of Emerald Advance and RAL products. Depreciation and amortization expenses increased $10.6 million, or 18.5%, as a result of amortization of intangible assets related to the November 2008 acquisition of our last major independent franchise operator. Other expenses decreased $22.3 million, or 12.5% primarily as a result of lower legal expenses. In the current year, we recognized gains of $13.6 million on the sale of certain company-owned offices to franchisees.

The pretax loss for the nine months ended January 31, 2010 and 2009 was $213.0 million and $218.3 million, respectively.

BUSINESS SERVICES

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

Business Services – Operating Results				(in 000s)
	Three Months Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
Tax services	$ 72,979	$ 78,267	$251,272	$265,137
Business consulting	68,887	60,366	192,032	187,123
Accounting services	11,877	13,904	35,926	40,285
Capital markets	3,225	4,762	5,754	15,545
Reimbursed expenses	5,658	5,883	16,011	14,418
Other	15,856	21,995	61,707	70,365
Total revenues	178,482	185,177	562,702	592,873
Compensation and benefits	116,606	121,983	400,295	406,272
Occupancy	14,678	12,456	33,601	37,590
Depreciation	5,224	5,678	16,054	16,807
Marketing and advertising	4,733	6,255	14,287	18,461
Amortization of intangible assets	2,896	3,177	8,803	9,946
Other	45,567	24,933	99,389	80,316
Total expenses	189,704	174,482	572,429	569,392
Pretax income (loss)	$ (11,222)	$ 10,695	$ (9,727)	$ 23,481

Three months ended January 31, 2010 compared to January 31, 2009

Business Services' revenues for the three months ended January 31, 2010 decreased $6.7 million, or 3.6%, from the prior year. Revenues from tax and accounting services decreased $5.3 million and $2.0 million, respectively, from the prior year primarily due to lower rates and fewer chargeable hours resulting from reduced client demand given the current economic conditions. Business consulting revenues increased $8.5 million, or 14.1%, primarily due to a large engagement in our operational consulting practice.

Total expenses increased $15.2 million, or 8.7%, from the prior year, primarily due to a $15.0 million impairment of goodwill at RSM EquiCo, Inc. (RSM EquiCo), as discussed in note 6 to the condensed consolidated financial statements. Compensation and benefits decreased $5.4 million, or 4.4%, primarily due to headcount reductions driven by reduced client demand. Other expenses increased $20.6 million over the prior year primarily due to the impairment of goodwill.

The pretax loss for the three months ended January 31, 2010 was $11.2 million compared to income of $10.7 million in the prior year.

Nine months ended January 31, 2010 compared to January 31, 2009

Business Services' revenues for the nine months ended January 31, 2010 decreased $30.2 million, or 5.1%, from the prior year. Revenues from tax and accounting services decreased $13.9 million and $4.4 million, respectively, from the prior year primarily due to lower chargeable hours resulting from reduced client demand given the current economic conditions. Business consulting revenues increased $4.9 million, or 2.6%, primarily due to higher chargeable hours compared to the prior year.

Capital markets revenues decreased $9.8 million, or 63.0%, primarily due to a 47.6% decline in the number of transactions closed in the current year due to the continued weak economic conditions.

Total expenses increased $3.0 million, or 0.5%, from the prior year, as a $15.0 million impairment of goodwill was partially offset by operating cost reductions. Compensation and benefits decreased $6.0 million, or 1.5%, primarily due to headcount reductions driven by reduced client demand. Marketing and advertising decreased $4.2 million, or 22.6%, primarily due to fewer sponsorships and lower advertising costs. Other expenses increased $19.1 million over the prior year primarily due to the impairment of goodwill.

The pretax loss for the nine months ended January 31, 2010 was $9.7 million compared to income of $23.5 million in the prior year.

CORPORATE, ELIMINATIONS AND INCOME TAXES ON CONTINUING OPERATIONS

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

Corporate – Operating Results (in 000s)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
Interest income on mortgage loans held for investment	$ 7,567	$ 11,131	$ 23,535	$ 36,494
Other	1,118	272	5,248	4,157
Total revenues	8,685	11,403	28,783	40,651
Interest expense	19,762	24,431	58,636	70,805
Provision for loan losses	9,050	13,870	36,050	51,953
Compensation and benefits	11,805	16,665	38,592	41,856
Other, net	(9,416)	(1,134)	(920)	19,893
Total expenses	31,201	53,832	132,358	184,507
Pretax loss	$(22,516)	$(42,429)	$(103,575)	$(143,856)

Three months ended January 31, 2010 compared to January 31, 2009

Interest income earned on mortgage loans held for investment for the three months ended January 31, 2010 decreased $3.6 million, or 32.0%, from the prior year, primarily as a result of non-performing loans, declining loan balances and lower interest rates on modified loans. Interest expense declined $4.7 million, or 19.1% due to lower funding costs related to our mortgage loan portfolio and lower corporate borrowings. Our provision for loan losses decreased $4.8 million from the prior year as a result of declining rates of new delinquencies in our static loan portfolio, partially offset by higher loss severity. See related discussion below under "Mortgage Loans Held for Investment." During the quarter we transferred liabilities relating to previously retained insurance risk to a third-party, and recorded a gain totaling $9.5 million, which is reported above as a reduction of other expenses, net.

Nine months ended January 31, 2010 compared to January 31, 2009

Interest income earned on mortgage loans held for investment for the nine months ended January 31, 2010 declined $13.0 million, or 35.5%, from the prior year, primarily as a result of non-performing loans and declining loan balances and lower interest rates on modified loans. Interest expense declined $12.2 million, or 17.2%, due to lower corporate borrowings and lower funding costs related to our mortgage loan portfolio. Our provision for loan losses decreased $15.9 million from the prior year. See related discussion below under "Mortgage Loans Held for Investment."

Other expenses, net declined $20.8 million primarily due to impairments of residual interests totaling $4.0 million recorded in the prior year, compared with gains of $6.4 million in the current year and a gain of $9.9 million recorded on the transfer of insurance liabilities to a third-party.

Income Taxes

Our effective tax rate for continuing operations was 45.0% and 34.3% for the three months ended January 31, 2010 and 2009, respectively. The increase in the quarterly rate was primarily due to an increase in income tax reserves and adjustments to the annual estimated tax rate.

Our effective tax rate for continuing operations was 37.6% and 42.5% for the nine months ended January 31, 2010 and 2009, respectively. The decline from the prior year was primarily due to discrete tax reserves in fiscal year 2009, and a decrease in non-deductible losses from investments in company-owned life insurance assets. We expect our effective tax rate for full fiscal year 2010 to be approximately 39%.

Mortgage Loans Held for Investment

Mortgage loans held for investment include loans originated by our affiliate, Sand Canyon Corporation (SCC), and purchased by HRB Bank totaling $465.4 million, or 63.5% of the total loan portfolio at January 31, 2010. We have experienced higher rates of delinquency and have greater exposure to loss with respect to this segment of our loan portfolio. Our remaining loan portfolio totaled $267.4 million and is characteristic of a prime loan portfolio, and we believe subject to a lower loss exposure.

Detail of our mortgage loans held for investment and the related allowance at January 31, 2010 and April 30, 2009 is as follows:

(dollars in 000s)

	Outstanding Principal Balance	Loan Loss Allowance Amount	Loan Loss Allowance % of Principal	% 30+ Days Past Due
As of January 31, 2010:				
Purchased from SCC	$ 465,426	$87,216	18.74%	37.04%
All other	267,372	10,053	3.76%	9.01%
	$ 732,798	$97,269	13.27%	27.06%
As of April 30, 2009:				
Purchased from SCC	$ 531,233	$78,067	14.70%	28.74%
All other	290,604	6,006	2.07%	4.44%
	$ 821,837	$84,073	10.23%	20.23%

We recorded provisions for loan losses of $9.1 million and $36.1 million during the three and nine months ended January 31, 2010, respectively, compared to $13.9 million and $52.0 million during the three and nine months ended January 31, 2009, respectively. Our allowance for loan losses as a percent of mortgage loans was 13.27%, or $97.3 million, at January 31, 2010, compared to 10.23%, or $84.1 million, at April 30, 2009. This allowance represents our best estimate of credit losses inherent in the loan portfolio as of the balance sheet dates.

FINANCIAL CONDITION

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

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

Given the likely availability of a number of liquidity options discussed herein, including borrowing capacity under our commercial paper program, unsecured committed lines of credit (CLOCs) and seasonal CLOC used to purchase RAL participations, we believe, that in the absence of any unexpected developments, our existing sources of capital at January 31, 2010 are sufficient to meet our operating needs.

CASH FROM OPERATING ACTIVITIES – Cash used in operations totaled $2.7 billion for the nine months ended January 31, 2010, compared with $2.4 billion for the same period last year. The increase was primarily due to increases in income tax payments made during the current year.

CASH FROM INVESTING ACTIVITIES – Cash provided by investing activities totaled $71.2 million for the nine months ended January 31, 2010, compared to a use of $13.7 million for the same period last year, primarily as a result of lower payments for business acquisitions, partially offset by a decline in proceeds from the sale of businesses in the current year. In the prior year, we received cash proceeds of $304.0 million from the sale of H&R Block Financial Advisors, Inc. (HRBFA).

Mortgage Loans Held for Investment. We received net payments of $56.1 million and $72.2 million on our mortgage loans held for investment for the first nine months of fiscal years 2010 and 2009, respectively. Cash payments declined primarily due to non-performing loans and continued run-off of our portfolio.

Purchases of Property and Equipment. Total cash paid for property and equipment was $63.2 million and $73.9 million for the first nine months of fiscal years 2010 and 2009, respectively.

Business Acquisitions. Total cash paid for acquisitions was $10.8 million and $290.9 million for the first nine months of fiscal years 2010 and 2009, respectively. In November 2008, we acquired our last major independent franchise operator for an aggregate purchase price of $279.2 million.

Sales of Businesses. In the first nine months of fiscal year 2010, we sold more than 270 tax offices to franchisees for cash proceeds of $66.3 million. In fiscal year 2009, we sold certain tax offices to franchisees for cash proceeds of $9.6 million and sold our financial advisor business for proceeds of $304.0 million.

CASH FROM FINANCING ACTIVITIES – Cash provided by financing activities totaled $2.7 billion for the first nine months of fiscal year 2010, compared to $3.0 billion for the same period last year.

Short-Term Borrowings. We had commercial paper borrowings of $792.6 million outstanding at January 31, 2010. In the same period last year, we borrowed a net $970.8 million on our CLOCs to fund our off-season working capital needs. We also had other short-term borrowings of $882.5 million and $690.5 million outstanding as of January 31, 2010 and 2009, respectively, to fund our participation interests in RALs. See additional discussion under "Borrowings" below.

Customer Banking Deposits. Customer banking deposits provided cash of $1.4 billion for the nine months ended January 31, 2010 compared to $1.3 billion in same period last year. We utilize cash provided by deposit balances as a funding source for our Emerald Advance lines of credit during the tax season.

Dividends. We have consistently paid quarterly dividends. Dividends paid totaled $151.3 million and $147.6 million for the nine months ended January 31, 2010 and 2009, respectively.

Issuances of Common Stock. Proceeds from the issuance of common stock resulting from stock compensation plans totaled $15.7 million and $69.9 million for the nine months ended January 31, 2010 and 2009, respectively. This decline is due to a reduction in stock option exercises and the related tax benefits.

In the prior year, we sold 8.3 million shares of our common stock, without par value, at a price of $17.50 per share in a registered direct offering through subscription agreements with selected institutional investors. We received net proceeds of $141.5 million.

Repurchase and Retirement of Common Stock. During the three months ended January 31, 2010, we purchased and immediately retired 6.8 million shares of our common stock at a cost of $150.0 million. We may continue to repurchase and retire common stock or retire treasury stock in the future.

HRB BANK – Block Financial LLC (BFC) typically makes capital contributions to HRB Bank to help it meet its capital requirements. BFC made capital contributions to HRB Bank of $235.0 million during the nine months ended January 31, 2010. Capital contributions totaling $245.0 million were made by BFC during the fiscal year ended April 30, 2009.

Historically, capital contributions by BFC have been repaid as a return of capital by HRB Bank as capital requirements decline. During the fiscal year ended April 30, 2009, HRB Bank returned capital of $235.0 million. A return of capital or dividend paid by HRB Bank must be approved by the Office of Thrift Supervision (OTS). Although the OTS has approved such payments in the past, there is no assurance that they will continue to do so in the future, in particular if they determine that higher capital levels at HRB Bank are necessary due to non-performing asset levels. In addition, BFC may elect to maintain higher capital levels at HRB Bank.

BORROWINGS

At January 31, 2010, we maintained $1.95 billion in revolving credit facilities to support commercial paper issuances and general corporate purposes. The CLOCs have a maturity date of August 2010 and carry an annual facility fee, based on our credit ratings, between six and fifteen basis points. We had no outstanding balance under the CLOCs as of January 31, 2010. The CLOCs require, among other things, that we maintain a minimum net worth of $650.0 million on the last day of any fiscal quarter. At January 31, 2010, we had net worth of $936.5 million.

Effective January 12, 2010, we entered into a $2.5 billion committed line of credit agreement with HSBC Bank USA, National Association (HSBC) for the purchase of RAL participations. This line is available up to its facility limit through March 30, 2010 and then only up to $120.0 million thereafter through June 30, 2010. The line is subject to covenants similar to those in the CLOC, but secured by the RAL participation interests. At January 31, 2010, there was $882.5 million outstanding under this facility.

On March 4, 2010, we entered into a new CLOC agreement to support commercial paper issuances, general corporate purposes, or for working capital needs. This facility replaced the CLOCs discussed above. The new facility provides funding up to $1.7 billion and matures July 31, 2013. The new facility bears interest at an

annual rate of LIBOR plus 1.30% to 2.80% or PRIME plus .30% to 1.80% (depending on the type of borrowing) and includes an annual facility fee of .20% to .70% of the committed amounts, based on our credit ratings. Covenants in the new facility are substantially similar to those in the previous CLOCs including: (1) maintenance of a minimum net worth of $650.0 million on the last day of any fiscal quarter; and (2) reduction of the aggregate outstanding principal amount of short-term debt, as defined in the agreement, to $200.0 million or less for thirty consecutive days during the period March 1 to June 30 of each year ("Clean-down requirement").

There have been no other material changes in our borrowings or debt ratings from those reported at April 30, 2009 in our Annual Report on Form 10-K.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

There have been no material changes in our contractual obligations and commercial commitments from those reported at April 30, 2009 in our Annual Report on Form 10-K.

REGULATORY ENVIRONMENT

There have been no material changes in our regulatory environment from those reported at April 30, 2009 in our Annual Report on Form 10-K.

FORWARD-LOOKING INFORMATION

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risks from those reported at April 30, 2009 in our Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this Form 10-Q, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures. The controls evaluation was done under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information below should be read in conjunction with the information included in note 13 to our condensed consolidated financial statements.

RAL Litigation

We have been named as a defendant in numerous lawsuits throughout the country regarding our refund anticipation loan programs (collectively, "RAL Cases"). The RAL Cases have involved a variety of legal theories asserted by plaintiffs. These theories include allegations that, among other things: disclosures in the RAL applications were inadequate, misleading and untimely; the RAL interest rates were usurious and unconscionable; we did not disclose that we would receive part of the finance charges paid by the customer for such loans; untrue, misleading or deceptive statements in marketing RALs; breach of state laws on credit service organizations; breach of contract, unjust enrichment, unfair and deceptive acts or practices; violations of the federal Racketeer Influenced and Corrupt Organizations Act; violations of the federal Fair Debt Collection Practices Act and unfair competition regarding debt collection activities; and that we owe, and breached, a fiduciary duty to our customers in connection with the RAL program.

The amounts claimed in the RAL Cases have been very substantial in some instances, with one settlement resulting in a pretax expense of $43.5 million in fiscal year 2003 (the "Texas RAL Settlement") and other settlements resulting in a combined pretax expense in fiscal year 2006 of $70.2 million.

We have settled all but one of the RAL Cases. The sole remaining RAL Case is a putative class action entitled *Sandra J. Basile, et al. v. H&R Block, Inc., et al.*, April Term 1992 Civil Action No. 3246 in the Court of Common Pleas, First Judicial District Court of Pennsylvania, Philadelphia County, instituted on April 23, 1993. The plaintiffs seek unspecified actual and punitive damages, injunctive relief, attorneys' fees and costs. A Pennsylvania class was certified, but later decertified by the trial court in December 2003. The trial court's decertification decision is currently on appeal. We believe we have meritorious defenses to this case and intend to defend it vigorously. There can be no assurances, however, as to the outcome of this case or its impact on our consolidated results of operations.

Peace of Mind Litigation

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

Lorie J. Marshall, et al. v. H&R Block Tax Services, Inc., et al., Case No. 08-CV-591 in the U.S. District Court for the Southern District of Illinois, is a putative class action case originally filed in the Circuit Court of Madison County, Illinois on January 18, 2002. The plaintiffs allege that the sale of POM guarantees constitutes (1) statutory fraud by selling insurance without a license, (2) an unfair trade practice, by omission and by "cramming" (i.e., charging customers for the guarantee even though they did not request it or want it), and (3) a breach of fiduciary duty. The plaintiffs seek unspecified damages, injunctive relief, attorneys' fees and costs. The Madison County court ultimately certified a class consisting of all persons residing in 13 states who from January 1, 1997 to final judgment (1) were charged a separate fee for POM by "H&R Block;" (2) were charged a separate fee for POM by an "H&R Block" entity not licensed to sell insurance; or (3) had an unsolicited charge for POM posted to their bills by "H&R Block." Persons who received the POM guarantee through an H&R Block Premium office were excluded from the class. We subsequently removed the case to federal court in the Southern District of Illinois, where it is now pending. In November 2009, the federal court issued an order effectively vacating the state court's class certification ruling and allowing plaintiffs time to file a renewed motion for class certification under the federal rules. Plaintiffs filed a new motion for class certification seeking certification of an 11-state class. A hearing on plaintiffs' motion is set for April 30, 2010.

There is one other putative class action pending against us in Texas that involves the POM guarantee. This case, styled *Desiri L. Soliz v. H&R Block, et al.* (Cause No. 03-032-D), was filed on January 23, 2003 in the

District Court of Kleberg County, Texas and is pending before the same judge that presided over the Texas RAL Settlement, involves the same plaintiffs' attorneys that are involved in the *Marshall* litigation in Illinois, and contains allegations similar to those in the *Marshall* case. The plaintiff seeks actual and treble damages, equitable relief, attorney fees and costs. No class has been certified in this case.

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

Express IRA Litigation

On March 15, 2006, the New York Attorney General filed a lawsuit in the Supreme Court of the State of New York, County of New York (Index No. 06/401110) entitled *The People of New York v. H&R Block, Inc. and H&R Block Financial Advisors, Inc. et al*. The complaint asserts nationwide jurisdiction and alleges fraudulent business practices, deceptive acts and practices, common law fraud and breach of fiduciary duty with respect to the Express IRA product and seeks equitable relief, disgorgement of profits, damages and restitution, civil penalties and punitive damages. In July 2007, the Supreme Court of the State of New York issued a ruling that dismissed all defendants other than H&R Block Financial Advisors, Inc. (HRBFA) and the claims of common law fraud. The intermediate appellate court reversed this ruling in January 2009. To avoid the cost and inherent risk associated with litigation, we reached an agreement to settle this case and the civil actions described below, subject to approval by the federal court presiding over the civil actions. Details regarding the settlement are described below. We believe we have meritorious defenses to the claims in this case and, if for any reason the settlement is not approved, we will continue to defend this case vigorously. There can be no assurances, however, as to the outcome of this case or its impact on our consolidated results of operations.

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

In addition to the New York and Mississippi Attorney General actions, a number of civil actions were filed against HRBFA and us concerning the Express IRA product, the first of which was filed on March 15, 2006. Except for two cases pending in state court, all of the civil actions have been consolidated by the panel for Multi-District Litigation into a single action styled *In re H&R Block, Inc. Express IRA Marketing Litigation* (Case No. 06-1786-MD-RED) in the United States District Court for the Western District of Missouri. To avoid the cost and inherent risk associated with litigation, we have reached an agreement to settle these cases and the New York Attorney General action, subject to approval by the federal court presiding over the Multi-District Litigation. The settlement would require a minimum payment of $11.4 million and a maximum payment of $25.4 million. The actual cost of the settlement would depend on the number of claims submitted by class members. The federal court granted preliminary approval of the settlement on January 25, 2010 and scheduled a final fairness hearing on May 17, 2010. We believe we have meritorious defenses to the claims in these cases and, if for any reason the settlement is not approved, we will continue to defend them vigorously. We previously recorded a liability for our best estimate of the expected loss. There can be no assurances, however, as to the outcome of these cases or their impact on our consolidated results of operations.

