

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): October 31, 2006

H&R BLOCK, INC.

(Exact name of registrant as specified in charter)

Missouri
(State of Incorporation)

1-6089
(Commission File Number)

44-0607856
(I.R.S. Employer
Identification Number)

One H&R Block Way, Kansas City, MO 64105
(Address of Principal Executive Offices) (Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

(a) On October 31, 2006, Option One Mortgage Corporation (“OOMC”) and Option One Loan Warehouse Corporation (“OOLWC”), wholly owned subsidiaries of H&R Block, Inc. (the “Company”), entered into Omnibus Amendment Number Two to the Option One Owner Trust Facility dated as of October 31, 2006, among OOMC, OOLWC, Option One Owner Trust 2005-7 (the “Trust”), Wells Fargo Bank, N. A. (“Wells Fargo”), HSBC Securities (USA) Inc., HSBC Bank USA, N.A. (“HSBC”), and Bryant Park Funding LLC (the “Amendment”).

The primary purpose of the Amendment was to extend the term of OOMC’s off-balance sheet financing arrangement with HSBC to fund daily non-prime originations through March 31, 2007, subject to various triggers, events or occurrences that could result in earlier termination (the “HSBC Warehouse Facility”).

The HSBC Warehouse Facility provides funding totaling \$1,000,000,000 for daily non-prime originations, subject to various triggers, events or occurrences that could result in earlier termination and bears interest at one-month LIBOR plus additional margin rates. The HSBC Warehouse Facility is subject to various OOMC performance triggers, limits and financial covenants, including a tangible net worth ratio, capital adequacy test, non-warehouse leverage ratio, minimum net income test and cross-default features in which a default under other arrangements to fund daily non-prime originations would trigger a default under the HSBC Warehouse Facility. In addition, the HSBC Warehouse Facility permits HSBC at any time to require the Trust to redeem specified borrowed amounts outstanding under the HSBC Warehouse Facility.

Under the HSBC Warehouse Facility, non-prime loans originated by OOMC are sold daily to the Trust, which utilizes the HSBC Warehouse Facility to purchase the loans. The Trust subsequently sells the loans directly to third-party investors or back to OOMC to pool the loans for securitization, as directed by its third-party beneficial interest holders. The decision to complete a whole loan sale or a securitization is dependent on market conditions. See “Off-Balance Sheet Financing Arrangements” in Item 7 of the Company’s Form 10-K for the fiscal year ended April 30, 2006.

Certain parties to the HSBC Warehouse Facility have other relationships with the Company or its affiliates. HSBC and an affiliate of Wells Fargo are lending parties pursuant to two \$1,000,000,000 five-year revolving credit facilities maintained by Block Financial Corporation, as borrower, and the Company, as guarantor, with various lenders.

(b) On November 2, 2006, HRB Management, Inc., a wholly owned subsidiary of the Company, entered into an employment agreement with Carol Graebner to serve as Executive Vice President and General Counsel of the Company. Pursuant to this agreement, Ms. Graebner is employed on an “at will” basis, will receive an annual base salary of \$400,000 and will participate in the Company’s short-term incentive program with an aggregate target incentive award of \$240,000 with a minimum guaranteed incentive award of \$200,000 for the fiscal year ended April 30, 2007. In addition, Ms. Graebner will be (i) granted a stock option award to purchase 50,000 shares of H&R Block Common Stock at an option price per share equal to the stock’s closing

price on December 1, 2006 and (ii) awarded 10,000 restricted shares of H&R Block Common Stock. Ms. Graebner's employment agreement also provides for severance benefits upon occurrence of a qualifying termination of employment, including a specified level of severance benefits upon an occurrence of certain "change in control" events.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth under Item 1.01(a) of this report on Form 8-K is hereby incorporated in this Item 2.03 by reference.

Pursuant to the HSBC Warehouse Facility, OOMC provides a guarantee up to a maximum of approximately 10% of the aggregate principal balance of mortgage loans held by the Trust before ultimate disposition. This guarantee would be called upon if the sale of mortgage loans did not generate adequate proceeds to satisfy the Trust's current or ultimate payment obligations. The maximum potential undiscounted amount of future payments that OOMC may be required to make pursuant to this guarantee would be approximately \$100,000,000.

Item 8.01. Other Events.

On November 6, 2006, the Company issued a press release announcing, among other things, that it (i) will evaluate strategic alternatives for its Option One Mortgage Corporation subsidiary and (ii) has revised its earnings guidance for fiscal year 2007. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release Issued November 6, 2006.

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 hereunto duly authorized.