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

Securities and Shareholder Litigation

On April 6, 2007, a putative class action styled *In re H&R Block Securities Litigation* (Case No. 06-0236-CV-W-ODS) was filed against the Company and certain of its officers in the United States District Court for the Western District of Missouri. The complaint alleged, among other things, deceptive, material and misleading financial statements and

failure to prepare financial statements in accordance with generally accepted accounting principles. The complaint sought unspecified damages and equitable relief. The court dismissed the complaint in February 2008, and the plaintiffs appealed the dismissal in March 2008. In addition, plaintiffs in a shareholder derivative action that was consolidated into the securities litigation filed a separate appeal in March 2008, contending that the derivative action was improperly consolidated. The derivative action is *Iron Workers Local 16 Pension Fund v. H&R Block, et al.*, in the United States District Court for the Western District of Missouri, Case No. 06-cv-00466-ODS (instituted on June 8, 2006) and was brought against certain of our directors and officers purportedly on behalf of the Company. The derivative action alleged breach of fiduciary duty, abuse of control, gross mismanagement, waste, and unjust enrichment pertaining to (1) our restatement of financial results in fiscal year 2006 due to errors in determining our state effective income tax rate and (2) certain of our products and business activities. In September 2009, the appellate court affirmed the dismissal of the securities fraud class action, but reversed the dismissal of the shareholder derivative action. We believe we have meritorious defenses to the claims in the shareholder derivative action and intend to defend the action vigorously. There can be no assurances, however, as to its outcome.

RSM McGladrey Litigation

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

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

As more fully described in note 2 to the condensed consolidated financial statements, RSM and M&P operate in an alternative practice structure. Accordingly, certain claims and lawsuits against M&P could have an impact on RSM. More specifically, any judgments or settlements arising from claims and lawsuits against M&P which exceed its insurance coverage could have a direct adverse effect on M&P's operations. Although RSM is not responsible for the liabilities of M&P, significant M&P litigation and claims could impair the profitability of the APS and impair the ability to attract and retain clients and quality professionals. This could, in turn, have a material adverse effect on RSM's operations and impair the value of our investment in RSM. There is no assurance regarding the outcome of any claims or litigation involving M&P.

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

Litigation and Claims Pertaining to Discontinued Mortgage Operations

Although mortgage loan origination activities were terminated and the loan servicing business was sold during fiscal year 2008, SCC remains subject to investigations, claims and lawsuits pertaining to its loan origination and servicing activities that occurred prior to such termination and sale. These investigations, claims and

lawsuits include actions by state attorneys general, other state regulators, municipalities, individual plaintiffs, and cases in which plaintiffs seek to represent a class of others alleged to be similarly situated. Among other things, these investigations, claims and lawsuits allege discriminatory or unfair and deceptive loan origination and servicing practices, public nuisance, fraud, and violations of the Truth in Lending Act, Equal Credit Opportunity Act and the Fair Housing Act. In the current non-prime mortgage environment, the number of these investigations, claims and lawsuits has increased over historical experience and is likely to continue at increased levels. The amounts claimed in these investigations, claims and lawsuits are substantial in some instances, and the ultimate resulting liability is difficult to predict. In the event of unfavorable outcomes, the amounts SCC may be required to pay in the discharge of liabilities or settlements could be substantial and, because SCC's operating results are included in our consolidated financial statements, could have a material adverse impact on our consolidated results of operations.

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

SCC also remains subject to potential claims for indemnification and loan repurchases pertaining to loans previously sold. In the current non-prime mortgage environment, it is likely that the frequency of repurchase and indemnification claims may increase over historical experience and give rise to additional litigation. In some instances, H&R Block, Inc. was required to guarantee SCC's obligations. The amounts involved in these potential claims may be substantial, and the ultimate resulting liability is difficult to predict. Because SCC's operating results are included in our consolidated financial statements, the amounts SCC may be required to pay in the discharge or settlement of these claims in the event of unfavorable outcomes could have a material adverse impact on our consolidated results of operations.

Other Claims and Litigation

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

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

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those reported at April 30, 2009 in our Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES

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

(in 000s, except per share amounts)

	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum $ Value of Shares that May Be Purchased Under the Plans or Programs(2)
November 1 – November 30	17	$ 18.53	-	$ 1,901,419
December 1 – December 31	3,887	$ 21.81	3,887	$ 1,816,707
January 1 – January 31	2,942	$ 22.21	2,937	$ 1,751,530

(1) We purchased 21,366 shares in connection with the funding of employee income tax withholding obligations arising upon the exercise of stock options or the lapse of restrictions on nonvested shares.

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

ITEM 5. OTHER INFORMATION

On March 4, 2010, BFC, a wholly owned subsidiary of H&R Block, Inc. (the "Company"), entered into a new $1.7 billion Credit and Guarantee Agreement (the "2010 Credit Facility"), among BFC, as Borrower, the Company, as Guarantor, various lenders, and Bank of America, N.A., as Administrative Agent.

The 2010 Credit Facility will expire on July 31, 2013, at which time all outstanding amounts thereunder will be due and payable. Funds available under the 2010 Credit Facility may be used for paying at maturity commercial paper issued by BFC from time to time, for general corporate purposes, or for working capital needs. The 2010 Credit Facility bears interest at an annual rate of LIBOR plus 1.30% to 2.8% or PRIME plus .30% to 1.8% (depending on the type of borrowing) and includes an annual facility fee of .20% to .70% of the committed amounts. Actual rates within these ranges will be based on the Company's then current credit ratings.

The 2010 Credit Facility is subject to various conditions, triggers, events or occurrences that could result in earlier termination and contains representations, warranties, covenants and events of default customary for financings of this type, including, without limitation (1) a covenant requiring the Company to maintain a consolidated net worth of at least $650.0 million at the last day of any fiscal quarter, (2) a covenant requiring the Company to reduce the aggregate outstanding principal amount of Short-Term Debt to $200.0 million or less for thirty consecutive days during the period from March 1 to June 30 of each year, and (3) covenants restricting the Company's and BFC's ability to incur additional debt, incur liens, merge or consolidate with other companies, sell or dispose of their respective assets (including equity interests), liquidate or dissolve, make investments, loans, advances, guarantees and acquisitions, and engage in certain transactions with affiliates.

If an event of default by the Company or BFC under the 2010 Credit Agreement occurs and is continuing, the Administrative Agent (1) may, with the consent of the requisite lenders, or (2) shall, at the request of the requisite lenders, terminate the 2010 Credit Facility and declare the loans then outstanding, together with any accrued interest thereon and all fees and other obligations of the Company and BFC thereunder, to be immediately due and payable.

In connection with the entering into of the 2010 Credit Facility described above, on March 4, 2010, BFC terminated (1) the Five-Year Credit and Guarantee Agreement, dated as of August 10, 2005, among BFC, as Borrower, the Company, as Guarantor, various lenders and JPMorgan Chase Bank, N.A., as Administrative Agent and (2) the Amended and Restated Five-Year Credit and Guarantee Agreement, dated as of August 10, 2005, among BFC, as Borrower, the Company, as Guarantor, various lenders and JPMorgan Chase Bank, N.A., as Administrative Agent (collectively, the "2005 Credit Facilities"). The 2005 Credit Facilities were due to expire on August 9, 2010 and provided BFC with an aggregate borrowing amount of $1.95 billion. The terms of 2005 Credit Facilities were substantially similar to the terms of the 2010 Credit Facility.

From time to time in the ordinary course of their respective businesses, certain of the lenders under the 2005 Credit Facilities and the 2010 Credit Facility, as well as certain of their respective affiliates, have performed, and may in the future perform, for the Company and its subsidiaries, various commercial banking, investment banking, underwriting, transfer agent and other financial advisory services, for which in each case they have received, and will receive, customary fees and expenses. In addition, HSBC Bank USA, National Association (HSBC), a lender under the 2005 Credit Facilities, and certain of its affiliates, are parties to various agreements with the Company or its subsidiaries pursuant to which (1) HSBC provides funding for BFC's purchases of participation interests in RALs under the HSBC RAL Participation Credit Facility, as more fully described in the Company's Current Report on Form 8-K dated January 12, 2010, (2) HSBC and its affiliates originate RALs and issue refund anticipation checks on a nationwide basis to eligible clients of H&R Block company-owned and franchise office locations, (3) BFC may purchase participation interests in RALs originated by certain HSBC affiliates, and (4) certain HSBC affiliates service certain RALs in which BFC purchases participation interests.

ITEM 6. EXHIBITS

10.1	Second Amended and Restated HSBC Refund Anticipation Loan Participation Agreement dated as of January 12, 2010, by and among Block Financial LLC, HSBC Bank USA, National Association, HSBC Trust Company (Delaware) and HSBC Taxpayer Financial Services Inc.*
10.2	Credit and Guarantee Agreement dated as of January 12, 2010, among Block Financial LLC, H&R Block, Inc. and HSBC Bank USA, National Association.
10.3	Consent dated January 4, 2010, concerning the Five-Year Credit and Guarantee Agreement dated as of August 10, 2005. as amended, by and among Block Financial LLC, H&R Block, Inc., the Lenders as parties thereto, and JPMorgan Chase Bank, N.A., approving the Aurora Bank Commitment Termination.
10.4	Consent dated January 4, 2010, concerning the Amended and Restated Five-Year Credit and Guarantee Agreement dated as of August 10, 2005. as amended, by and among Block Financial LLC, H&R Block, Inc., the Lenders as parties thereto, and JPMorgan Chase Bank, N.A., approving the Aurora Bank Commitment Termination.
31.1	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Chief Executive Officer furnished pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Chief Financial Officer furnished pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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

SIGNATURES

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

H&R BLOCK, INC.

Russell P. Smyth
President and Chief Executive Officer
March 8, 2010

Becky S. Shulman
Senior Vice President and
Chief Financial Officer
March 8, 2010

Jeffrey T. Brown
Vice President and
Corporate Controller
March 8, 2010

Exhibit 10.1

SECOND AMENDED AND RESTATED
HSBC REFUND ANTICIPATION LOAN
PARTICIPATION AGREEMENT

NOTE: CERTAIN MATERIAL HAS BEEN OMMITTED FROM THIS AGREEMENT PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER RULE 24b-2. THE LOCATIONS OF THESE OMISSIONS ARE INDICATED THROUGHOUT THE AGREEMENT BY THE FOLLOWING MARKINGS: [***].

Dated as of January 12, 2010

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SECOND AMENDED AND RESTATED
HSBC REFUND ANTICIPATION LOAN
PARTICIPATION AGREEMENT

This Second Amended and Restated HSBC Refund Anticipation Loan Participation Agreement (this "Second A&R Participation Agreement"), dated as of January 12, 2010, is made by and among the following parties:

Block Financial LLC, a Delaware limited liability company ("BFC");

HSBC Bank USA, National Association, a national banking association ("HSBC NA");

HSBC Trust Company (Delaware), National Association ("HSBC Trust"); and

HSBC Taxpayer Financial Services Inc., a Delaware corporation ("HSBC TFS").

RECITALS

A. HSBC NA and HSBC Trust offer banking products and services, including HSBC RALs offered through Block Offices.

B. HSBC TFS is the servicer for HSBC NA and HSBC Trust with respect to HSBC RALs..

C. BFC offers financial products and services to individuals and business entities, and purchases loans and participation interests in loans originated by third party lenders.

D. HSBC NA, HTMAC, HSBC TFS and certain of their Affiliates and certain Affiliates of BFC entered into the HSBC Retail Settlement Products Distribution Agreement, dated as of September 23, 2005 (the "Original Retail Distribution Agreement"), which was subsequently amended by the Joinder and First Amendment to Program Contracts, dated as of November 10, 2006 (the "First Amendment"), pursuant to which, *inter alia*, HSBC Trust was added and HTMAC was removed to reflect the replacement of HTMAC by HSBC TFS as a party to the Program Contracts, and which was further amended by the Second Amendment to Program Contracts, dated as of November 13, 2006 (the "Second Amendment"), pursuant to which, *inter alia*, IMAs were added as a type of Settlement Product offered to Clients, and which was further amended by the Third Amendment to Program Contracts, dated December 5, 2008 (the "Third Amendment") (the Original Retail Distribution Agreement, as amended by the First Amendment, the Second Amendment, and the Third Amendment, the "Retail Distribution Agreement").

E. HSBC NA, HTMAC, HSBC TFS and BFC entered into the HSBC Settlement Products Servicing Agreement, dated as of September 23, 2005 (the "Original Servicing Agreement"), to set forth the terms and conditions pursuant to which HSBC TFS would service, administer and collect HSBC Settlement Products originated by HSBC NA, which was subsequently amended by the First Amendment, pursuant to which, *inter alia*, HSBC Trust was added as a party thereto, HTMAC was removed as a party thereto, and HSBC TFS replaced HTMAC as a party thereto, and which was further amended and restated pursuant to the First

Amended and Restated HSBC Settlement Products Servicing Agreement, dated November 13, 2006 (the "First A&R Servicing Agreement"), to provide for, *inter alia*, the servicing, administration and collection of IMAs, and which was futher amended by the Second Amendment and the Third Amendment (the Original Servicing Agreement, as amended by the First Amendment, Second Amendment, Third Amendment, and the First A&R Servicing Agreement, the "Servicing Agreement").

F. HSBC NA, HTMAC, HSBC TFS and BFC entered into the HSBC Refund Anticipation Loan Participation Agreement, dated September 23, 2005 (the "Original Participation Agreement"), to set forth the terms and conditions of HTMAC's sales to BFC, and BFC's purchases from HTMAC, of Participation Interests in certain HSBC RALs originated by HSBC NA, which was amended by the First Amendment, pursuant to which, *inter alia*, HSBC Trust was added, HTMAC was removed and HSBC TFS replaced HTMAC as a party thereto, and which was further amended and restated by the First Amended and Restated HSBC Refund Anticipation Loan and IMA Participation Agreement, dated as of November 13, 2006 (the "First A&R Participation Agreement"), and which was further amended by the Second Amendment and the Third Amendment.

G. HSBC NA, HSBC Trust, HSBC TFS and BFC now desire to enter into this Second A&R Participation Agreement to amend and restate the Original Participation Agreement, as amended by the First Amendment, Second Amendment, Third Amendment, and the First A&R Participation Agreement, (the Original Participation Agreement, as amended by the First Amendment, Second Amendment, Third Amendment, the First A&R Participation Agreement, and this Second A&R Participation Agreement, the "Participation Agreement").

AGREEMENT

ACCORDINGLY, the parties to this Second A&R Participation Agreement hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. For all purposes of this Second A&R Participation Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Appendix of Defined Terms and Rules of Construction attached to the Original Retail Distribution Agreement as **Appendix A**, as amended pursuant to the First Amendment, and as further amended pursuant to the Second Amendment (as amended, the "Appendix of Defined Terms and Rules of Construction"), which is hereby incorporated by reference herein. All other capitalized terms used herein shall have the meanings specified herein. In the event that any definition specified in this Second A&R Participation Agreement for any capitalized term is inconsistent with the definition specified for such term in the Appendix of Defined Terms and Rules of Construction, the definition in the Appendix of Defined Terms and Rules of Construction shall govern.

Section 1.2. Rules of Construction. For all purposes of this Second A&R Participation Agreement, unless the context otherwise requires, the rules of construction set forth in the Appendix of Defined Terms and Rules of Construction shall be applicable to this Second A&R Participation Agreement.

Section 1.3. Corporate Reorganizations.

(a) The Block Companies may assign their rights and obligations under this Participation Agreement to one or more Subsidiaries of H&R Block without the consent of the HSBC Companies if (i) such assignment is desirable in connection with a reorganization of the business operations of H&R Block's Subsidiaries, (ii) such contemplated assignment will not materially adversely affect any right or obligation of any HSBC Company under this Participation Agreement, and (iii) the contemplated assignee (A) is a wholly owned (direct or indirect) Subsidiary of H&R Block and (B) has the operational and financial capacity to meet all obligations of the assigning Block Company under this Participation Agreement contemplated to be assigned to it (a "Permitted Block Assignment"). The assigning Block Companies shall provide each of the HSBC Companies at least sixty (60) days prior written notice of any contemplated Permitted Block Assignment. The parties hereto agree to amend this Participation Agreement to the extent necessary to reflect such Permitted Block Assignment.

(b) The HSBC Companies may assign their rights and obligations under this Participation Agreement to one or more Subsidiaries of HSBC North American Holdings, Inc. without the consent of the Block Companies if (i) such assignment is desirable in connection with a reorganization of the business operations of HSBC North American Holdings, Inc.'s Subsidiaries, (ii) such contemplated assignment will not materially adversely affect any right or obligation of any Block Company under this Participation Agreement, and (iii) the contemplated assignee (A) is a wholly owned (direct or indirect) Subsidiary of HSBC North American Holdings, Inc., (B) only with respect to any assignment by HSBC NA or HSBC Trust under this Section 1.3(b), is a national bank or federal savings association and (C) has the operational and financial capacity to meet all obligations of the assigning HSBC Company under this Participation Agreement contemplated to be assigned to it (a "Permitted HSBC Assignment"). The assigning HSBC Companies shall provide each of the Block Companies at least sixty (60) days prior written notice of any contemplated Permitted HSBC Assignment. The parties hereto agree to amend this Participation Agreement to the extent necessary to reflect such Permitted HSBC Assignment.

Section 1.4. Funding for Purchases of Participation Interests in HSBC RALs.

(a) HSBC TFS shall use its best efforts to obtain board of directors' and all other required approvals of one of its Affiliates, or of a third party lender, on or before July 1, 2006, to furnish a commitment to BFC for funding of the purchase of Participation Interests in HSBC RALs pursuant to this Participation Agreement; provided, that BFC timely furnishes such information as is reasonably requested by such lender, such funding to be provided to BFC at an interest rate of [***]. BFC shall provide a preliminary written notice to HSBC TFS no later than September 1st of the year preceding each Tax Period during the Term requesting funding for the purchase of Participation Interests during the next Tax Period, which preliminary request shall be confirmed

by BFC pursuant to a final written notice to HSBC TFS to be delivered no later than October 1st of such year preceding such Tax Period.

(b) Each Affiliate of HSBC TFS or third party lender, as applicable, and BFC shall pay their own legal fees and expenses to document the funding arrangements described in this Section 1.4.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF HSBC NA, HSBC TRUST AND HSBC TFS

Section 2.1. Representations Incorporated by Reference. HSBC NA, HSBC Trust and HSBC TFS each represent and warrant, with respect to itself only, to BFC that each representation and warranty made by it in Article IV of the Retail Distribution Agreement is true and correct, each and all of which are made as of the date hereof and (except the representations and warranties in Section 4.6 of the Retail Distribution Agreement) as of each day during the term of this Participation Agreement.

Section 2.2. [Intentionally Deleted]

Section 2.3. Representations and Warranties of HSBC NA and HSBC Trust Relating to Participated HSBC RALs. HSBC NA and HSBC Trust hereby represent and warrant to BFC, as of each Closing Date:

(a) Eligible RALs. Each Participated HSBC RAL is an Eligible RAL.

(b) Sale and Ownership; Title. Each conveyance of a Participation Interest by HSBC NA and HSBC Trust to BFC on such Closing Date constitutes either (i) a valid sale, transfer, assignment, set over and conveyance to BFC of all right, title and interest of HSBC NA and HSBC Trust in and to such Participation Interest, free and clear of any Lien of any Person claiming through or under HSBC NA, HSBC Trust or any of their Affiliates, or (ii) if it is ultimately determined by a court of competent jurisdiction that a sale of a Participation Interest from HSBC NA or HSBC Trust to BFC did not occur, then such conveyance constitutes a grant of a security interest (as defined in the UCC as in effect in the applicable state) by HSBC NA and HSBC Trust to BFC in each Participation Interest purportedly conveyed and this Participation Agreement constitutes a security agreement with respect thereto. On each Closing Date, immediately prior to any such sale of (or grant of a security interest in) a Participation Interest, HSBC NA and HSBC Trust will be the sole legal and beneficial owner of, and will have marketable title to, the Participation Interest, free and clear of any Lien (other than the interests of BFC contemplated by this Participation Agreement). Neither HSBC NA nor HSBC Trust nor any Person claiming through or under HSBC NA or HSBC Trust or any of their Affiliates shall have any claim to or interest in such Participation Interest, except for any interest of HSBC NA or HSBC Trust therein as a "debtor" (specifically, as seller of payment intangibles) for purposes of Article 9 of the UCC.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF BFC

Section 3.1. Representations Incorporated by Reference. BFC hereby represents and warrants to HSBC NA, HSBC Trust, and HSBC TFS that each representation and warranty made by BFC in Article III of the Retail Distribution Agreement is true and correct, each and all of which are made as of the date hereof and (except the representations and warranties in Section 3.6 of the Retail Distribution Agreement) as of each day during the term of this Participation Agreement.

ARTICLE IV
PURCHASE AND SALE OF PARTICIPATION INTERESTS

Section 4.1. Purchase and Sale of Participation Interests in HSBC RALs.

(a) Purchase and Sale of Participation Interests. Except as otherwise provided herein, HSBC NA and HSBC Trust shall sell to BFC, and BFC shall purchase from HSBC NA and HSBC Trust, a Participation Interest in each HSBC RAL originated pursuant to any Distribution Agreement. Each such Participation Interest shall be purchased by BFC on the first Business Day following the Business Day on which the Disbursement Check for such HSBC RAL has been presented to HSBC NA or HSBC Trust, as the case may be, for payment or Electronic Disbursement for such HSBC RAL, has been made by HSBC NA or HSBC Trust, as the case may be. HSBC NA and HSBC Trust shall convey each Participation Interest to BFC upon BFC's payment to HSBC NA and HSBC Trust of the Purchase Price with respect to each such Participation Interest as set forth in Section 4.3. If and to the extent that any conveyance of a Participation Interest is not deemed a sale of a Participation Interest, (i) HSBC NA and HSBC Trust hereby grants to BFC a security interest in each Participation Interest that was purportedly conveyed, (ii) this Participation Agreement shall constitute a security agreement with respect to such Participation Interest under applicable Law and (iii) HSBC NA and HSBC Trust authorize the filing of such financing and continuation statements with respect to Participation Interests hereafter created or arising. Except for the representations and warranties expressly made by HSBC NA and HSBC Trust in this Participation Agreement, Participation Interests (and the acquisition thereof by BFC) shall be without recourse to HSBC NA and HSBC Trust.

(b) Applicable Percentage. The Applicable Percentage for each Calculation Period during the term of this Participation Agreement shall be 49.999999%; provided, however, that (i) BFC may elect to reduce the Applicable Percentage to zero (0) for a particular Calculation Period, by giving notice of BFC's election to HSBC NA and HSBC Trust on or before September 1 immediately prior to such Calculation Period; (ii) BFC may elect to reduce the Applicable Percentage to zero (0) for any applicable Calculation Period (or any remaining portion thereof) from and after January 30 of such Calculation Period, by giving notice of BFC's election to HSBC NA and HSBC Trust on or before January 20 of such Calculation Period for which the election is applicable; and (iii) BFC may elect to reduce the Applicable Percentage to zero (0) at any time if BFC has exceeded its internal funding limit, by giving notice thereof as soon as practicable, but no later than 8:30 a.m., New York time, on the date of the reduction of the Applicable Percentage to zero (0), it being understood that the reduction of the Applicable

Percentage to zero (0) shall only be in effect during the periods of time BFC has exceeded its internal funding limit.

Section 4.2. Purchase Price. The Purchase Price for each Participation Interest on each Closing Date shall be equal to the product of (a) the Applicable Percentage on such Closing Date, multiplied by (b) the Principal Amount minus the RAL Fees and the Refund Account Fees of the HSBC RAL in which a Participation Interest is being purchased.

Section 4.3. Payment. Each Business Day, not later than 8:30 a.m., New York time, HSBC TFS shall provide to BFC a list of the number and amount of Disbursement Checks presented to HSBC NA or HSBC Trust for payment and Electronic Disbursements made by HSBC NA and HSBC Trust for HSBC RALs on the previous Business Day (excluding those Disbursement Checks and Electronic Disbursements related to any HSBC RALs excluded pursuant to Section 4.4), together with the aggregate Purchase Price for the Participation Interests corresponding to such HSBC RALs. BFC shall pay to HSBC NA and HSBC Trust the full amount of such Purchase Price not later than 4:30 p.m., New York time, on the Business Day on which such notice is received. Such payment shall be made via wire transfer to such domestic accounts designated by HSBC NA and HSBC Trust by notice to BFC from time to time, in United States dollars.

Section 4.4. Right to Exclude Certain HSBC RALs.

(a) BFC may in its reasonable discretion elect not to purchase Participation Interests in any group or groups of HSBC RALs, for any remaining portion of a Calculation Period and/or for any future Calculation Periods, for any of the following reasons: (i) to comply with applicable Laws on advice of BFC's counsel; (ii) to comply with a court order or a cease and desist order; (iii) to comply with an agreement with any federal or state regulatory authority; or (iv) any combination of the foregoing reasons.

(b) HSBC NA or HSBC Trust may in its reasonable discretion elect not to sell Participation Interests in any group or groups of HSBC RALs, for any remaining portion of a Calculation Period and/or for any future Calculation Periods, for any of the following reasons: (i) to comply with applicable Laws; (ii) to comply with a court order or a cease and desist order; (iii) to comply with an agreement with any federal or state regulatory authority; or (iv) any combination of the foregoing reasons. Upon any such election, the parties shall negotiate in good faith to promptly amend this Participation Agreement to the extent necessary to achieve economic results for BFC that are comparable to the economic results that BFC would have achieved had such election not been made.

(c) Either BFC, on the one hand, or HSBC NA and HSBC Trust, on the other, shall make such elections to exclude certain RALs by giving notice of such election to the other party, which notice shall specify the group or groups of HSBC RALs that the notifying party elects to exclude, the reason for such exclusion and the remaining portion of a Calculation Period or future Calculation Periods with respect to which such RALs shall be excluded, which election shall become effective ten (10) days after the giving of such notice.

Section 4.5. Certain Rights of HSBC NA and HSBC Trust. The following obligations of BFC under this Section 4.5 shall survive any termination of the obligations of HSBC NA and HSBC Trust to sell, and the obligations of BFC to purchase, Participation Interests in HSBC RALs pursuant to Section 4.1 and all other events and conditions whatever:

(a) Reimbursement. If, at any time, HSBC NA or HSBC Trust is required to return or pay over any payment received by, or application of funds made by, HSBC NA or HSBC Trust on account of any Participated HSBC RAL, BFC, promptly upon notice from HSBC NA or HSBC Trust, shall pay to HSBC NA or HSBC Trust an amount equal to the Applicable Percentage of the amount (net of related Defaulted RAL Collection Fees (as that term is defined in the Servicing Agreement), as the case may be, retained by the Servicer pursuant to the Servicing Agreement) so returned or paid over, together with the Applicable Percentage of any interest or penalties payable with respect to such Participated HSBC RAL, as the case may be.

(b) Payover. If BFC receives any payment for any HSBC RAL, BFC shall deliver such payment to the Servicer for deposit into the applicable Deposit Account as provided in Section 3.2 of the Servicing Agreement.

Section 4.6. Information to be Furnished by HSBC TFS to BFC. HSBC TFS shall provide to BFC, as of January 31, April 30, July 31, and October 31 of each year during the Term, a listing by Calculation Period of the Principal Amounts and other amounts owing on all unpaid Participated HSBC RALs, unique customer identifiers related thereto, type of Settlement Product including, if applicable, type of HSBC RAL, EIC indicator and any other information related thereto mutually agreeable to the parties, such information to be provided within five (5) Business Days after such dates. BFC shall not use such information for any purpose other than asset verification and trend analysis and agrees to hold such information in confidence and not to disclose such information to any party other than its accountants and its legal counsel, subject to the terms and conditions of Section 16.1 of the Retail Distribution Agreement.

Section 4.7. True Sale and Nonconsolidation Opinions. Upon BFC's request, HSBC NA and HSBC Trust agree to use commercially reasonable efforts to obtain for BFC (a) a "true sale" opinion of counsel to HSBC NA and HSBC Trust with respect to the sale by HSBC NA and HSBC Trust and the purchase by BFC or its Affiliates of the Participation Interests in the HSBC RALs, and (b) a "nonconsolidation" opinion of counsel to HSBC NA and HSBC Trust with respect to HSBC NA and HSBC Trust and any other Affiliate of HSBC NA and HSBC Trust that owns the Participation Interests prior to such sale and purchase, in both cases in form and substance typically employed in off-balance sheet financing or sale transactions generally; provided, however, that in connection with such efforts (A) HSBC NA and HSBC Trust shall not be obligated to restructure the terms of any Program Contract in any way that will have a Material Adverse Effect upon the economic interests of HSBC NA or HSBC Trust or their Affiliates, and (B) the failure of HSBC NA and HSBC Trust to obtain such opinions (after making commercially reasonable efforts to do so) shall not constitute a breach of any of HSBC NA's or HSBC Trust's obligations under this Participation Agreement and shall in no event give rise to any liability on the part of HSBC NA, HSBC Trust or any of their Affiliates. With respect to such opinions for a particular Calculation Period, (i) BFC shall request such opinions as soon as reasonably possible during the immediately preceding calendar year, and in any event, no later

than September 1st of such preceding calendar year absent major structural changes to the terms of any Program Contract made or proposed by HSBC NA, HSBC Trust or their Affiliates, (ii) BFC shall identify the entity, if any, with whom it intends to effectuate any financing or sale transaction, and the proposed structure of such financing or sale transaction, as soon as reasonably possible during the immediately preceding calendar year, and in any event, no later than September 1st of such preceding calendar year absent major structural changes to the terms of any Program Contract made or proposed by HSBC NA, HSBC Trust or their Affiliates, and (iii) HSBC NA and HSBC Trust and their Affiliates and BFC shall cooperate and use commercially reasonable efforts to complete all changes to the terms of all Program Contracts, if any, and the legal documents and agreements reflecting such changes, if any, as soon as reasonably possible during the immediately preceding calendar year, and in any event no later than October 15th of such preceding calendar year absent major structural changes to any such agreement made or proposed by BFC or HSBC NA, HSBC Trust or their Affiliates. BFC shall be solely responsible for all legal fees of the parties associated with any opinion undertaken pursuant to this Section 4.7. In connection with any request by BFC for an opinion pursuant to this Section 4.7 for a particular Calculation Period, HSBC NA and HSBC Trust shall, upon reasonable request by BFC, provide to BFC copies of all material operative agreements executed by HSBC NA, HSBC Trust or thier Affiliates relating to the origination of HSBC RALs by the Originator, or the sale and servicing of any of HSBC NA's or HSBC Trust's retained interests in the HSBC RALs, for such Calculation Period, as well as all material operative agreements executed by HSBC NA or HSBC Trust relating to the financing or sale of such retained interests for such Calculation Period, in each case only to the extent (y) such agreements are reasonably necessary to be reviewed by BFC in connection with the opinions contemplated by this Section 4.7, and (z) the terms of such agreements permit disclosure to third parties; provided, however, that HSBC NA and HSBC Trust shall not add any provision to any such agreement that unreasonably prohibits disclosure to BFC, its accountants or counsel engaged in connection with the issuance of any opinion pursuant to this Section 4.7, or the entity, if any, engaged by BFC to effectuate any financing or sale transaction. BFC hereby agrees to hold all such agreements in strict confidence and not to provide any copies or disclose any terms therein to any party other than its accountants, its counsel and the entity, if any, with whom BFC proposes to effectuate any financing or sale transaction, subject to the terms and provisions of Section 16.1 of the Retail Distribution Agreement (provided that references therein to any Program Contract shall be deemed to be references to such material operative agreements for purposes of this sentence); provided, however, that, notwithstanding any other provision in this Participation Agreement, if such entity or an Affiliate of such entity is deemed by HSBC NA or HSBC Trust to be a competitor of HSBC NA, HSBC Trust or HSBC TFS in the making or servicing of RALs, then the disclosure of such agreements to such entity may be restricted by HSBC NA or HSBC Trust to the extent deemed necessary by HSBC NA or HSBC Trust, in its sole discretion, to protect its business interests and trade secrets.

Section 4.8. Right of BFC to Sell Participation Rights. If BFC has elected not to purchase a Participation Interest as to any Calculation Period, BFC shall have the right to sell, assign and transfer its rights to purchase Participation Interests as to such Calculation Period without the consent of HSBC NA or HSBC Trust if (a) such contemplated sale and assignment will not materially adversely affect any right or obligation of HSBC NA or HSBC Trust under this Participation Agreement, and (b) the contemplated purchasers and assignees (i) have the operational and financial capacity to meet all obligations of BFC under this Participation

Agreement contemplated to be assigned to them and (ii) are not, and will not become upon effectiveness of such contemplated purchase and assignment, subject to any Law or consent that could reasonable be deemed to require any Governmental Approval or third-party consent, that has not been obtained, to carry out any of the obligations contemplated to be purchased and assigned to them. BFC shall provide HSBC NA and HSBC Trust at least five (5) Business Days prior notice of any contemplated sale and assignment, which notice shall specify the portion of BFC's rights to purchase Participation Interests which it proposes to sell, the Person or Persons to whom it proposes to sell such rights, the price and the terms and conditions of the proposed sale of such rights contained in any bona fide offer to purchase such rights (the "Offer"). Within five (5) Business Days after such notice, HSBC NA, HSBC Trust or their Affiliates may elect, upon notice to BFC, to purchase from BFC the rights to purchase Participation Interests proposed to be sold, at the price and on the terms and conditions set forth in the Offer. If HSBC NA, HSBC Trust or their Affiliates do not so elect to purchase BFC's rights, BFC shall have the right to sell such rights to the Person or Persons, at the price and on the terms and conditions specified in the Offer, for a period of forty (40) days after BFC's notice of the Offer to HSBC NA and HSBC Trust.

ARTICLE V
SERVICING OF PARTICIPATED HSBC RALS

Section 5.1. Servicing Agreement. HSBC NA, HSBC Trust, BFC and HSBC TFS (on its own behalf and as Servicer) are parties to the Servicing Agreement . Pursuant to the terms of the Servicing Agreement, the Servicer shall perform all servicing acts with respect to Participated HSBC RALs including, but not limited to, performing payment processing, record keeping, collecting and monitoring all payments made with respect to Participated HSBC RALs, other routine customer service functions and distribution of funds.

ARTICLE VI
REPURCHASE OF PARTICIPATION INTERESTS

Section 6.1. Repurchase Events.

(a) If HSBC NA and HSBC Trust shall breach any of their representations and warranties made in Section 2.3 and the HSBC RAL underlying such Participation Interest was not fully collected by December 31 immediately following the Tax Period in which such HSBC RAL was originated, then BFC shall have the repurchase rights set forth in Section 6.2.

(b) If a Participated HSBC RAL is not an Eligible RAL as a result of the failure to satisfy the conditions set forth in the definition of Eligible RAL (contingent on that failure not being caused by any action or inaction by BFC to perform its explicit obligations under this Participation Agreement), and such Participated HSBC RAL was not fully collected by December 31 immediately following the Tax Period in which such HSBC RAL was originated, then BFC shall have the repurchase rights set forth in Section 6.2.

Section 6.2. Repurchase Remedy. In the event of a breach as set forth in Section 6.1, then, upon the earlier to occur of the discovery by BFC of such breach or event, or receipt by BFC of notice from HSBC NA or HSBC Trust of such breach or event, BFC may by notice then

given in writing to HSBC NA and HSBC Trust direct HSBC NA or HSBC Trust to repurchase the Participation Interest in each such Participated HSBC RAL within thirty (30) days of such notice (or within such longer period as may be specified in such notice but in no event later than one hundred twenty (120) days) on a date specified by BFC occurring within such applicable period, on the terms and conditions set forth in Section 6.3.

Section 6.3. Procedures for Repurchase. When the provisions of Section 6.2 require repurchase of a Participation Interest, HSBC NA or HSBC Trust shall purchase such Participation Interest by remitting to BFC an amount equal to the Repurchase Value of the Participation Interest as of the date of such repurchase. Such remittance shall be made to BFC at such account designated by BFC by notice to HSBC NA or HSBC Trust, in United States dollars and in immediately available funds, without setoff, withholding, counterclaim or other deduction of any nature whatsoever. Upon such remittance, BFC shall automatically and without further action be deemed to transfer, assign, set over and otherwise convey to HSBC NA or HSBC Trust, without recourse, representation or warranty (except for the warranty that since the date of conveyance by HSBC NA or HSBC Trust to BFC, BFC has not sold, transferred or encumbered any such Participation Interest), all right, title and interest of BFC in and to such Participation Interest. BFC shall execute such documents and instruments of transfer and assignment and take other actions as shall reasonably be requested by HSBC NA or HSBC Trust to evidence the conveyance of such Participation Interest, all monies due or to become due with respect thereto and all proceeds thereof pursuant to this Section 6.3. The obligation of HSBC NA or HSBC Trust to repurchase Participation Interests in HSBC RALs in accordance with this Section 6.3 shall constitute the sole remedy respecting the occurrence of the events specified in Section 6.1.

Section 6.4. Impairment. For the purposes of this Article VI, no proceeds of a HSBC RAL shall be deemed to be impaired hereunder solely because such proceeds are held by HSBC NA or HSBC Trust for more than the applicable period under Section 9-315(d) of the UCC as in effect in the State of Delaware.

ARTICLE VII
TERM AND TERMINATION

Section 7.1. Term. The "Initial Term" of this Second A&R Participation Agreement shall commence as of January 12, 2010 and shall expire on June 30, 2011. In the event the Block Companies elect to renew the Retail Distribution Agreement for not more than two (2) successive one year periods (each such one year period is referred to as a "Renewal Term"), this Participation Agreement shall be automatically renewed for each Renewal Term so elected by the Block Companies, unless BFC elects not to renew this Participation Agreement for a Renewal Term by providing written notice to HSBC NA, HSBC Trust and HSBC TFS not later than ninety (90) days prior to the expiration of the Initial Term or, if the Participation Agreement was renewed, the Renewal Term. The Initial Term and any Renewal Term(s) are collectively referred to as the "Term". Notwithstanding the provisions of this Section 7.1, this Participation Agreement may be terminated prior to the expiration of the Initial Term or any Renewal Term in accordance with the provisions of Section 7.2.

Section 7.2. Termination.

(a) This Participation Agreement may be terminated as follows:

(1) upon the mutual written agreement of all of the parties hereto;

(2) upon the expiration or termination of the Retail Distribution Agreement;

(3) by BFC in accordance with Section 18.2(b) of the Retail Distribution Agreement; or

(4) by HSBC NA, HSBC Trust or HSBC TFS in accordance with Section 19.2(b) of the Retail Distribution Agreement.

(b) BFC may terminate this Participation Agreement pursuant to Section 8.2(b).

(c) HSBC NA, HSBC Trust, or HSBC TFS may terminate this Participation Agreement pursuant to Section 9.2(b).

Section 7.3. Effect of Termination. Termination pursuant to Section 7.2 shall not affect the rights or obligations of the parties to this Participation Agreement or any other Program Contract arising prior to the termination of this Participation Agreement, including the obligations of the Servicer under the Servicing Agreement.

ARTICLE VIII
DEFAULT OF HSBC NA, HSBC TRUST AND HSBC TFS AND REMEDIES OF BFC

Section 8.1. HSBC NA, HSBC Trust, and HSBC TFS Events of Default. The occurrence of any one or more of the following events for any reason whatsoever (whether voluntary or involuntary, by operation of Law or otherwise) shall constitute an event of default with respect to HSBC TFS. The occurrence of any one or more of the following events with respect to HSBC NA or HSBC Trust, as applicable, for any reason whatsoever (whether voluntary or involuntary, by operation of Law or otherwise) shall constitute an event of default with respect to HSBC NA or HSBC Trust, as applicable.

(a) HSBC NA, HSBC Trust or HSBC TFS, as applicable, fails to observe or perform any covenant applicable to it contained in this Participation Agreement (or, in the event such covenant does not contain a Material Adverse Effect qualification, so long as such failure could reasonably be expected to have a Material Adverse Effect), following receipt of notice of such failure and the same shall remain unremedied for five (5) days or more following receipt of such notice;

(b) any representation, warranty, certification or statement made by HSBC NA, HSBC Trust or HSBC TFS, as applicable, in this Participation Agreement is incorrect in any respect (or, in the event such representation, warranty, certification or statement made in this Participation Agreement does not contain a Material Adverse Effect qualification, so long as

such incorrect representation, warranty, certification or statement could reasonably be expected to have a Material Adverse Effect); or

(c) a HSBC Event of Default occurs under the Retail Distribution Agreement.