H&R BLOCK, INC.

Date: November 6, 2006

By: /s/ Bret G. Wilson
Bret G. Wilson
Vice President and Secretary

[Exhibit 99.1](#) Press Release issued November 6, 2006.



News Release

For Further Information:

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H&R Block Considering Strategic Alternatives for Option One, Revises Profit Outlook

Company Takes Steps to Align Option One to Changing Mortgage Market

FOR RELEASE NOVEMBER 6, 2006

KANSAS CITY, Mo. – H&R Block Inc. (NYSE: HRB) today announced it is evaluating strategic alternatives for Option One Mortgage Corp., including a possible sale or other transaction through the public markets.

H&R Block also revised its earnings guidance for fiscal 2007 to reflect continued pricing pressures in the mortgage market as well as lower-than-expected originations.

“Option One has generated an outstanding record of growth and profitability during H&R Block’s ownership while achieving one of the most efficient cost structures in the industry,” said Mark Ernst, chairman and chief executive officer. “As a result, it has been difficult to consider other possibilities for this business, but a potential separation of Option One would enable H&R Block to further focus management resources on its core businesses and create long-term shareholder value.”

The company has retained Goldman, Sachs & Co. to assist in the review of alternatives. Any proposed transaction will be subject to approval by H&R Block’s board of directors.

Option One is taking further actions to reflect changes in the mortgage market. The company will consolidate by one-third its loan fulfillment operations by closing 12 branch offices over the next four months. Business from these branches will be transferred to other offices, bringing processing capacity in line with current and future volumes without sacrificing service.

Based in Irvine, California, Option One is a leading national wholesale originator and servicer of non-prime residential mortgage loans and reaches homebuyers through wholesale, national accounts, correspondent and H&R Block Mortgage Corp. offices. In fiscal 2006, Option One was the nation’s fifth largest originator of non-prime residential mortgages, with \$40 billion in originations.

In addition, Option One has earned the top reputation in the industry for serving mortgage holders. The company services about \$74 billion in non-prime mortgages.

Earnings per share for H&R Block's fiscal year, ending April 30, 2007, are now expected to be \$1.20 to \$1.45. The company previously had forecast \$1.60 to \$1.85 per share. The guidance revision is entirely attributable to changes in the near-term outlook for the mortgage segment and does not include any impact from a sale or other transaction affecting the business.

About H&R Block

H&R Block Inc. (NYSE: HRB) is a leading provider of tax, financial, mortgage, accounting and business consulting services and products. H&R Block is the world's largest tax services provider, having prepared more than 400 million tax returns since 1955. The company and its subsidiaries generated revenues of \$4.9 billion and net income of \$490 million in fiscal year 2006. The company operates in four principal business segments: Tax Services (income tax preparation and advice via in-office, online and software solutions); Mortgage Services (non-prime mortgage originations and loan servicing); Business Services (tax, accounting and consulting services for mid-sized businesses); and Consumer Financial Services (investment and financial advisory services, retail mortgage loans and banking services). Headquartered in Kansas City, Mo., H&R Block markets its services and products under three leading brands – H&R Block, Option One and RSM McGladrey. For more information visit our Online Press Center at www.hrblock.com.

About Option One

Founded in 1992, Option One Mortgage Corporation originates and acquires non-prime residential mortgage products through a national network of brokers and lenders. Option One also services and sub-services non-prime mortgage loans, with more than \$74 billion under management as of July 31, 2006. For more information about Option One, visit the company's Web site at www.oomc.com.

Forward-Looking Statement

The information contained in this press release may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Such statements are based upon current information and management's expectations regarding the company, speak only as of the date on which they are made, are not guarantees of future performance, and involve certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results could materially differ from what is expressed, implied or forecast in such forward-looking statements. Such differences could be caused by a number of factors including, but not limited to, the uncertainty of the entry by the company into an agreement regarding any sale or public market alternative involving the separation of Option One Mortgage Corporation; the uncertainty regarding the completion of any such transaction; the uncertainty that the company will achieve or exceed its revenue, earnings, and earnings-per-share growth goals or expectations for fiscal year 2007; the uncertainty of the company's ability to purchase shares of its common stock pursuant to the board of directors' authorization; the uncertainty of the impact and effect of changes in the non-prime market, including changes in interest rates, loan origination volume and levels of early payment defaults and resulting loan repurchases; changes in the company's effective income tax rate; litigation involving the company and its subsidiaries; changes in economic, political or regulatory environments; changes in management and strategies; and risks described from time to time in reports and statements filed by the company and its subsidiaries with the Securities and Exchange Commission.