Section 8.2. Remedies. If any event of default by HSBC NA, HSBC Trust or HSBC TFS under Section 8.1 has occurred and is continuing and adversely affects BFC, the following actions may be taken:

(a) Termination. BFC may terminate this Participation Agreement. If BFC terminates, this Participation Agreement under this Section 8.2(a), BFC shall promptly provide written notice to HSBC NA and HSBC Trust and HSBC TFS. The effective date of termination shall be the date such corresponding notice was received by HSBC NA, HSBC Trust and HSBC TFS.

(b) Other Rights and Remedies. BFC may exercise any rights and remedies provided to it under this Participation Agreement or at law or equity.

Section 8.3. Default Rate. If any event of default of HSBC NA, HSBC Trust or HSBC TFS has occurred and is continuing, and all or any portion of the Obligations hereunder of HSBC NA, HSBC Trust or HSBC TFS are outstanding, such Obligations or any portion thereof shall bear interest at the Default Rate until such Obligations or such portion thereof plus all interest thereon are paid in full.

Section 8.4. Waiver. BFC may waive, in writing, any event of default of HSBC NA, HSBC Trust or HSBC TFS, as applicable. Upon any such waiver of a past event of default of HSBC NA, HSBC Trust or HSBC TFS, as applicable, such event of default shall cease to exist; provided, however, that such waiver shall not excuse or discharge any Obligations relating to or liabilities arising from such event of default. No such waiver shall extend to any subsequent or other event of default of HSBC NA, HSBC Trust or HSBC TFS, as applicable, or impair any right consequent thereon except to the extent expressly so waived.

ARTICLE IX
DEFAULT OF BFC AND REMEDIES OF HSBC NA, HSBC TRUST, AND HSBC TFS

Section 9.1. BFC Events of Default. The occurrence of any one or more of the following events for any reason whatsoever (whether voluntary or involuntary, by operation of Law or otherwise) shall constitute an event of default with respect to BFC:

(a) BFC fails to observe or perform any covenant applicable to it contained in this Participation Agreement (or, in the event such covenant does not contain a Material Adverse Effect qualification, so long as such failure could reasonably be expected to have a Material Adverse Effect), and the same shall remain unremedied for five (5) days or more following receipt of written notice of such failure;

(b) any representation, warranty, certification or statement made by BFC in or pursuant to this Participation Agreement is incorrect in any respect (or, in the event such representation, warranty, certificate or statement made in this Participation Agreement does not

contain a Material Adverse Effect qualification, so long as such incorrect representation, warranty, certification or statement could reasonably be expected to have a Material Adverse Effect); or

(c) a Block Event of Default occurs under the Retail Distribution Agreement.

Section 9.2. Remedies. If any event of default by BFC under Section 9.1 has occurred and is continuing and adversely affects HSBC NA, HSBC Trust or HSBC TFS, as applicable, the following actions may be taken:

(a) Termination. HSBC NA, HSBC Trust or HSBC TFS, as applicable, may terminate this Participation Agreement. If any of HSBC NA, HSBC Trust or HSBC TFS, as applicable, terminates this Participation Agreement under this Section 9.2(a), such party shall promptly provide written notice to BFC. The effective date of termination shall be the date such corresponding notice was received by BFC.

(b) Other Rights and Remedies. HSBC NA, HSBC Trust or HSBC TFS, as applicable, may exercise any rights and remedies provided to it under this Participation Agreement or at law or equity.

Section 9.3. Default Rate. If any event of default of BFC has occurred and is continuing, and all or any portion of the Obligations hereunder of BFC are outstanding, such Obligations or any portion thereof shall bear interest at the Default Rate until such Obligations or such portion thereof plus all interest thereon are paid in full.

Section 9.4. Waiver. HSBC NA, HSBC Trust or HSBC TFS, as applicable, may waive, in writing, any event of default of BFC. Upon any such waiver of a past event of default of BFC, such event of default of BFC shall cease to exist; provided, however, that such waiver shall not excuse or discharge any Obligations relating to or liabilities arising from such event of default of BFC. No such waiver shall extend to any subsequent or other event of default of BFC or impair any right consequent thereon except to the extent expressly so waived.

ARTICLE X
MISCELLANEOUS

Section 10.1. Independent Evaluation. BFC expressly acknowledges that except as provided in Article II and the other Program Contracts, HSBC NA, HSBC Trust and HSBC TFS have not made any representation or warranty, express or implied, to BFC and no act by HSBC NA, HSBC Trust or HSBC TFS heretofore or hereafter taken shall be deemed to constitute any representation or warranty by HSBC NA, HSBC Trust or HSBC TFS to BFC**;** and (b) in connection with its entry into and its performance of its obligations under this Participation Agreement, BFC has made and shall continue to make its own independent investigation of the economic and credit risks associated with the purchase of Participation Interests**.**

Section 10.2. Survival.

(a) The rights and obligations of the parties hereto under Sections 1.1, 1.2, 1.3, 1.4(b), 4.5 and 4.6, Article V and Article VI of this Participation Agreement, shall survive

the expiration or termination of this Participation Agreement until such time as no obligations of such parties thereunder are due and owing.

(b) The (i) representations and warranties of the parties hereto and (ii) the rights and obligations of the parties hereto under Sections 8.2, 8.3, 9.2 and 9.3 and Article X of this Participation Agreement shall survive the expiration or termination of this Participation Agreement indefinitely.

Section 10.3. No Waivers; Remedies Cumulative. No failure or delay by any party hereto in exercising any right, power or privilege under this Participation Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law, by other agreement or otherwise.

Section 10.4. Notices. All notices, requests and other communications to any party hereunder shall be provided in the manner set forth in Section 22.3 of the Retail Distribution Agreement.

Section 10.5. Severability. In case any provision of, or obligation under, this Participation Agreement shall be invalid, illegal or unenforceable in any applicable jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

Section 10.6. Amendments and Waivers. Any provision of this Participation Agreement may be amended or waived only if such amendment or waiver is in writing and is signed by all of the parties hereto.

Section 10.7. Successors and Assigns. The provisions of this Participation Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, no such party may assign or otherwise transfer any of its rights under this Participation Agreement without the prior written consent of all parties signatory hereto except as provided in Sections 1.3, 4.8 or Article VI hereof; provided further, BFC may assign, pledge and/or provide a security interest in its rights under this Agreement to HSBC NA in order to secure financing for the purchase of Participation Interests hereunder.

Section 10.8. Headings. Headings and captions used in this Participation Agreement (including all exhibits and schedules thereto) are included herein for convenience of reference only and shall not constitute a part of this Participation Agreement for any other purpose or be given any substantive effect.

Section 10.9. Alternative Dispute Resolution. ANY DISPUTE BETWEEN OR AMONG THE PARTIES HERETO ARISING OUT OF OR RELATING TO THIS PARTICIPATION AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREIN (EXCEPT JUDICIAL ACTION FOR SPECIFIC PERFORMANCE OR INJUNCTIVE RELIEF) SHALL BE RESOLVED AMONG THE PARTIES TO SUCH DISPUTE BY NEGOTIATION, MEDIATION AND ARBITRATION IN ACCORDANCE WITH THE PROVISIONS OF

ARTICLE XXI OF THE RETAIL DISTRIBUTION AGREEMENT, WHICH ARE INCORPORATED HEREIN BY REFERENCE.

Section 10.10. Governing Law; Submission To Jurisdiction. THIS PARTICIPATION AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF MISSOURI. WITHOUT LIMITING THE EFFECT OF SECTION 10.9 HEREOF AND ARTICLE XXI OF THE RETAIL DISTRIBUTION AGREEMENT, EACH OF THE PARTIES HERETO HEREBY (A) SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE FEDERAL AND/OR STATE COURTS SITTING IN ST. LOUIS, MISSOURI FOR PURPOSES OF ALL LEGAL PROCEEDINGS FOR SPECIFIC PERFORMANCE OR INJUNCTIVE RELIEF PERMITTED BY SECTION 21.12 OF THE RETAIL DISTRIBUTION AGREEMENT, (B) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM, (C) IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN SUCH PROCEEDING THE MANNER PROVIDED FOR NOTICES IN SECTION 10.4 AND (D) AGREES THAT NOTHING IN THIS PARTICIPATION AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS PARTICIPATION AGREEMENT TO SERVE PROCESS IN ANY SUCH PROCEEDING IN ANY OTHER MANNER PERMITTED BY LAW.

Section 10.11. Waiver of Jury Trial. WITHOUT LIMITING THE EFFECT OF SECTION 10.9, EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING OUT OF OR RELATING TO THIS PARTICIPATION AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 10.12. Counterparts. This Participation Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Participation Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto.

Section 10.13. Entire Agreement. This Participation Agreement and the other Program Contracts, as amended through the date hereof, constitute the entire agreement and understanding among the parties hereto, and supersede and extinguish any and all prior agreements and understandings, oral or written relating to the operation of the Settlement Products Program on and after the date hereof. For the avoidance of doubt, (i) this Participation Agreement and the other Program Contracts, as amended through the date hereof, shall govern the operation of the Settlement Products Program on and after the date hereof, (ii) the Original Participation Agreement, as amended by the First Amendment, as further amended and restated by the First A&R Participation Agreement, and further amended by the Second Amendment and the Third Amendment shall continue to govern the participation interests sold between the date of the Original Participation Agreement and the date of this Second A&R Participation Agreement, and (iii) nothing in this Participation Agreement or the other Program Contracts shall affect the rights

and obligations of the parties to the Prior Program Agreements, whenever arising, under such Prior Program Agreements, which remain valid and enforceable in accordance with their terms.

Section 10.14. Reinstatement. This Participation Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against any party hereto for liquidation or reorganization, should any party hereto become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee be appointed for all or any significant part of any party's assets or properties, and shall continue to be effective or to be reinstated, as the case may be, if at any time payment and performance of the obligations hereunder, or any part thereof, is, pursuant to applicable Law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of such obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the obligations hereunder shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

Section 10.15. Advice of Counsel. Each of the parties represents to each other party hereto that it has discussed this Participation Agreement with its counsel.

Section 10.16. No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Participation Agreement. In the event any ambiguity or question of intent or interpretation arises, this Participation Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Participation Agreement.

Section 10.17. Conflict of Terms. Except as otherwise provided in this Participation Agreement or any of the other Program Contracts by specific reference to the applicable provisions of this Participation Agreement, if any provision contained in this Participation Agreement conflicts with any provision in any of the other Program Contracts, other than the Indemnification Agreement or the Retail Distribution Agreement, the provisions contained in this Participation Agreement shall govern and control. If there is a conflict between this Participation Agreement and the Retail Distribution Agreement (but not the Indemnification Agreement), then the Retail Distribution Agreement shall control. If there is a conflict between this Participation Agreement and the Indemnification Agreement, the Indemnification Agreement shall control.

Section 10.18. Further Execution. Each party hereto shall execute any and all documents as are necessary or desirable to consummate the transactions contemplated hereby.

Section 10.19. Expenses. Except as otherwise provided herein or in any Program Contract, each party hereto shall pay its own expenses, including the expenses of its own counsel and its own accountants, in connection with the consummation of the transactions contemplated by this Participation Agreement.

Section 10.20. No Implied Relationship. Notwithstanding any provision herein to the contrary:

(a) This Participation Agreement shall not be construed to establish a partnership or joint venture between the parties hereto.

(b) All personnel employed or otherwise engaged by any party hereto to perform the obligations and duties of such party hereunder shall not be deemed to be employees of any other party hereto. In addition, the party employing or otherwise engaging such employees, shall at all times be responsible for the compensation of, and payment of applicable state and federal income taxes with respect to, any personnel employed by such party to perform any services hereunder.

Section 10.21. No Third Party Beneficiaries. This Participation Agreement is for the sole benefit of the parties hereto and their permitted successors and assigns and nothing in this Participation Agreement, express or implied, is intended to or shall confer upon any other person any legal or equitable right, benefit or remedy, of any nature whatsoever under or by reason of this Participation Agreement.

Section 10.22. Limitation of Scope of Representations and Warranties and Other Disclosures. The representations, warranties and other disclosures set forth by each party hereto are only made for the benefit of the parties hereto and the purpose of the transactions contemplated hereby and are not intended for use by any person with respect to any acquisition or disposition of any security of any party hereto.

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THIS PARTICIPATION AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

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

HSBC BANK USA, NATIONAL ASSOCIATION,
a national banking association

By: /s/ Eesh K. Bansal
Name:
Title:

HSBC TRUST COMPANY (DELAWARE), N.A.,
a national banking association

By: /s/ Richard D. Leigh
Name: Richard D. Leigh
Title: President

HSBC TAXPAYER FINANCIAL SERVICES INC.,
a Delaware corporation

By: /s/ John R. Butler
Name: John R. Butler
Title: Senior Vice President

BLOCK FINANCIAL LLC,
a Delaware limited liability company

By: /s/ Becky S. Shulman
Name: Becky S. Shulman
Title: President and Chief Financial Officer

Exhibit 10.2

EXECUTION VERSION

CREDIT AND GUARANTEE AGREEMENT

dated as of

January 12, 2010

among

BLOCK FINANCIAL LLC,
as Borrower,

H&R BLOCK, INC.,
as Guarantor,

and

HSBC BANK USA, NATIONAL ASSOCIATION,
as Lender

$2,500,000,000 REVOLVING CREDIT FACILITY

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CREDIT AND GUARANTEE AGREEMENT

CREDIT AND GUARANTEE AGREEMENT, dated as of January 12, 2010, among BLOCK FINANCIAL LLC, a Delaware limited liability company, as Borrower, H&R BLOCK, INC., a Missouri corporation, as Guarantor, and HSBC BANK USA, NATIONAL ASSOCIATION, a national banking association, as Lender.

WHEREAS, the Borrower has requested that the Lender provide a short-term revolving credit facility in an amount of $2,500,000,000;

WHEREAS, the Guarantor has agreed to guarantee all of the Borrower's obligations hereunder; and

WHEREAS, the Lender is willing to provide a short-term revolving credit facility to the Borrower on the terms and conditions set forth herein.

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

ARTICLE I

DEFINITIONS

SECTION 1.1. Defined Terms. Capitalized terms used in this Agreement that are not defined below or otherwise herein shall have the meanings set forth in the Appendix of Defined Terms and Rules of Construction attached as Appendix A to the Retail Settlement Products Distribution Agreement. As used in this Agreement, the following terms have the meanings specified below:

"Adjusted Net Worth" means, at any time, Consolidated Net Worth of the Guarantor without giving effect to reductions in stockholders' equity as a result of repurchases by the Guarantor of its own Capital Stock subsequent to April 30, 2005 in an aggregate amount not exceeding $350,000,000.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. For the avoidance of doubt, neither the Guarantor nor any of its Subsidiaries shall be deemed to Control any of its franchisees by virtue of provisions in the relevant franchise agreement regulating the business and operations of such franchisee.

"Agreement" means this Credit and Guarantee Agreement.

"Availability Period" means the period from and including the first day in 2010 on which the U.S. Internal Revenue Service accepts electronic filings of personal tax returns (or, if later, the Closing Date) to but excluding the earlier of the Revolving Termination Date and the date of termination of the Commitments.

"Average Weekly LIBOR" means for each day the average of the LIBO Rate in effect for each of the preceding five Business Days.

"Bank Revolvers" means, collectively, (i) the Five-Year Credit and Guarantee Agreement dated as of August 10, 2005 among the Borrower, the Guarantor, various financial institutions and JPMorgan Chase Bank N.A., as Administrative Agent, as amended by the First Amendment thereto dated as of November 28, 2006 and the Second Amendment thereto dated as of November 19, 2007, and any restatement, extension, renewal and replacement thereof (regardless of whether the amount available thereunder is changed or the term thereof is modified) and (ii) the Amended and Restated Five-Year Credit and Guarantee Agreement, dated as of August 10, 2005, among the Borrower, the Guarantor, various financial institutions and JPMorgan Chase Bank, N.A., as Administrative Agent, as amended by the First Amendment thereto dated as of November 28, 2006 and the Second Amendment thereto dated as of November 19, 2007, and any restatement, extension, renewal and replacement thereof (regardless of whether the amount available thereunder is changed or the term thereof is modified).

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

"Borrower" means Block Financial LLC, a Delaware limited liability company and a wholly-owned indirect Subsidiary of the Guarantor.

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

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Capital Stock" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants or options to purchase any of the foregoing.

"Cash Equivalents" means (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by (i) any "Lender" as defined in a Bank

Revolver, (ii) any commercial bank organized under the laws of the United States or any state thereof having combined capital and surplus of not less than $500,000,000 or (iii) any other bank if, and to the extent, covered by FDIC insurance; (c) commercial paper of an issuer rated at least A-1 by S&P or P-1 by Moody's, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition; (d) repurchase obligations of any "Lender" as defined in a Bank Revolver or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days, with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A2 by Moody's; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any "Lender" as defined in a Bank Revolver or any commercial bank satisfying the requirements of clause (b) of this definition; (g) money market mutual or similar funds that invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition; (h) money market funds that (i) comply with the criteria set forth in SEC Rule 2a-7 under the Investment Company Act of 1940, as amended, (ii) are rated AAA by S&P and Aaa by Moody's and (iii) have portfolio assets of at least $1,000,000,000; (i) interests in privately offered investment funds under Section 3(c)(7) of the U.S. Investment Company Act of 1940 where such interests are (i) freely transferable and (ii) rated AAA by S&P or Aaa by Moody's; and (j) one month LIBOR floating rate asset backed securities that are (i) freely transferable and (ii) rated AAA by S&P or Aaa by Moody's.

"Change in Control" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934, as amended, and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof) of shares representing more than 25% of the aggregate ordinary voting power represented by the issued and outstanding Capital Stock of the Guarantor; (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Guarantor by Persons who were neither (i) nominated by the board of directors of the Guarantor nor (ii) appointed by directors so nominated; (c) the acquisition of direct or indirect Control of the Guarantor by any Person or group; or (d) the failure of the Guarantor to own, directly or indirectly, shares representing 100% of the aggregate ordinary voting power represented by the issued and outstanding Capital Stock of the Borrower.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by the Lender (or, for purposes of Section 2.9(b), by any lending office of the Lender or by the Lender's holding company, if any) with any

request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

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

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

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

"Commitment" means the commitment of the Lender to make Loans, subject to the terms and conditions of this Agreement, in an amount not to exceed (i) $2,500,000,000 from the first day in 2010 on which the U.S. Internal Revenue Service accepts electronic filings of personal tax returns through and including March 30, 2010 and (ii) thereafter, $120,000,000, as such commitment may be reduced from time to time pursuant to Section 2.4.

"Consolidated Net Worth" means, at any time, the total amount of stockholders' equity of the Guarantor and its consolidated Subsidiaries at such time determined on a consolidated basis in accordance with GAAP.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Control Agreement" means the Control Agreement between the Borrower, the Lender and the Issuer referred to therein in substantially the form of Exhibit B hereto.

"Credit Parties" means the collective reference to the Borrower and the Guarantor.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Disclosed Matters" means (a) matters disclosed in the Borrower's public filings with the Securities and Exchange Commission on or before the last Business Day preceding the date of this Agreement and (b) the actions, suits, proceedings and environmental matters disclosed in Schedule 3.6.

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

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

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, to the management, release or threatened release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of any Credit Party or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with any Credit Party, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by any Credit Party or any of their ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by any Credit Party or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by any Credit Party or any of their ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by any Credit Party or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from any Credit Party or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurodollar", when used in reference to any Loan, means that such Loan is bearing interest at a rate determined by reference to the LIBO Rate.

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

"Excluded Taxes" means, with respect to the Lender or any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which the Lender is organized or in which its principal office is located or in which its applicable lending office is located and (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Federal Reserve Bank of New York from three Federal funds brokers of recognized standing selected by it.

"Federal Funds Margin" means the Federal Funds Margin specified in the Pricing Letter.

"Financial Officer" means the chief financial officer, principal accounting officer, treasurer or controller of the Borrower or the Guarantor, as the context may require.

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state, provincial or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working

capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Guarantee Obligation" means, as to any Person, any obligation of such Person guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including any obligation of such Person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation shall be deemed to be an amount equal as of any date of determination to the stated determinable amount of the primary obligation in respect of which such Guarantee Obligation is made (unless such Guarantee Obligation shall be expressly limited to a lesser amount, in which case such lesser amount shall apply) or, if not stated or determinable, the amount as of any date of determination of the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith.

"Guarantor" means H&R Block, Inc., a Missouri corporation.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"HSBC RAL" means "HSBC RAL" as such term is defined in the Appendix of Defined Terms and Rules of Construction attached as Appendix A to Retail Settlement Products Distribution Agreement.

"HSBC TFS" means HSBC Taxpayer Financial Services Inc., a Delaware corporation.

"HSBC TFS Letter" means a letter agreement between the Borrower, HSBC TFS and the Lender in substantially the form of Exhibit C hereto.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable and accrued expenses incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty, (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances and (k) for purposes of Section 6.2 only, all preferred stock issued by a Subsidiary of such Person. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor. Indebtedness of a Person shall not include obligations with respect to funds held by such Person in custody for, or for the benefit of, third parties which are to be paid at the direction of such third parties (and are not used for any other purpose).

"Indemnification Agreement" means the HSBC Settlement Products Indemnification Agreement dated as of September 23, 2005 among the Lender, HSBC Taxpayer Financial Services, Inc., Household Tax Masters Acquisition Corporation, Beneficial Franchise Company Inc., H&R Block Services, Inc., H&R Block Tax Services, Inc., H&R Block Enterprises, Inc., H&R Block Eastern Enterprises, Inc., HRB Digital LLC (successor by merger to H&R Block Digital Tax Solutions, LLC), H&R Block and Associates, L.P. (now dissolved), HRB Innovations Inc. (formerly known as HRB Royalty, Inc.) and the Borrower, as amended by the Joinder and First Amendment to Program Contracts dated as of November 10, 2006 (the "First Amendment"), the Second Amendment to Program Contracts dated as of November 13, 2006 (the "Second Amendment"), and the Third Amendment to Program Contracts dated as of December 5, 2008 (the "Third Amendment"), and as further amended from time to time, and any restatement, extension, renewal and replacement thereof.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnitee" has the meaning assigned to such term in Section 10.3(b).

"Indirect RAL Participation Transaction" means any transaction by the Guarantor or any Subsidiary involving (a) an investment in a partnership, limited partnership, limited liability company, limited liability partnership, business trust or other pass-through entity which is partially owned by the Guarantor or any Subsidiary, (b) the purchase by such pass-through entity of refund anticipation loans or participation interests in refund anticipation loans (and/or related rights and interests), and (c) the distribution of cash flow received by such pass-through entity with respect to such refund anticipation loans or participation interests therein to the owners of such pass-through entity.

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

"LIBO Rate" means for each day the rate appearing on the Reuters "LIBOR 01" page (or such other page as may replace such page on that service or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits) at approximately 11:00 a.m., London time, two London business days prior to such day, as the rate for dollar deposits with a one week maturity. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" shall be determined for each day by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Lender at approximately 11:00 a.m., London time, two Business Days prior to such day.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities; provided that clause (c) above shall be deemed not to include stock options granted by any Person to its directors, officers or employees with respect to the Capital Stock of such Person.

"Loan Documents" means this Agreement, the Pricing Letter, the Security Agreement, the Control Agreement, the HSBC TFS Letter and the Notes, if any.

"Loans" means the loans made by the Lender to the Borrower pursuant to this Agreement.

"Margin" means the Margin specified in the Pricing Letter.

"Margin Stock" means any "margin stock" as defined in Regulation U of the Board.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, property or condition (financial or otherwise) of the Guarantor and the Subsidiaries taken as a whole, (b) the ability of any Credit Party to perform any of its

obligations under this Agreement or (c) the rights of or benefits available to the Lenders under this Agreement.

"Material Indebtedness" means Indebtedness (other than the Loans), or obligations in respect of one or more Hedging Agreements, of any one or more of the Credit Parties and any Subsidiaries in an aggregate principal amount exceeding $40,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of any Credit Party or any Subsidiary in respect of any Hedging Agreement at any time shall be the aggregate amount (giving effect to any netting agreements) that the Credit Party or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Material Subsidiary" means any Subsidiary of any Credit Party, the aggregate assets or revenues of which, as of the last day of the most recently ended fiscal quarter for which the Borrower has delivered financial statements pursuant to Section 5.1(a) or (b), when aggregated with the assets or revenues of all other Subsidiaries with respect to which the actions contemplated by Section 6.4 are taken, are greater than 5% of the total assets or total revenues, as applicable, of the Guarantor and its consolidated Subsidiaries, in each case as determined in accordance with GAAP.

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

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

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

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

"Obligations" means, collectively, the unpaid principal of and interest on the Loans and all other obligations and liabilities of the Borrower (including interest accruing at the then applicable rate provided herein after the maturity of the Loans and interest accruing at the then applicable rate provided herein after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) to the Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, the Pricing Letter, the Security Agreement, the Control Agreement, the HSBC TFS Letter, any Note or any other document made, delivered or given in connection herewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including all fees and disbursements of counsel to the Lender that are required to be paid by the Borrower pursuant to the terms of any of the foregoing agreements).

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment

made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Participant" has the meaning assigned to such term in Section 10.4(c).

"Participation Agreement" means the Second Amended and Restated HSBC Refund Anticipation Loan Participation Agreement, dated as of January 12, 2010, as amended from time to time, and any restatement, extension, renewal and replacement thereof, by and among the Borrower, HSBC Bank USA, National Association, HSBC TFS and HSBC Trust Company (Delaware), National Association.

"Participation Interest" means a "Participation Interest" as defined in the Participation Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Encumbrances" means:

(a) judgment Liens in respect of judgments not constituting an Event of Default under clause (k) of Article VIII;

(b) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 5.4;

(c) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.4;

(d) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(e) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business; and

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Credit Parties or any Subsidiary;

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which any Credit Party or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Pricing Letter" means the separate letter agreement, dated the date of this Agreement, among the Borrower, the Guarantor and the Lender, setting forth certain fees and margins payable by the Borrower in connection with this Agreement.

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

"Prime Rate Margin" means the Prime Rate Margin specified in the Pricing Letter.

"Proceeding" means any suit, action or proceeding arising out of or relating to this Agreement, the Pricing Letter, the Security Agreement, the Control Agreement or the HSBC TFS Letter, or for recognition or enforcement of any judgment.

"Purchase Price" means "Purchase Price" as such term is defined in the Appendix of Defined Terms and Rules of Construction attached as Appendix A to Retail Settlement Products Distribution Agreement.

"RAL Receivables Amount" means, at any time, the difference (but not less than zero) between (i) the aggregate amount of funds received by the Guarantor, any Subsidiary or any qualified or unqualified special purpose entity created by any Subsidiary with respect to the transfer of refund anticipation loans, or participation interests in refund anticipation loans (and/or related rights and interests), to any third party in any RAL Receivables Transaction, at or prior to such time, minus (ii) the aggregate amount received by all such third parties with respect to the transferred refund anticipation loans, or participation interests in refund anticipation loans (and/or related rights and interests), in all RAL Receivables Transactions, at or prior to such time, excluding from the amounts received by such third parties, the aggregate amount of any origination, set up, structuring or similar fees, all implicit or explicit financing expenses and all indemnification and reimbursement payments paid to any such third party in connection with any RAL Receivables Transaction.

"RAL Receivables Transaction" means any securitization, on — or off — balance sheet financing or sale transaction, involving refund anticipation loans, or participation interests in refund anticipation loans (and/or related rights and interests), that were

acquired by the Guarantor, any Subsidiary or any qualified or unqualified special purpose entity created by any Subsidiary.

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

"Restricted Margin Stock" means all Margin Stock owned by the Guarantor and its Subsidiaries to the extent the value of such Margin Stock does not exceed 25% of the value of all assets of the Guarantor and its Subsidiaries (determined on a consolidated basis) that are subject to the provisions of Section 6.3 and 6.4.

"Retail Settlement Products Distribution Agreement" means the HSBC Retail Settlement Products Distribution Agreement, dated as of September 23, 2005, as amended by the Joinder and First Amendment to Program Contracts dated as of November 10, 2006, the Second Amendment to Program Contracts dated as of November 13, 2006, and the Third Amendment to Program Contracts dated as of December 5, 2008, and as further amended from time to time, and any restatement, extension, renewal and replacement thereof, by and among the parties thereto, including, the Lender and the Guarantor.

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

"Revolving Termination Date" means the earlier of (i) June 30, 2010 and (ii) the first day after April 15, 2010 on which the aggregate outstanding amount of the Participation Interests purchased by the Borrower in HSBC RALs under the Participation Agreement which have been financed by the making of Loans is less than $60,000,000.

"RSM" means RSM McGladrey, Inc., a Delaware corporation.

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

"Security Agreement" means a Security Agreement between the Borrower and the Lender in substantially the form of Exhibit A hereto.

"Servicing Agreement" means the First Amended and Restated HSBC Settlement Products Servicing Agreement dated as of November 13, 2006, as amended from time to time, and any restatement, extension, renewal and replacement thereof, among HSBC Bank USA, National Association, HSBC TFS, HSBC Trust Company (Delaware), N.A., and the Borrower.

"Short-Term Debt" means, at any time, the aggregate amount of Indebtedness of the Guarantor and its Subsidiaries at such time (excluding seasonal Indebtedness of H&R Block Canada, Inc.) having a final maturity less than one year after such time, determined on a consolidated basis in accordance with GAAP, plus the aggregate amount of Indebtedness at such time under the Bank Revolvers, minus (a) to the extent otherwise

included therein, Indebtedness outstanding at such time (i) under mortgage facilities secured by mortgages and related assets, (ii) incurred to fund servicing obligations required as part of servicing mortgage backed securities in the ordinary course of business, (iii) incurred and secured by broker-dealer Subsidiaries in the ordinary course of business and (iv) deposits and other customary banking related liabilities incurred by banking Subsidiaries in the ordinary course of business, (b) the excess, if any, of (i) the aggregate amount of cash and Cash Equivalents held at such time in accounts of the Guarantor and its Subsidiaries (other than broker-dealer Subsidiaries and banking Subsidiaries) to the extent freely transferable to the Credit Parties and capable of being applied to the Obligations without any contractual, legal or tax consequences over (ii) $15,000,000 and (c) to the extent otherwise included therein, the current portion of long term debt.

"Subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more Subsidiaries of the parent or by the parent and one or more Subsidiaries of the parent. Notwithstanding the foregoing, no entity shall be considered a "Subsidiary" solely as a result of the effect and application of FASB Interpretation No. 46R (Consolidation of Variable Interest Entities). Unless the context shall otherwise require, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Guarantor, including the Borrower and the Subsidiaries of the Borrower.

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

"Total Facility Commitments" means the sum of the total "Commitments" under and as defined in the Bank Revolvers.

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

"Transactions" means the execution, delivery and performance by the Credit Parties of the Loan Documents, the borrowing of Loans, the use of the proceeds thereof, and the granting of the security provided for in the Security Agreement.

"Unrestricted Margin Stock" means all Margin Stock owned by the Guarantor and its Subsidiaries other than Restricted Margin Stock.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.2. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.3. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Lender that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Lender notifies the Borrower that the Lender requests an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II

THE CREDITS

SECTION 2.1. Commitment. Subject to the terms and conditions set forth herein (including the proviso at the end of Section 6.2) and in the Pricing Letter, the Lender agrees to make revolving Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in the Lender's Revolving Credit Exposure exceeding the Lender's Commitment as then in effect. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Loans.

SECTION 2.2. Loans. Subject to Section 2.8, all Loans shall be comprised entirely of Eurodollar Loans in accordance herewith. The Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

SECTION 2.3. Funding of Loans. As provided in the HSBC TFS Letter, HSBC TFS shall notify the Lender of the aggregate amount of the Purchase Price for the Participation Interests to be purchased by the Borrower under the Participation Agreement on any Business Day at the same time as HSBC TFS notifies the Borrower of such amount, but in any event not later than 9:30 a.m. New York City time on such Business Day. Subject to the terms and conditions of this Agreement, the Lender shall make a Loan in the amount so notified in respect of each Business Day, by wire transfer of immediately available funds to or as instructed by HSBC TFS by 4:30 p.m., New York City time, on such Business Day; provided, that if the Borrower shall notify the Lender and HSBC TFS not later than one hour after the notification by HSBC TFS referred to in the preceding sentence that the Borrower does not wish to borrow all or some of the amount so notified by HSBC TFS, then the Lender shall make a Loan in such lesser amount, if any, specified in such notice of the Borrower. The Borrower hereby irrevocably (i) authorizes and instructs the Lender to make Loans by transfer of Loan proceeds directly to or as instructed by HSBC TFS as provided in the preceding sentence and (ii) acknowledges and agrees that Loans will not be disbursed in any other manner or for any other purpose than to fund the purchase by the Borrower of Participation Interests in HSBC RALs under the Participation Agreement. Notices under this Section 2.3 shall be made by telephone discussion with a representative of the Person being notified (and not by voicemail or other form of recorded message) and promptly confirmed by fax. Absent manifest error, the Lender shall be entitled to rely without further inquiry on notices and information received from HSBC TFS or the Borrower as contemplated in this Section 2.3.

SECTION 2.4. Termination and Reduction of Commitment. (a) Unless previously terminated, the Commitment shall terminate on the Revolving Termination Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitment; provided that (i) each reduction of the Commitment shall be in an amount that is an integral multiple of $1,000,000 and not less than $25,000,000 and (ii) the Borrower shall not terminate or reduce the Commitment if, after giving effect to any concurrent

prepayment of the Loans in accordance with Section 2.6, the Revolving Credit Exposure would exceed the Commitment.

(c) The Borrower shall notify the Lender of any election to terminate or reduce the Commitment under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitment delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Lender) on or prior to the specified effective date if such condition is not satisfied. Any termination or reduction of the Commitment shall be permanent.

SECTION 2.5. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Lender (i) the unpaid principal amount of the Loans on March 31, 2010 to the extent that such principal amount exceeds the Commitment on such date and (ii) the then unpaid principal amount of each Loan on the Revolving Termination Date.

(b) The Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to the Lender resulting from each Loan made by the Lender, including the amounts of principal and interest payable and paid to the Lender from time to time hereunder.

(c) The entries made in the account maintained pursuant to paragraph (b) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of the Lender to maintain such account or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(d) The Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to the Lender a promissory note payable to the order of the Lender (or, if requested by the Lender, to the Lender and its assigns) and in a form approved by the Lender. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 10.4) be represented by one or more promissory notes in such form payable to the order of the payee named therein. In addition, upon receipt of an affidavit of an officer of the Lender as to the loss, theft, destruction or mutilation of the promissory note, the Borrower will issue, in lieu thereof, a replacement promissory note in the same principal amount thereof and otherwise of like tenor.

SECTION 2.6. Prepayment of Loans. (a) The Borrower (i) shall have the right at any time and from time to time voluntarily to prepay the Loans in whole or in part without premium or penalty, subject to prior notice in accordance with paragraph (b) of this Section, and (ii) shall prepay the Loans from time to time in whole or in part without premium or penalty in accordance with paragraph (c) of this Section.

(b) The Borrower shall notify the Lender by telephone discussion with a representative of the Lender (and not by voicemail or other form of recorded message) (confirmed by telecopy) of any voluntary prepayment of Loans under Section 2.6(a)(i), not later than 10:00 a.m., New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of Loans to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.4, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.4.

(c) At any time when there is outstanding unpaid principal on the Loans, the Borrower shall prepay the principal of the Loans in an amount equal to (i) 100% of the amount of all payments constituting repayment of HSBC RALs in which the Borrower has purchased a Participation Interest which are remitted to the Borrower by HSBC TFS under Section 3.4(b)(iii) of the Servicing Agreement, and (ii) 100% of the amount of all repurchases of Participation Interests under Section 6 of the Participation Agreement as to Participation Interests that have been purchased by the Borrower. In the HSBC TFS Letter, the Borrower will irrevocably authorize and instruct HSBC TFS, as Servicer under the Servicing Agreement, at any time when there is outstanding unpaid principal on the Loans, (A) to pay 100% of all amounts from time to time to be remitted to the Borrower by the Servicer under Section 3.4(b)(iii) of the Servicing Agreement in respect of Participation Interests purchased by the Borrower directly to the Lender for application to the prepayment of the Loans under this Section 2.6(c) and (B) to pay 100% of all amounts otherwise payable to the Borrower in respect of the repurchase under Section 6 of the Participation Agreement of Participation Interests in HSBC RALs that have been purchased by the Borrower directly to the Lender for application to the prepayment of the Loans under this Section 2.6(c). The Lender shall be entitled to rely without further inquiry on notices and information received from HSBC TFS as contemplated in this Section 2.6(c). The Lender shall credit payments received from HSBC TFS under this Section 2.6(c) to prepayment of the principal of the Loans on the date of receipt.

SECTION 2.7. Interest

(a) The Loans shall bear interest for each day at a rate per annum equal to the sum of (i) the Average Weekly LIBO Rate for such day plus (ii) the Margin. The principal amount of any Loan that is made by the Lender pursuant to Section 2.3 and is prepaid by the Borrower pursuant to Section 2.6(a)(i) on the same Business Day shall not bear any interest for such Business Day.

(b) Notwithstanding the foregoing, if any principal of or interest on any Loan or any other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to 3% plus the rate of interest otherwise applicable to the Loans hereunder.

(c) Accrued interest on each Loan shall be payable monthly in arrears on the fifth Business Day of the following month and on the Revolving Termination Date; provided

that interest accrued pursuant to paragraph (b) of this Section shall be payable on demand. On the second Business Day of such following month, the Lender shall deliver to the Borrower and HSBC TFS by e-mail an invoice for the amount of accrued interest on the Loans for the preceding month, together with a schedule in reasonable detail showing how such amount was calculated.

(d) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Prime Rate under Section 2.8 shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The LIBO Rate (and in the case of determinations under Section 2.8, the Federal Funds Effective Rate and the Prime Rate) shall be determined by the Lender, and such determination shall be conclusive absent manifest error. The Lender shall as soon as practicable notify the Borrower of the effective date and the amount of each change in interest rate.

SECTION 2.8. Alternate Rate of Interest. If at any time:

(a) the Lender determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the LIBO Rate; or

(b) the Lender determines that the LIBO Rate will not adequately and fairly reflect the cost to the Lender of making or maintaining Loans;

then the Lender shall give notice thereof to the Borrower by telephone or telecopy as promptly as practicable thereafter and, until the Lender notifies the Borrower that the circumstances giving rise to such notice no longer exist, the Loans shall bear interest at a rate per annum equal to, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day plus the Prime Rate Margin, and (b) the Federal Funds Effective Rate in effect on such day plus the Federal Funds Margin. Any change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

SECTION 2.9. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, the Lender; or

(ii) impose on the Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by the Lender;

and the result of any of the foregoing shall be to increase the cost to the Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to the Lender or to reduce the amount of any sum received or receivable by the Lender hereunder (whether of principal, interest or otherwise), then the Borrower will pay to the

Lender such additional amount or amounts as will compensate the Lender for such additional costs incurred or reduction suffered.

(b) If the Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on the Lender's capital or on the capital of the Lender's holding company, if any, as a consequence of this Agreement or the Loans made by the Lender to a level below that which the Lender or the Lender's holding company could have achieved but for such Change in Law (taking into consideration the Lender's policies and the policies of the Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender or the Lender's holding company for any such reduction suffered.

(c) A certificate of the Lender setting forth the amount or amounts necessary to compensate the Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section (together with a statement of the reason for such compensation and a calculation thereof in reasonable detail) shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay the Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of the Lender to demand compensation pursuant to this Section shall not constitute a waiver of the Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate the Lender pursuant to this Section for any increased costs or reductions incurred more than six months prior to the date that the Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of the Lender's intention to claim compensation therefor; provided, further, that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.10. Taxes. (a) Any and all payments by or on account of any obligation of the Borrower or the Guarantor hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower or the Guarantor shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower or the Guarantor shall make such deductions and (iii) the Borrower or the Guarantor shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Lender, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable

under this Section) paid by the Lender and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by the Lender shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender.

SECTION 2.11. Payments Generally. (a) The Borrower shall make each payment required to be made by it hereunder (whether of principal or interest, or under Section 2.9 or 2.10, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Lender, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Lender at its account at HSBC Bank USA, National Association, Buffalo, N.Y., ABA #021001088, Syndication & Asset, A/C #001-940503, Ref. H&R Block, or at such other bank or account as it shall specify from time to time by notice in writing to the Borrower. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars. Notwithstanding the foregoing, this Section 2.11 shall not apply to payments by HSBC TFS as contemplated by Section 2.6(c).

(b) If at any time insufficient funds are received by and available to the Lender to pay fully all amounts of principal, interest and any other amounts then due hereunder, such funds shall be applied (i) first, to pay interest then due hereunder, (ii) second, to pay principal then due hereunder, and (iii) third, any other amounts due and owing hereunder.

SECTION 2.12. Mitigation Obligations. If the Lender requests compensation under Section 2.9, or if the Borrower is required to pay any additional amount to the Lender or any Governmental Authority for the account of the Lender pursuant to Section 2.10, then the Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of the Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.9 or 2.10, as the case may be, in the future and (ii) would not subject the Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to the Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by the Lender in connection with any such designation or assignment.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

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

SECTION 3.1. Organization; Powers. Each of the Credit Parties and the Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has the power and authority to carry on its business as now conducted and, except where the failure to be so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required. The Borrower was converted from a Delaware corporation known as "Block Financial Corporation" on January 1, 2008 pursuant to Section 18-214 of the Delaware Limited Liability Company Act.

SECTION 3.2. Authorization; Enforceability. The Transactions are within each Credit Party's corporate or limited liability company, as the case may be, powers and have been duly authorized by all necessary corporate or limited liability company, as the case may be, and, if required, stockholder or member, as the case may be, action. This Agreement has been duly executed and delivered by each Credit Party and constitutes a legal, valid and binding obligation of each Credit Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.3. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws, operating agreement or other organizational documents of any Credit Party or any Subsidiary or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, material agreement or other instrument (other than those to be terminated on or prior to the Closing Date) binding upon any Credit Party or any Subsidiary or their assets, or give rise to a right thereunder to require any payment to be made by any Credit Party or any Subsidiary, and (d) except as provided in the Loan Documents, will not result in the creation or imposition of any Lien on any asset of any Credit Party or any Subsidiary.

SECTION 3.4. Financial Condition; No Material Adverse Change. (a) Each Credit Party has heretofore furnished to the Lender consolidated balance sheets and statements of income and cash flows (and, in the case of the Guarantor, of stockholders' equity) (i) as of and for the fiscal year ended April 30, 2009 (A) reported on by Deloitte & Touche LLP, an independent registered public accounting firm, in respect of the financial statements of the Guarantor, and (B) certified by its chief financial officer, in respect of the financial statements of the Borrower, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended October 31, 2009. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its consolidated

Subsidiaries and of the Guarantor and its consolidated Subsidiaries as of such date and for such period in accordance with GAAP. Except as set forth on Schedule 3.4(a), neither the Guarantor nor any of its consolidated Subsidiaries had, at the date of the most recent balance sheet referred to above, any material Guarantee Obligation, contingent liability or liability for taxes, or any long-term lease or unusual forward or long-term commitment, including any interest rate or foreign currency swap or exchange transaction not in the ordinary course of business, which is not reflected in the foregoing statements or in the notes thereto. During the period from April 30, 2009 to and including the date hereof, and except as disclosed in filings made by the Guarantor with the U.S. Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, there has been no sale, transfer or other disposition by the Guarantor or any of its consolidated Subsidiaries of any material part of its business or property other than in the ordinary course of business and no purchase or other acquisition of any business or property (including any Capital Stock of any other Person), material in relation to the consolidated financial condition of the Guarantor and its consolidated Subsidiaries at April 30, 2009.

(b) From April 30, 2009 through the Effective Date, there has been no material adverse change in the business, assets, property or condition (financial or otherwise) of the Guarantor and its Subsidiaries, taken as a whole.

SECTION 3.5. Properties. (a) Each of the Credit Parties and the Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) Each of the Credit Parties and the Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Credit Parties and the Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.6. Litigation and Environmental Matters. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of any Credit Party, threatened against or affecting any Credit Party or any Subsidiary that (i) have not been disclosed in the Disclosed Matters and as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, would reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (ii) challenge or would reasonably be expected to affect the legality, validity or enforceability of this Agreement.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, neither of the Credit Parties nor any Subsidiary (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

SECTION 3.7. Compliance with Laws and Agreements. Each of the Credit Parties and the Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to be so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.8. Investment Company Status. Neither of the Credit Parties nor any of the Subsidiaries is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended.

SECTION 3.9. Taxes. Each of the Credit Parties and the Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Guarantor, the Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, would reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than $25,000,000 the fair market value of the assets of such Plan, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than $25,000,000 the fair market value of the assets of all such underfunded Plans.

SECTION 3.11. Disclosure. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Credit Parties to the Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Credit Parties represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 3.12. Federal Regulations. No part of the proceeds of any Loans will be used for "purchasing" or "carrying" any "margin stock" (within the respective meanings of each of the quoted terms under Regulation U of the Board as now and from time to time hereafter in effect) in a manner or in circumstances that would constitute or result in non-compliance by any Credit Party or the Lender with the provisions of Regulations U, T or X of the Board. If requested by the Lender, the Borrower will furnish to the Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in said Regulation U.

SECTION 3.13. Subsidiaries. As of the date hereof, the Guarantor has only the Subsidiaries set forth on Schedule 3.13.

SECTION 3.14. Insurance. Each Credit Party and each Subsidiary of each Credit Party maintains (pursuant to a self-insurance program and/or with financially sound and reputable insurers) insurance with respect to its properties and business and against at least such liabilities, casualties and contingencies and in at least such types and amounts as is customary in the case of companies engaged in the same or a similar business or having similar properties similarly situated.

ARTICLE IV

CONDITIONS

SECTION 4.1. Effective Date. Except as otherwise provided in Sections 4.2 and 4.3, this Agreement shall become effective on the date on which each of the following conditions is satisfied (or waived in accordance with Section 10.2):

(a) The Lender (or its counsel) shall have received from each party hereto a counterpart of this Agreement signed on behalf of such party.

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

(a) The Effective Date shall have occurred.

(b) The Lender shall have received a reasonably satisfactory written opinion (addressed to the Lender and dated the Closing Date) of (i) Stinson Morrison Hecker LLP, special counsel for the Credit Parties, substantially in the form of Exhibit D hereto, and covering such other matters relating to the Credit Parties, the Loan Documents or the Transactions as the Lender shall reasonably request and (ii) Bingham McCutchen LLP, special counsel for the Lender, covering such other matters relating to the Loan Documents as the Lender shall reasonably request. The Credit Parties and the Lender hereby request such counsel to deliver such opinions.

(c) The Lender shall have received such documents and certificates as the Lender or its counsel may reasonably request relating to the organization, existence and good standing of the Credit Parties, the authorization of the Transactions and any other legal matters relating to the Credit Parties, the Loan Documents or the Transactions, all in form and substance satisfactory to the Lender and its counsel.

(d) The Lender shall have received a certificate, dated the Closing Date and signed by the President, a Vice President or a Financial Officer of each Credit Party, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.3.

(e) All governmental and material third party approvals necessary in connection with the execution, delivery and performance of this Agreement, the Security Agreement, the Control Agreement and the HSBC TFS Letter shall have been obtained and be in full force and effect.

(f) The Lender shall have received a counterpart of the Security Agreement, duly executed and delivered by the Borrower, and a counterpart of the HSBC TFS Letter, duly executed and delivered by the parties thereto; and all filings and other actions necessary or appropriate to perfect the security interest created by the Security Agreement shall have been made or taken.

(g) The Lender shall have received the results of searches of Uniform Commercial Code filings in such jurisdictions as it shall deem appropriate and such searches shall not reveal any filing that remains in effect and that describes any of the "Collateral" referred to in the Security Agreement.

(h) The Borrower shall have invested $60,000,000 in the HSBC Investor Prime Money Market Fund managed by HSBC Global Asset Management (USA), Inc. and the Lender shall have received a counterpart of the Control Agreement with respect to that investment, duly executed and delivered by the parties thereto.

(i) The Lender shall have received a counterpart of the Pricing Letter, duly executed and delivered by the Borrower and the Guarantor.

The Lender shall notify the Borrower of the Closing Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligation of the Lender to make Loans hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 10.2) at or prior to the Closing Date.

SECTION 4.3. Each Loan. The obligation of the Lender to make each Loan is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Credit Parties set forth in Article III of this Agreement (other than the representations and warranties set forth in subsections 3.4(b), 3.6(a)(i) and 3.6(b)) shall be true and correct in all material respects on and as of the date of such Loan (except to the extent related to a specific earlier date).

(b) At the time of and immediately after giving effect to such Loan, no Event of Default shall have occurred and be continuing.

Each Loan shall be deemed to constitute a representation and warranty by each of the Credit Parties on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

ARTICLE V

AFFIRMATIVE COVENANTS

Until the Commitment has expired or been terminated and the principal of and interest on each Loan shall have been paid in full, each of the Credit Parties covenants and agrees with the Lender that:

SECTION 5.1. Financial Statements and Other Information. The Borrower will furnish to the Lender:

(a) within 90 days after the end of each fiscal year of the Guarantor, an audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows of the Guarantor and its consolidated Subsidiaries as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Deloitte & Touche LLP or another independent registered public accounting firm of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Guarantor and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) (i) in the case of the Guarantor, within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Guarantor and (ii) in the case of the Borrower, within 90 days after the end of each fiscal year of the Borrower, consolidated balance sheets and related statements of operations and cash flows of the Borrower and the Guarantor and their consolidated Subsidiaries, and the consolidated statement of stockholders' equity of the Guarantor, as of the end of and for such fiscal quarter (in the case of the Guarantor) and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by a Financial Officer of the Borrower and the Guarantor as presenting fairly in all material respects the financial condition and results of operations of the Borrower and the Guarantor and their consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Borrower and the Guarantor (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 6.1 and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.4 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials (other than (i) statements of ownership such as Forms 3, 4 and 5 and Schedule 13G, (ii) routine filings relating to employee benefits, such as Forms S-8 and 11-K, and (iii) routine filings by (A) RSM McGladrey, Inc. and its Subsidiaries, including Birchtree Financial Services, Inc., (B) RSM Equico, Inc. and its Subsidiaries, including McGladrey Capital Markets, LLC, (C) H&R Block Canada, Inc. and (D) H&R Block Limited) filed by any Credit Party or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by any Credit Party to its shareholders generally, as the case may be;

(e) a copy of any notice given by the Borrower under Section 4.1(b), Section 4.4(c) or Section 4.8 of the Participation Agreement, such copy to be provided at the same time as such notice is given under the Participation Agreement; and

(f) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of any Credit Party or any Subsidiary, or compliance with the terms of this Agreement, as the Lender may reasonably request.

SECTION 5.2. Notices of Material Events. The Borrower will furnish to the Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting any Credit Party or any Affiliate thereof that is reasonably likely to be adversely determined and, if so determined, would reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, would reasonably be expected to result in liability of the Borrower, the Guarantor or any Subsidiary in an aggregate amount exceeding $25,000,000; and

(d) any other development that results in, or would reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower and the Guarantor setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.3. Existence; Conduct of Business. Each Credit Party will, and will cause each of the Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business; provided that the foregoing shall not

prohibit any merger, consolidation, liquidation, disposition or dissolution permitted under Section 6.4.

SECTION 5.4. Payment of Taxes. Each Credit Party will, and will cause each of the Subsidiaries to, pay its Tax liabilities that, if not paid, would reasonably be expected to have a Material Adverse Effect before the same shall become delinquent, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) such Credit Party or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest would not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.5. Maintenance of Properties; Insurance. Each Credit Party will, and will cause each of the Subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain (pursuant to a self-insurance program and/or with financially sound and reputable insurers) insurance in such amounts and against such risks as is customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

SECTION 5.6. Books and Records; Inspection Rights. Each Credit Party will, and will cause each of the Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to this Agreement and the transactions contemplated hereby. Each Credit Party will, and will cause each of the Subsidiaries to, permit any representatives designated by the Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested; provided that so long as no Event of Default exists, each Credit Party and each Subsidiary shall have the right to be present and participate in any discussions with its independent accountants. Nothing in this Section 5.6 shall permit the Lender to examine or otherwise have access to the tax returns or other confidential information of any customer of either Credit Party or any of their respective Subsidiaries.

SECTION 5.7. Compliance with Laws. Each Credit Party will, and will cause each of the Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.8. Use of Proceeds. The proceeds of the Loans will be used only to purchase Participation Interests in HSBC RALs pursuant to the Participation Agreement. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the regulations of the Board, including Regulations U and X.

SECTION 5.9. Additional Collateral. The Borrower shall provide additional collateral to the Lender from time to time as provided in the Security Agreement.

ARTICLE VI

NEGATIVE COVENANTS

Until the Commitment has expired or terminated and the principal of and interest on each Loan have been paid in full, each of the Credit Parties covenants and agrees with the Lender that:

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

SECTION 6.2. Indebtedness. The Credit Parties will not, and will not permit any Subsidiary to create, incur, assume or permit to exist any Indebtedness, except:

(a) subject to the proviso at the end of this Section 6.2, Indebtedness created under the Bank Revolvers;

(b) Indebtedness existing on the date hereof and set forth in Schedule 6.2 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;

(c) seasonal Indebtedness of H&R Block Canada, Inc., provided that the aggregate principal amount of all such Indebtedness incurred pursuant to this subsection (c) shall not exceed 250,000,000 Canadian dollars at any time outstanding;

(d) Indebtedness of the Borrower and the Guarantor, provided that (i) the obligations of the Credit Parties hereunder shall rank at least pari passu with such Indebtedness (including with respect to security) and (ii) the aggregate principal amount of all Indebtedness permitted by this subsection (d) shall not exceed $2,000,000,000 at any time outstanding;

(e) subject to the proviso at the end of this Section 6.2, (i) Indebtedness in connection with commercial paper issued in the United States through the Borrower which is guaranteed by the Guarantor and (ii) Indebtedness under bank lines of credit or similar facilities;

(f) Indebtedness in connection with Guarantees of the performance of any Subsidiary's obligations under or pursuant to (i) indemnity, fee, daylight overdraft and other similar customary banking arrangements between such Subsidiary and one or more financial institutions in the ordinary course of business, (ii) any office lease entered into in the ordinary course of business, and (iii) any promotional, joint-promotional, cross-promotional, joint marketing, service, equipment or supply procurement, software license or other similar agreement entered into by such Subsidiary with one or more vendors, suppliers, retail businesses or other third parties in the ordinary course of business, including indemnification

obligations relating to such Subsidiary's failure to perform its obligations under such lease or agreement;

(g) acquisition-related Indebtedness (either incurred or assumed) and Indebtedness in connection with the Guarantor's guarantees of the payment or performance of primary obligations of Subsidiaries of the Guarantor in connection with acquisitions by such Subsidiaries, or Indebtedness secured by Liens permitted under subsection 6.3(f); provided that, during any fiscal year, the aggregate outstanding principal amount of all Indebtedness incurred pursuant to this subsection 6.2(g) shall not exceed at any time $325,000,000;

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

(i) Indebtedness in connection with repurchase agreements pursuant to which mortgage loans of a Credit Party or a Subsidiary are sold with the simultaneous agreement to repurchase the mortgage loans at the same price plus interest at an agreed upon rate; provided that the aggregate outstanding principal amount of all Indebtedness incurred pursuant to this subsection 6.2(i) shall not at any time exceed $500,000,000; provided, further, that no agreed upon repurchase date shall be later than 90 business days after the date of the corresponding repurchase agreement;

(j) Indebtedness in connection with Guarantees or Guarantee Obligations which are made, given or undertaken as representations and warranties, indemnities or assurances of the payment or performance of primary obligations in connection with securitization transactions or other transactions permitted hereunder, as to which primary obligations the primary obligor is a Credit Party, a Subsidiary or a securitization trust or similar securitization vehicle to which a Credit Party or a Subsidiary sold, directly or indirectly, the relevant mortgage loans;

(k) Indebtedness of RSM, a Subsidiary of the Guarantor, to McGladrey & Pullen, LLP ("M&P") and certain related trusts under (i) that certain Asset Purchase Agreement dated as of June 28, 1999 among RSM, M&P, the Guarantor and certain other parties signatory thereto (the "M&P Purchase Agreement") and (ii) the Retired Partners Agreement and the Loan Agreement (as such terms are defined in the M&P Purchase Agreement); provided that the aggregate outstanding principal amount payable in respect of such Indebtedness permitted under this paragraph (k) shall not exceed $200,000,000 at any time;

(l) Indebtedness in connection with (i) Capital Lease Obligations in an aggregate outstanding principal amount not at any time exceeding $50,000,000 (excluding any Capital Lease Obligations permitted by subsection 6.2(p)), (ii) obligations under existing mortgages in an aggregate outstanding principal amount not exceeding $12,000,000 at any time, (iii) securities sold and not yet purchased, provided that the aggregate outstanding principal amount of all Indebtedness incurred pursuant to this clause (iii) (other than Indebtedness of Subsidiaries which act as broker-dealers) shall not at any time exceed $15,000,000, (iv) customer deposits in the ordinary course of business, (v) payables to brokers

and dealers in the ordinary course of business and (vi) reimbursement obligations of broker-dealers relating to letters of credit in favor of a clearing corporation or Indebtedness of broker-dealers under other credit facilities, provided that (A) such letters of credit or such other credit facilities are used solely to satisfy margin deposit requirements and (B) the aggregate outstanding exposure of the Guarantor and the Subsidiaries under all such letters of credit and all such other credit facilities shall not exceed $200,000,000 at any time;

(m) subject to the proviso at the end of this Section 6.2, the Indebtedness hereunder and any other Indebtedness incurred in connection with the Borrower's Refund Anticipation Loan Program, including any Indirect RAL Participation Transaction; provided that (i) such Indebtedness is incurred during the period beginning on January 2 of any year and ending on June 29 of such year, (ii) such Indebtedness is repaid in full by June 30 of the year in which such Indebtedness is incurred and (iii) the covenants contained in any agreement relating to such Indebtedness, or guarantee thereof (other than covenants specific to the Borrower's Refund Anticipation Loan Program and the operation thereof), are no more restrictive than the covenants contained in this Agreement;

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

(o) Indebtedness in respect of letters of credit in an aggregate outstanding principal amount not to exceed $100,000,000;

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

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

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

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

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

(u) Indebtedness incurred solely to finance businesses described on Schedule 6.4(b) after the date hereof that neither the Credit Parties nor their respective Subsidiaries are currently engaged in to any material extent on the date hereof; provided that the aggregate principal amount of all Indebtedness incurred pursuant to this clause (u) shall not at any time exceed $400,000,000; and

(v) other Indebtedness (excluding Indebtedness of the types described in subsections 6.2(a), 6.2(b), 6.2(e) and 6.2(m)) in an aggregate principal amount not at any time exceeding $20,000,000;

provided, that the sum of the aggregate outstanding principal amount of all Indebtedness permitted pursuant to subsections 6.2(a), 6.2(e) and 6.2(m) plus the RAL Receivables Amount shall not at any time exceed the greater of (x) the Total Facility Commitments then in effect or (y) the sum of the then outstanding principal amount of the "Loans" under the Bank Revolvers (such sum, the "Total Facility Loan Outstandings"), except that, during the period from January 2 of any year through June 30 of such year, such sum may exceed the greater of the Total Facility Commitments then in effect or the then Total Facility Loan Outstandings by an amount up to the total of (A) the aggregate outstanding principal amount of Indebtedness described in Section 6.2(m) and (B) $500,000,000.

SECTION 6.3. Liens. Each Credit Party will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) (i) any Lien created under or securing a Bank Revolver and (ii) any Lien on any property or asset of any Credit Party or any Subsidiary existing on the date hereof and set forth in Schedule 6.3; provided that (i) such Lien shall not apply to any other property or asset of any Credit Party or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) any Lien existing on any property or asset prior to the acquisition thereof by any Credit Party or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of any Credit Party or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be, and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) Liens and transfers in connection with the securitization, financing or other transfer of any mortgage loans or mortgage servicing reimbursement rights (and/or, in each case, related rights, interests and servicing assets) owned by the Borrower or any of its Subsidiaries;

(e) Liens and transfers in connection with the securitization or other transfer of any credit card receivables (and/or related rights and interests) owned by the Borrower or any of its Subsidiaries;

(f) Liens on fixed or capital assets acquired, constructed or improved by any Credit Party or any Subsidiary to secure Indebtedness of such Credit Party or such Subsidiary incurred to finance the acquisition, construction or improvement of such fixed or

capital assets; provided that (i) such Liens and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (ii) the Indebtedness secured thereby does not exceed 100% of the cost of acquiring, constructing or improving such fixed or capital assets and (iii) such Liens shall not apply to any other property or assets of any Credit Party or any Subsidiary;

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

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

(i) Liens not otherwise permitted by this Section 6.3 so long as the Obligations hereunder are contemporaneously secured equally and ratably with the obligations secured thereby;

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

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

(l) Liens securing Indebtedness permitted by subsection 6.2(u); and

(m) Liens on Unrestricted Margin Stock.

SECTION 6.4. Fundamental Changes; Sale of Assets. (a) Each Credit Party will not, and will not permit any Material Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets (other than Unrestricted Margin Stock), or all or substantially all of the stock or assets related to its tax preparation business or liquidate or dissolve, except (i) transfers in connection with the RAL Receivables Transaction and other securitizations otherwise permitted hereby, (ii) sales and other transfers of mortgage loans (and/or related rights and interests and servicing assets) and (iii) if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, (A) any Material Subsidiary other than the Borrower may merge into a Credit Party in a transaction in which the Credit Party is the surviving Person, (B) any wholly owned Material Subsidiary other than the Borrower may merge into any other wholly owned Material Subsidiary in a transaction in which the surviving entity is a wholly owned Subsidiary, (C) any Material Subsidiary other than the Borrower may sell, transfer, lease or otherwise dispose of its assets to the Guarantor or to another Material Subsidiary and (D) any Material Subsidiary other than the Borrower may liquidate or dissolve if the Guarantor determines in good faith that such liquidation or dissolution is in the best interests of the Guarantor and is not materially disadvantageous to the Lender; provided that any such merger

involving a Person that is not a wholly owned Subsidiary immediately prior to such merger shall not be permitted unless also permitted by Section 6.5.

(b) Except as set forth on Schedule 6.4(b), the Credit Parties will not, and will not permit any Material Subsidiary to, engage to any material extent in any business other than businesses of the type conducted by the Credit Parties and the Subsidiaries on August 10, 2005 and businesses reasonably related thereto.

SECTION 6.5. Transactions with Affiliates. Each Credit Party will not, and will not permit any Subsidiary to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to such Credit Party or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Guarantor and/or its Subsidiaries not involving any other Affiliate, and (c) transactions involving the transfer of mortgage loans and other assets for cash and other consideration of not less than the sum of (i) the lesser of (x) the fair market value of such mortgage loans and (y) the outstanding principal amount of such mortgage loans, and (ii) the fair market value of such other assets, to a Subsidiary of the Borrower that issues Indebtedness permitted by Section 6.2(s).

SECTION 6.6. Restrictive Agreements. The Credit Parties will not, and will not permit any Subsidiary to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that by its terms prohibits, restricts or imposes any condition upon (a) the ability of any Credit Party or any Subsidiary to create, incur or permit to exist any Lien upon any of its material property or assets (unless such agreement or arrangement does not prohibit, restrict or impose any condition upon the ability of either Credit Party or any Subsidiary to create, incur or permit to exist any Lien in favor of the Lender created under the Loan Documents), or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the Guarantor or any other Subsidiary or to Guarantee Indebtedness of the Guarantor or any other Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.6 (but shall apply to any extension, renewal, amendment or modification expanding the scope of any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the securitization, financing or other transfer of mortgage loans (and/or related rights and interests and servicing assets) owned by the Borrower or any of its Subsidiaries, (v) clause (a) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured obligations permitted by this Agreement (including obligations secured by Liens permitted by Section 6.3(j)) if such restrictions or conditions apply only to the property or assets securing such obligations, (vi) clause (a) of the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof and (vii) clause (a) of the

foregoing shall not apply to restrictions or conditions imposed by any agreement relating to Indebtedness permitted hereunder pursuant to subsection 6.2(m) or the RAL Receivables Transaction.

ARTICLE VII

GUARANTEE

SECTION 7.1. Guarantee. (a) The Guarantor hereby unconditionally and irrevocably guarantees to the Lender and its successors, indorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations.

(b) The Guarantor further agrees to pay any and all expenses (including all fees and disbursements of counsel) which may be paid or incurred by the Lender in enforcing, or obtaining advice of counsel in respect of, any rights with respect to, or collecting, any or all of the Obligations and/or enforcing any rights with respect to, or collecting against, the Guarantor under this Article. This Article shall remain in full force and effect until the Obligations and the obligations of the Guarantor under the guarantee contained in this Article shall have been satisfied by payment in full and the Commitment shall be terminated, notwithstanding that from time to time prior thereto the Borrower may be free from any Obligations.

(c) No payment or payments made by any Credit Party, any other guarantor or any other Person or received or collected by the Lender from any collateral security or Credit Party or any other Person by virtue of any action or proceeding or any set-off or appropriation or application, at any time or from time to time, in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of the Guarantor hereunder which shall, notwithstanding any such payment or payments, remain liable hereunder for the Obligations until the Obligations are paid in full and the Commitment is terminated.

(d) The Guarantor agrees that whenever, at any time or from time to time, it shall make any payment to the Lender on account of its liability hereunder, it will notify the Lender in writing that such payment is made under this Article for such purpose.

SECTION 7.2. Delay of Subrogation. Notwithstanding any payment or payments made by the Guarantor hereunder, or any set-off or application of funds of the Guarantor by the Lender, the Guarantor shall not be entitled to be subrogated to any of the rights of the Lender against the Borrower or against any collateral security or guarantee or right of offset held by the Lender for the payment of the Obligations, nor shall the Guarantor seek or be entitled to seek any contribution or reimbursement from the Borrower in respect of payments made by the Guarantor hereunder, until all amounts owing to the Lender by the Borrower on account of the Obligations are paid in full and the Commitment is terminated. If any amount shall be paid to the Guarantor on account of such subrogation rights at any time when all of the Obligations shall not have been paid in full, such amount shall be held by the Guarantor in trust

for the Lender, segregated from other funds of the Guarantor, and shall, forthwith upon receipt by the Guarantor, be turned over to the Lender in the exact form received by the Guarantor (duly indorsed by the Guarantor to the Lender, if required) to be applied against the Obligations, whether matured or unmatured, in such order as the Lender may determine. The provisions of this Section shall be effective notwithstanding the termination of this Agreement and the payment in full of the Obligations and the termination of the Commitment.

SECTION 7.3. Amendments, etc. with respect to the Obligations; Waiver of Rights. The Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against the Guarantor, and without notice to or further assent by the Guarantor, any demand for payment of any of the Obligations made by the Lender may be rescinded by the Lender, and any of the Obligations continued, and the Obligations, or the liability of any other party upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Lender, and this Agreement and any other documents executed and delivered in connection herewith may be amended, modified, supplemented or terminated, in whole or in part, in accordance with the provisions hereof as the Lender may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by the Lender for the payment of the Obligations may be sold, exchanged, waived, surrendered or released. The Lender shall not have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Obligations or for this Agreement or any property subject thereto. When making any demand hereunder against the Guarantor, the Lender may, but shall be under no obligation to, make a similar demand on the Borrower or any other guarantor, and any failure by the Lender to make any such demand or to collect any payments from the Borrower or any such other guarantor or any release of the Borrower or such other guarantor shall not relieve the Guarantor of its obligations or liabilities hereunder, and shall not impair or affect the rights and remedies, express or implied, or as a matter of law, of the Lender against the Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

SECTION 7.4. Guarantee Absolute and Unconditional. The Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Obligations and notice of or proof of reliance by the Lender upon this Agreement or acceptance of this Agreement; the Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon this Agreement; and all dealings between the Borrower and the Guarantor, on the one hand, and the Lender, on the other, shall likewise be conclusively presumed to have been had or consummated in reliance upon this Agreement. The Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrower and the Guarantor with respect to the Obligations. This Article shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity, regularity or enforceability of this Agreement, any other documents executed and delivered in connection herewith, any of the Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Lender, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be

available to or be asserted by the Guarantor against the Lender, or (c) any other circumstance whatsoever (with or without notice to or knowledge of the Borrower or the Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrower for the Obligations, or of the Guarantor under this Article, in bankruptcy or in any other instance. When pursuing its rights and remedies hereunder against the Guarantor, the Lender may, but shall be under no obligation to, pursue such rights and remedies as it may have against the Borrower or any other Person or against any collateral security or guarantee for the Obligations or any right of offset with respect thereto, and any failure by the Lender to pursue such other rights or remedies or to collect any payments from the Borrower or any such other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Borrower or any such other Person or of any such collateral security, guarantee or right of offset, shall not relieve the Guarantor of any liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Lender against the Guarantor. This Article shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon the Guarantor and its successors and assigns, and shall inure to the benefit of the Lender and its successors, indorsees, transferees and assigns, until all the Obligations and the obligations of the Guarantor under this Agreement shall have been satisfied by payment in full and the Commitment shall be terminated, notwithstanding that from time to time during the term of this Agreement the Borrower may be free from any Obligations.

SECTION 7.5. Reinstatement. This Article shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be restored or returned by the Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of any Credit Party or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, any Credit Party or any substantial part of its property, or otherwise, all as though such payments had not been made.

SECTION 7.6. Payments. The Guarantor hereby agrees that all payments required to be made by it hereunder will be made to the Lender without set-off or counterclaim in accordance with the terms of the Obligations, including in the currency in which payment is due.

ARTICLE VIII

EVENTS OF DEFAULT

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

(a) the Borrower shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any other amount (other than an amount referred to in clause (a) of this Article) payable under this

Agreement or any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five business days;

(c) any representation or warranty made or deemed made by any Credit Party (or any of its officers) in or in connection with this Agreement or any amendment or modification hereof, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any amendment or modification hereof, shall prove to have been incorrect in any material respect when made or deemed made;

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

(e) any Credit Party shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Lender to the Borrower;

(f) any Credit Party or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable (after expiration of any applicable grace or cure period);

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity; provided that this clause (g) shall not apply to (i) secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness or (ii) any obligation under a Hedging Agreement that becomes due as a result of a default by a party thereto other than a Credit Party or a Subsidiary;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of any Credit Party or any Material Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Credit Party or any Material Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) any Credit Party or any Material Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Material Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against

it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) any Credit Party or any Material Subsidiary shall become unable, admit in writing or fail generally to pay its debts as they become due;

(k) one or more final judgments for the payment of money shall be rendered against the Guarantor, the Borrower, any Subsidiary or any combination thereof and either (i) a creditor shall have commenced enforcement proceedings upon any such judgment in an aggregate amount (to the extent not covered by insurance as to which the relevant insurance company has not denied coverage) in excess of $40,000,000 (a "Material Judgment") or (ii) there shall be a period of 30 consecutive days during which a stay of enforcement of any Material Judgment shall not be in effect (by reason of pending appeal or otherwise) (it being understood that, notwithstanding the definition of "Default", no "Default" shall be triggered solely by the rendering of such a judgment or judgments prior to the commencement of enforcement proceedings or the lapse of such 30 consecutive day period, so long as such judgments are capable of satisfaction by payment at any time);

(l) an ERISA Event shall have occurred that, in the opinion of the Lender, when taken together with all other ERISA Events that have occurred, would reasonably be expected to result in a Material Adverse Effect;

(m) a Change in Control shall occur;

(n) the Guarantee contained in Article VII herein shall cease, for any reason, to be in full force and effect in any material respect or any Credit Party shall so assert;

(o) the Security Agreement, the Control Agreement or the HSBC TFS Letter shall for any reason cease to be valid and binding on or enforceable against any Credit Party that is party thereto; or any Credit Party shall so state in writing or bring an action to limit its obligations or liabilities thereunder;

(p) the Security Agreement shall for any reason (other than pursuant to the terms thereof) cease to create a valid, perfected and first priority security interest in the Collateral purported to be covered thereby;

(q) any representation or warranty made or deemed made by any Credit Party in the Security Agreement, the Control Agreement or the HSBC TFS Letter shall prove to have been incorrect in any material respect when made or deemed made; or

(r) any Credit Party shall fail to observe or perform any covenant or agreement (other than as specified in clauses (o), (p) and (q) of this Article) contained in the Security Agreement, the Control Agreement or the HSBC TFS Letter;

then, and in every such event (other than an event with respect to the Credit Parties described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event,

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

ARTICLE IX

[RESERVED]

ARTICLE X

MISCELLANEOUS

SECTION 10.1. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone and except as otherwise provided in Sections 2.3, 2.6 and 2.8, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower or the Guarantor, to it at One H&R Block Way, Kansas City, Missouri 64105, Attention of Becky Shulman (Telecopy No. (816) 854-8043), David Staley (Telecopy No. (816) 854-8043) and Andrew Somora (Telecopy No. (816) 802-1043); and

(b) if to the Lender, to it at HSBC Bank USA, National Association, 452 Fifth Avenue, New York, New York 10018, attention: Nathalie Majlis, (Telecopy No. (212) 525-2573, with a copy to HSBC Bank USA, National Association, One HSBC Center, 26th Floor, Buffalo, New York 14203, attention: Donna Riley and Tina Craiglow, (Telecopy No. (917) 229-5285, HSBC Bank USA, National Association, 26525 N. Riverwoods Boulevard, Mettawa, IL 60045, attention: Senior Vice President and Deputy General Counsel — Corporate

(Telecopy No. (224) 552-2945), HSBC Securities (USA) Inc., 425 Fifth Avenue, Lower Level, New York, N.Y. 10018 (Telecopy No. (212) 525-2570), attention Jimmy Tse, HSBC Taxpayer Financial Services Inc., 200 Somerset Corporate Boulevard, Bridgewater, N.J. 08807 (Telecopy No. (908) 203-4211, attention: EVP and President, and HSBC Taxpayer Financial Services Inc., 90 Christiana Road, New Castle, DE 19707 (Telecopy No. (302) 327-2533, attention: General Counsel); provided, that notices under Section 2.3 need only be given to Mr. Kyle Hartung at telephone number (224) 544-4023, confirmed by telecopy at (224) 552-4023.

Any party hereto may change its address, telephone number or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt. For so long as any Affiliate of the Lender is a "Lender" under either of the Bank Revolvers, the Lender will accept delivery of any financial statement or other information to be delivered under Section 5.1(a), (b) and(d) hereunder that is posted to Intralinks. The Lender, the Borrower or the Guarantor may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

SECTION 10.2. Waivers; Amendments. (a) No failure or delay by the Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Lender hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Credit Parties therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Credit Parties and the Lender.

SECTION 10.3. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay all reasonable and documented out-of-pocket expenses incurred by the Lender, including the reasonable and documented fees, charges and disbursements of any counsel for the Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made hereunder, including in connection with any workout, restructuring or negotiations in respect thereof.

(b) The Credit Parties shall jointly and severally indemnify the Lender and each Related Party of the Lender (each such Person being called an "Indemnitee"), against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related

expenses (each, for purposes of this clause (b) a "loss"), including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of the Loan Documents, the performance by the parties thereto of their respective obligations thereunder, or the consummation of the Transactions, (ii) any Loan or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Credit Parties or any Subsidiaries, or any Environmental Liability related in any way to the Credit Parties or any Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not be available with respect to any Indemnitee to the extent that (x) such losses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee, or (y) such Indemnitee could assert a valid claim for such losses against a Block Indemnifying Party under Article IV of the Indemnification Agreement (in which case the Indemnification Agreement shall control as provided therein); provided, further, that nothing in this Section 10.3(b) is intended or shall be construed to expand the indemnification rights of the Block Indemnified Parties under the Program Contracts.

(c) To the extent permitted by applicable law, no party shall assert, and each party hereby waives, any claim against any other party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof; provided that this waiver shall not apply with respect to indemnities under clause (b) of this Section 10.3 for third party claims made against an Indemnitee for special, indirect, consequential or punitive damages.

(d) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 10.4. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lender (and any attempted assignment or transfer by any Credit Party without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of the Lender) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) The Lender may assign to one or more assignees all or a portion of its rights under this Agreement (including all or a portion of the Loans at the time owing to it); provided that the Borrower must give its prior written consent to such assignment (which consent shall not be unreasonably withheld); provided, further, that any consent of the Borrower otherwise required under this paragraph shall not be required if an Event of Default

has occurred and is continuing. Any assignment or transfer by the Lender of rights under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by the Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(c) The Lender may, without the consent of any Credit Party, sell participations to one or more banks or other entities (a "Participant") in all or a portion of the Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) the Lender's obligations under this Agreement shall remain unchanged, (ii) the Lender shall remain solely responsible to the other parties hereto for the performance of the obligations and (iii) the Credit Parties shall continue to deal solely and directly with the Lender in connection with the Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which the Lender sells such a participation shall provide that the Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver of or under this Agreement that shall (i) increase the Commitment, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, (iii) postpone the scheduled date of payment of the principal amount of any Loan, or any interest thereon, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration or reduction of the Commitment, (iv) release any security provided for in the Security Agreement, (v) release the guarantee contained in Article VII or (vi) change any of the provisions of this Section. Subject to paragraph (d) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.9 and 2.10 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(d) A Participant shall not be entitled to receive any greater payment under Section 2.9 or 2.10 than the Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent.

(e) The Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of the Lender, including any such pledge or assignment to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release the Lender from any of its obligations hereunder or substitute any such assignee for the Lender as a party hereto.

SECTION 10.5. Survival. All covenants, agreements, representations and warranties made by the Credit Parties herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on

any Loan or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitment has not expired or terminated. The provisions of Sections 2.9, 2.10, 10.3, 10.9, 10.10 and 10.15 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitment or the termination of this Agreement or any provision hereof.

SECTION 10.6. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the documents provided for herein constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.1, this Agreement shall become effective when it shall have been executed by the Lender and when the Lender shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 10.7. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 10.8. Right of Setoff. If an Event of Default shall have occurred and be continuing, the Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all indebtedness at any time owing by the Lender to or for the credit or the account of either Credit Party against any of and all the obligations of such Credit Party now or hereafter existing under this Agreement held by the Lender, irrespective of whether or not the Lender shall have made any demand under this Agreement and although such indebtedness may be unmatured. The rights of the Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

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

(b) Each Credit Party hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in connection with any Proceeding, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any Proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that

a final judgment in any such Proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Lender may otherwise have to bring any Proceeding relating to this Agreement against any Credit Party or its properties in the courts of any jurisdiction.

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

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

SECTION 10.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

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

SECTION 10.12. Confidentiality. The Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the

Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section by it or (ii) becomes available to the Lender on a nonconfidential basis from a source other than any Credit Party; provided, that the Lender may file this Agreement with the Securities and Exchange Commission. For the purposes of this Section, "Information" means all information received from any Credit Party relating to any Credit Party or its business, other than any such information that is available to the Lender on a nonconfidential basis prior to disclosure by such Credit Party; provided that, in the case of information received from any Credit Party after the date hereof, such information is clearly identified at the time of delivery as confidential. The Lender shall be considered to have complied with its obligation under this Section if it has exercised the same degree of care to maintain the confidentiality of such Information as it would accord to its own confidential information.

SECTION 10.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to the Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by the Lender.

SECTION 10.14. USA Patriot Act. The Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Lender to identify the Borrower in accordance with the Act.

[THIS SPACE LEFT BLANK INTENTIONALLY]

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

BLOCK FINANCIAL LLC, as Borrower

By: /s/ Becky S. Shulman
Name: Becky S. Shulman
Title: President and Chief Financial Officer

H&R BLOCK, INC., as Guarantor

By: /s/ Becky S. Shulman
Name: Becky S. Shulman
Title: Senior Vice President and Chief Financial Officer

HSBC BANK USA, NATIONAL
ASSOCIATION, as Lender

By: /s/ Eesh K. Bansal
Name:
Title:

SCHEDULE 3.4(a)

Guarantee Obligations

None.

SCHEDULE 3.6

Disclosed Matters

None.

SCHEDULE 3.13

Subsidiaries

The following is a list of the direct and indirect subsidiaries of H&R Block, Inc., a Missouri corporation.

Company Name	Domestic Jurisdiction
Aculink Mortgage Solutions, LLC	Florida
AcuLink of Alabama, LLC	Alabama
Ada Services Corporation	Massachusetts
BFC Transactions, Inc.	Delaware
Birchtree Financial Services, Inc.	Oklahoma
Birchtree Insurance Agency, Inc.	Missouri
Block Financial LLC	Delaware
CFS-McGladrey, LLC	Massachusetts
Cfstaffing, Ltd.	British Columbia
Cityfront, Inc.	Delaware
Companion Insurance, Ltd.	Bermuda
Companion Mortgage Corporation	Delaware
Creative Financial Staffing of Western Washington, LLC	Massachusetts
EquiCo, Inc.	California
Express Tax Service, Inc.	Delaware
Financial Marketing Services, Inc.	Michigan
Financial Stop Inc.	British Columbia
FM Business Services, Inc.	Delaware
Franchise Partner, Inc.	Nevada
H&R Block (India) Private Limited	India
H&R Block (Nova Scotia), Incorporated	Nova Scotia
H&R Block Bank	Missouri
H&R Block Canada Financial Services, Inc.	Federally Chartered
H&R Block Canada, Inc.	Federally Chartered
H&R Block Eastern Enterprises, Inc.	Missouri
H&R Block Enterprises LLC	Missouri
H&R Block Global Solutions (Hong Kong) Limited	Hong Kong
H&R Block Group, Inc.	Delaware
H&R Block Insurance Agency, Inc.	Delaware
H&R Block Limited	New South Wales
H&R Block Management, LLC	Delaware
H&R Block Tax and Business Services, Inc.	Delaware
H&R Block Tax Institute, LLC	Missouri
H&R Block Tax Services LLC	Missouri
H&R Block, Inc.	Missouri
HRB Advance LLC	Delaware
HRB Center LLC	Missouri
HRB Concepts LLC	Delaware
HRB Corporate Enterprises LLC	Delaware

Company Name	Domestic Jurisdiction
HRB Corporate Services LLC	Missouri
HRB Digital LLC	Delaware
HRB Digital Technology Resources LLC	Delaware
HRB Expertise LLC	Missouri
HRB Innovations, Inc.	Delaware
HRB International LLC	Missouri
HRB Products LLC	Missouri
HRB Support Services LLC	Delaware
HRB Tax & Technology Leadership LLC	Missouri
HRB Tax Group, Inc.	Missouri
HRB Technology Holding LLC	Delaware
HRB Technology LLC	Missouri
McGladrey Capital Markets Canada Inc.	Federally Chartered
McGladrey Capital Markets Europe Limited	United Kingdom
McGladrey Capital Markets LLC	Delaware
OOMC Holdings LLC	Delaware
OOMC Residual Corporation	New York
O'Rourke Career Connections, LLC	California
Pension Resources, Inc.	Illinois
Provident Mortgage Services, Inc.	Delaware
RedGear Technologies, Inc.	Missouri
RSM Employer Services Agency of Florida, Inc.	Florida
RSM Employer Services Agency, Inc.	Georgia
RSM EquiCo, Inc.	Delaware
RSM McGladrey Business Services, Inc.	Delaware
RSM McGladrey Business Solutions, Inc.	Delaware
RSM McGladrey Employer Services, Inc.	Georgia
RSM McGladrey Insurance Services, Inc.	Delaware
RSM McGladrey TBS, LLC	Delaware
RSM McGladrey, Inc.	Delaware
Sand Canyon Acceptance Corporation	Delaware
Sand Canyon Corporation	California
Sand Canyon Securities Corp.	Delaware
Sand Canyon Securities II Corp.	Delaware
Sand Canyon Securities III Corp.	Delaware
Sand Canyon Securities IV LLC	Delaware
ServiceWorks, Inc.	Delaware
TaxNet Inc.	California
TaxWorks, Inc.	Delaware
Vantive Partners LLC	Missouri
West Estate Investors, LLC	Missouri
Woodbridge Mortgage Acceptance Corporation	Delaware

SCHEDULE 6.2

Existing Indebtedness

- Irrevocable Standby Letter of Credit issued on February 16, 2005 by Comerica in favor of Chubb National Company for an amount up to $3,500,000.
- Irrevocable Standby Letter of Credit issued on December 30, 2008 by U.S. Bank N.A. in favor of Old Republic Insurance Company for an amount up to $2,692,024.
- Irrevocable Standby Letter of Credit issued on October 23, 2007 by Comerica Bank N.A. in favor of Axis Insurance Company for an amount up to $500,000.
- The Guarantor's and Subsidiaries' obligations under surety bonds and fidelity bonds issued pursuant to state mortgage licensing requirements.

SCHEDULE 6.3

Existing Liens

Secured Party	Debtor	State	File No.	File Date	Collateral
De Lage Landen Financial Services Inc.	H&R Block, Inc.	MO	20080099856J (continuation of 20040003070H; assigned from 20030110496H by Steelcase Financial Services, Inc.)	9/12/08	Leased equipment under Master Lease Agreement #23144
TUO-Houston Long Point, LLC	H&R Block, Inc.	MO	20080113972E	10/23/08	Debtor's property located at 7918 Long Point Road, Houston, TX 77055 (excluding client files)

SCHEDULE 6.4(b)

Additional Businesses

- Businesses that offer products and services typically provided by finance companies, banks and other financial service providers, including consumer finance and mortgage-loan related products and services, credit products, insurance products, check cashing, money orders, wire transfers, stored value cards, bill payment services, notary services and similar products and services.
- Businesses that offer financial, or financial-related, products and services that can be marketed, provided or distributed by leveraging the retail locations of Guarantor's Subsidiaries or the relationships of such Subsidiaries with their clients as a tax return preparer or financial advisor or service provider.

SCHEDULE 6.6

Existing Restrictions

- Indenture dated as of October 20, 1997, by and between the Credit Parties and Bankers Trust Company, as trustee (the "October 20, 1997 Indenture").
- Any other Indenture entered into by any Credit Party to the extent that (a) the Indebtedness thereunder is permitted by Section 6.2(d) of this Agreement and (b) such other Indenture has substantially similar terms to the October 20, 1997 Indenture.
- Repurchase Agreements of the type referred to in Section 6.2(i) of this Agreement.
- Certain Subsidiaries must maintain capital requirements which could impair their ability to pay dividends or other distributions.
- Bank Revolvers.

EXHIBIT B

[FORM OF CONTROL AGREEMENT]

EXHIBIT C

[FORM OF HSBC TFS LETTER]

EXHIBIT D

[FORM OF OPINION OF STINSON MORRISON HECKER LLP]

Exhibit 10.3

BLOCK FINANCIAL LLC
H&R BLOCK, INC.
One H&R Block Way
Kansas City, Missouri 64105

As of January 4, 2010

JPMorgan Chase Bank, N.A.,
as Administrative Agent under the
Credit Agreement referred to below
Loan and Agency Services Group
1111 Fannin Street
Houston, Texas 77002
Attention: Syed Abbas
Facsimile No.: (713) 750-2782

with a copy to:

JPMorgan Chase Bank, N.A.
270 Park Avenue
New York, New York 10017
Facsimile No.: (212) 270-6637
Attention: Tony Yung

The Lenders that are parties to the
Credit Agreement referred to below

CONSENT

Ladies and Gentlemen:

Reference is made to that certain Five-Year Credit and Guarantee Agreement, dated as of August 10, 2005 (as amended, restated, supplemented or otherwise modified through the date hereof, the **"Credit Agreement")** by and among Block Financial LLC, a Delaware limited liability company (the **"Borrower"),** H&R Block, Inc., a Missouri corporation (the **"Guarantor"),** the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A. as administrative agent for the Lenders (in such capacity, the **"Administrative Agent").** Capitalized terms used but not defined herein shall have the meanings given to such terms in the Credit Agreement.

The Borrower and the Guarantor hereby notify the Administrative Agent and the Lenders of their desire to terminate in full the Commitment of Aurora Bank FSB (formerly known as Lehman Brothers Bank, FSB) **("Aurora Bank"),** pursuant to Section 2.7 of the Credit Agreement, but without a ratable reduction of the Commitments of the other Lenders as required thereunder (the **"Aurora Bank Commitment Termination").** The Administrative Agent and each Lender party hereto consent to the Aurora Bank Commitment Termination.

The effectiveness of this Consent is subject to the condition precedent that the Administrative Agent shall have received duly executed counterpart signature pages to this Consent from the Borrower, the Guarantor and the Required Lenders (including, without limitation, Aurora Bank). Upon such effectiveness, Aurora Bank shall cease to be a party to the Credit Agreement, provided that the foregoing shall not discharge or in any manner affect or impair the enforceability of Section 2.13, 2.14, 2.15, 10.3 or 10.4(h) of the Credit Agreement.

This Consent shall in no way be deemed to waive, alter or otherwise modify the provisions of Section 2.10, relating to the payment of facility fees or utilization fees or any other provisions under the Credit Agreement relating to the payment of any other amounts thereunder, in each case, on a ratable basis according to the amount of each Lenders' respective Commitment thereunder, all of which remain in full force and effect as written; provided that if this Consent becomes effective on or before January 31, 2010, Aurora Bank waives payment to it of any of such fees accruing on or after December 31, 2009.

Upon the effectiveness of this Consent, on and after the date hereof, each reference in the Credit Agreement (including any reference therein to "this Credit Agreement," "hereunder," "hereof," "herein" or words of like import referring thereto) or any other documents, instruments and agreements executed and/or delivered in connection therewith shall mean and be a reference to the Credit Agreement as modified hereby. Except as specifically modified above, the Credit Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and are hereby ratified and confirmed. Except as expressly set forth herein, the execution, delivery and effectiveness of this Consent shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

This Consent shall be governed by, and construed in accordance with, the law of the State of New York. This Consent may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument and any parties hereto may execute this Consent by signing such counterpart.

[The remainder of this page is intentionally left blank.]

Very truly yours,

BLOCK FINANCIAL LLC,
as Borrower

By: /s/ Beeky Shulman
Name: Beeky Shulman
Title: President & CFO

H&R BLOCK, INC., as Guarantor

By: /s/ Beeky Shulman
Name: Beeky Shulman
Title: SVP & CFO

BLOCK FINANCIAL LLC
FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

By: /s/ Tony Yung
Name: Tony Yung
Title: Vice President

BLOCK FINANCIAL LLC
FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

Fifth Third Bank, as a Lender

By: /s/ Garland Robeson

Name: Garland Robeson
Title: Assistant Vice President

BLOCK FINANCIAL LLC
FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

Wells Fargo Bank, NA., as a Lender

By: /s/ Joseph Giampetroni
Name: Joseph Giampetroni
Title: Senior Vice President

BLOCK FINANCIAL LLC
FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

PNC Bank., National Association, as a Lender

By: /s/ Dale A. Stein
Name: Dale A. Stein
Title: Sr. Vice President

BLOCK FINANCIAL LLC
FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

Comerica Bank, as a Lender

By: /s/ Mark J. Leveille
Name: MARK J. LEVEILLE
Title: VICE PRESIDENT
COMERICA BANK

Agreed to and Accepted by:

AURORA BANK FSB, as a Lender

By: /s/ Theodore Janulis
Name: Theodore Janulis
Title: Chairman

BLOCK FINANCIAL LLC
FIVE- YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

SunTrust Bank, as a Lender

By: /s/ K. Scott Bazemore
Name: K. Scott Bazemore
Title: Vice President

BLOCK FINANCIAL LLC
FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

ROYAL BANK OF CANADA, as a Lender

By: /s/ Ming Tang
Name: MING TANG
Title: AUTHORIZED SIGNATORY

BLOCK FINANCIAL LLC
FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

The Bank of New York Mellon, as a Lender

By: /s/ Jane Angelini
Name: Jane Angelini
Title: First Vice President

Agreed to and Accepted by:

Bank of America, N.A., as a Lender

By: /s/ James H. Harper

Name: James H. Harper
Title: Vice President

BLOCK FINANCIAL LLC
FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

Bank of America, N.A., successor by merger to Merrill Lynch Bank USA

By: /s/ James H. Harper
Name: James H. Harper
Title: Vice President

BLOCK FINANCIAL LLC
FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

DEUTSCHE BANK AG NEW YORK BRANCH, as a Lender

By: /s/ Ming K. Chu
Name: Ming K. Chu
Title: Vice President

By: /s/ Heidi Sanquist
Name: Heidi Sanquist
Title: Director

BLOCK FINANCIAL LLC
FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

____UMB Bank, N.A._____, as a Lender

By: /s/ Martin Nay
Name: Martin Nay
Title: Senior Vice President

BLOCK FINANCIAL LLC
FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

U.S. Bank N.A. , as a Lender

By: /s/ Gaylen Frazier

Name: Gaylen Frazier
Title: A.V.P.

BLOCK FINANCIAL LLC
FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

HSBC BANK USA, NATIONAL ASSOCIATION, as a Lender

By: /s/ Paul Lopez
Name: PAUL LOPEZ
Title: SENIOR VICE PRESIDENT

Agreed to and Accepted by:

BNP Paribas, as a Lender

By: /s/ Curt Price
Name: Curt Price
Title: Managing Director

By: /s/ Fik Durmus
Name: Fik Durmus
Title: Vice President

Agreed to and Accepted by:

FORTIS BANK SA/NV, CAYMAN ISLANDS BRANCH,
as a Lender

By: /s/ John W. Benton
Name: John W. Benton
Title: Senior Managing Director

By: /s/ Catherine M. Gilbert
Name: Catherine M. Gilbert
Title: Director

BLOCK FINANCIAL LLC
FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Exhibit 10.4

BLOCK FINANCIAL LLC
H&R BLOCK, INC.
One H&R Block Way
Kansas City, Missouri 64105

As of January 4, 2010

JPMorgan Chase Bank, N.A.,
as Administrative Agent under the
Credit Agreement referred to below
Loan and Agency Services Group
1111 Fannin Street
Houston, Texas 77002
Attention: Syed Abbas
Facsimile No.: (713) 750-2782

with a copy to:

JPMorgan Chase Bank, N.A.
270 Park Avenue
New York, New York 10017
Facsimile No.: (212) 270-6637
Attention: Tony Yung

The Lenders that are parties to the
Credit Agreement referred to below

CONSENT

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Five-Year Credit and Guarantee Agreement, dated as of August 10, 2005 (as amended, restated, supplemented or otherwise modified through the date hereof, the "**Credit Agreement**") by and among Block Financial LLC, a Delaware limited liability company (the "**Borrower**"), H&R Block, Inc., a Missouri corporation (the "**Guarantor**"), the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A. as administrative agent for the Lenders (in such capacity, the "**Administrative Agent**"). Capitalized terms used but not defined herein shall have the meanings given to such terms in the Credit Agreement.

The Borrower and the Guarantor hereby notify the Administrative Agent and the Lenders of their desire to terminate in full the Commitment of Aurora Bank FSB (formerly known as Lehman Brothers Bank, FSB) ("**Aurora Bank**"), pursuant to Section 2,7 of the Credit Agreement, but without a ratable reduction of the Commitments of the other Lenders as required thereunder (the "**Aurora Bank Commitment Termination**"). The Administrative Agent and each Lender party hereto consent to the Aurora Bank Commitment Termination.

The effectiveness of this Consent is subject to the condition precedent that the Administrative Agent shall have received duly executed counterpart signature pages to this Consent from the Borrower, the Guarantor and the Required Lenders (including, without limitation, Aurora Bank). Upon such effectiveness, Aurora Bank shall cease to be a party to the Credit Agreement, provided that the foregoing shall not discharge or in any manner affect or impair the enforceability of Section 2.13, 2.14, 2.15, 10.3 or 10.4(h) of the Credit Agreement.

This Consent shall in no way be deemed to waive, alter or otherwise modify the provisions of Section 2.10, relating to the payment of facility fees or utilization fees or any other provisions under the Credit Agreement relating to the payment of any other amounts thereunder, in each case, on a ratable basis according to the amount of each Lenders' respective Commitment thereunder, all of which remain in full force and effect as written; provided that if this Consent becomes effective on or before January 31, 2010, Aurora Bank waives payment to it of any of such fees accruing on or after December 31, 2009.

Upon the effectiveness of this Consent, on and after the date hereof, each reference in the Credit Agreement (including any reference therein to "this Credit Agreement," "hereunder," "hereof," "herein" or words of like import referring thereto) or any other documents, instruments and agreements executed and/or delivered in connection therewith shall mean and be a reference to the Credit Agreement as modified hereby. Except as specifically modified above, the Credit Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and are hereby ratified and confirmed. Except as expressly set forth herein, the execution, delivery and effectiveness of this Consent shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

This Consent shall be governed by, and construed in accordance with, the law of the State of New York. This Consent may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument and any parties hereto may execute this Consent by signing such counterpart.

[The remainder of this page is intentionally left blank.]

Very truly yours,

BLOCK FINANCIAL LLC,
as Borrower

By: /s/ Beeky Shulman
Name: Beeky Shulman
Title: President & CFO

H&R BLOCK, INC., as Guarantor

By: /s/ Beeky Shulman
Name: Beeky Shulman
Title: SVP & CFO

BLOCK FINANCIAL LLC
AMENDED AND RESTATED FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

By: /s/ Tony Yung
Name: Tony Yung
Title: Vice President

BLOCK FINANCIAL LLC
AMENDED AND RESTATED FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

Wells Fargo Bank, NA., as a Lender

By: /s/ Joseph Giampetroni
Name: Joseph Giampetroni
Title: Senior Vice President

Agreed to and Accepted by:

PNC Bank, National Association, as a Lender

By: /s/ Dale A. Stein
Name: Dale A. Stein
Title: Sr. Vice President

Agreed to and Accepted by:

Comerica Bank, as a Lender

By: /s/ Mark J. Leveille
Name: MARK J. LEVEILLE
Title: VICE PRESIDENT
COMERICA BANK

BLOCK FINANCIAL LLC
AMENDED AND RESTATED FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

AURORA BANK FSB, as a Lender

By: /s/ Theodore Janulis
Name: Theodore Janulis
Title: Chairman

BLOCK FINANCIAL LLC
AMENDED AND RESTATED FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

SunTrust Bank, as a Lender

By: /s/ K. Scott Bazemore
Name: K. Scott Bazemore
Title: Vice President

Agreed to and Accepted by:

ROYAL BANK OF CANADA, as a Lender

By: /s/ Ming Tang
Name: MING TANG
Title: Authorized Signatory

Agreed to and Accepted by:

The Bank of New York Mellon, as a Lender

By: /s/ Jane Angelini
Name: Jane Angelini
Title: First Vice President

Agreed to and Accepted by:

Bank of America, N.A., as a Lender

By: /s/ James H. Harper
Name: James H. Harper
Title: Vice President

BLOCK FINANCIAL LLC
AMENDED AND RESTATED FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

Bank of America, N.A., successor by merger to Merrill Lynch Bank USA, as a Lender

By: /s/ James H. Harper
Name: James H. Harper
Title: Vice President

Agreed to and Accepted by:

DEUTSCHE BANK AG NEW YORK BRANCH, as a Lender

By: /s/ Ming K. Chu
Name: Ming K. Chu
Title: Vice President

By: /s/ Heidi Sanquist
Name: Heidi Sanquist
Title: Director

Agreed to and Accepted by:

_____UMB Bank, N.A._____, as a Lender

By: /s/ Martin Nay
Name: Martin Nay
Title: Senior Vice President

Agreed to and Accepted by:

U.S. Bank N.A., as a Lender

By: /s/ Gaylen Frazier
Name: Gaylen Frazier
Title: A.V.P.

Agreed to and Accepted by:

HSBC Bank USA, National Association, as a Lender

By: /s/ Paul Lopez
Name: Paul Lopez
Title: Senior Vice President

Agreed to and Accepted by:

BNP Paribas, as a Lender

By: /s/ Curt Price
Name: Curt Price
Title: Managing Director

By: /s/ Fik Durmus
Name: Fik Durmus
Title: Vice President

Agreed to and Accepted by:

FORTIS BANK SA/NV, CAYMAN ISLANDS BRANCH,
as a Lender

By: /s/ John W. Benton
Name: John W. Benton
Title: Senior Managing Director

By: /s/ Catherine M. Gilbert
Name: Catherine M. Gilbert
Title: Director

BLOCK FINANCIAL LLC
AMENDED AND RESTATED FIVE-YEAR CREDIT AND GUARANTEE AGREEMENT
CONSENT

Agreed to and Accepted by:

BARCLAYS BANK PLC, as a Lender

By: /s/ Alicia Borys
Name: Alicia Borys
Title: Assistant Vice President

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Russell P. Smyth, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of H&R Block, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2010

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

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Becky S. Shulman, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of H&R Block, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2010

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

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of H&R Block, Inc. (the "Company") on Form 10-Q for the fiscal quarter ending January 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Russell P. Smyth, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Russell P. Smyth
Russell P. Smyth
Chief Executive Officer
H&R Block, Inc.
March 8, 2010

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of H&R Block, Inc. (the "Company") on Form 10-Q for the fiscal quarter ending January 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Becky S. Shulman, Senior Vice President and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Becky S. Shulman
Becky S. Shulman
Senior Vice President and Chief Financial Officer
H&R Block, Inc.
March 8, 2010