

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): September 25, 1997

H&R BLOCK, INC.

(Exact name of registrant as specified in its charter)

Missouri

(State or other jurisdiction of incorporation or organization)

1-6089

44-0607856

(Commission File Number)

(I.R.S. Employer Identification No.)

4400 Main Street, Kansas City, Missouri 64111

(Address of principal executive office, including zip code)

(816) 753-6900

(Registrant's telephone number, including area code)

Not applicable

(Former name or former address, if changed since last report)

ITEM 5. OTHER EVENTS

The Registrant is filing as part of this Report pro forma financial information reflecting the exchange of the outstanding shares of common stock of CompuServe Corporation beneficially owned by the Registrant for shares of WorldCom, Inc. stock pursuant to the transaction reported in the Registrant's Current Report on Form 8-K dated September 7, 1997.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) FINANCIAL STATEMENTS OF BUSINESSES ACQUIRED.

Not applicable.

(b) PRO FORMA FINANCIAL INFORMATION.

The unaudited pro forma condensed consolidated balance sheet of H&R Block, Inc. as of July 31, 1997 is filed as part of this Current Report on Form 8-K.

(c) EXHIBITS.

Not Applicable.

2

3

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.

By: /s/ Frank L. Salizzoni

Frank L. Salizzoni
President and Chief Executive Officer

Date: September 25, 1997

3

4

H&R BLOCK, INC.

INDEX TO PRO FORMA FINANCIAL STATEMENT

| | Page |
|-------------------------------------------------------------------------|------|
| | ---- |
| Description of Transaction..... | F-2 |
| Pro Forma Financial Statement Assumptions..... | F-3 |
| Pro Forma Condensed Consolidated Balance Sheet as of July 31, 1997..... | F-4 |
| Notes to Pro Forma Consolidated Balance Sheet..... | F-5 |

H&R BLOCK, INC.
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

DESCRIPTION OF TRANSACTION

On September 7, 1997, the Registrant entered into an Agreement and Plan of Merger (the "Merger Agreement") with H&R Block Group, Inc., a Delaware corporation and a wholly owned subsidiary of the Registrant ("Group"), CompuServe Corporation, a Delaware corporation and a majority-owned subsidiary of Group ("CompuServe"), WorldCom, Inc., a Georgia corporation ("WorldCom"), and Walnut Acquisition Company, L.L.C., a Delaware limited liability company which is wholly owned by WorldCom ("WAC"). Pursuant to the Merger Agreement, WorldCom would acquire CompuServe through a merger of WAC with and into CompuServe (the "Merger") in accordance with the laws of the state of Delaware and the provisions of the Merger Agreement. Pursuant to the Merger Agreement, at the Effective Time (as defined in the Merger Agreement), each of the CompuServe Common Shares (as defined in the Merger Agreement) outstanding as of the Effective Time shall be converted into the right to receive, and there shall be paid and issued as provided in the Merger Agreement in exchange for each of the CompuServe Common Shares, 0.40625 of a share of WorldCom Common Stock (as defined in the Merger Agreement), subject to adjustment as provided in the Merger Agreement. Consummation of the Merger is subject to the satisfaction of certain conditions, including, among others, the expiration or termination of any applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, any foreign competition law or similar law, the receipt of other required regulatory approvals, and the absence of certain material adverse changes. Consummation of the Merger is also subject to the approval and adoption of the Merger Agreement by the requisite number of CompuServe Common Shares. The Registrant has agreed to vote all of the shares directly or indirectly owned by it, which number of shares is sufficient to approve the Merger Agreement and the Merger. The closing of the Merger is expected to occur as soon as practicable after the satisfaction of all the conditions set forth in the Merger Agreement. The description of the Merger Agreement contained herein is qualified in its entirety by reference to the Merger Agreement, a copy of which was included as Exhibit 2.1 to the Current Report on Form 8-K dated September 7, 1997, and is incorporated herein by reference.

H&R BLOCK, INC.
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

PRO FORMA FINANCIAL STATEMENT ASSUMPTIONS

The following pro forma condensed consolidated balance sheet of the Registrant is as of July 31, 1997 and assumes that a subsidiary of WorldCom acquired CompuServe on such date. Since this pro forma financial statement is as of July 31 and is based on preliminary information related to the Merger, the actual adjustments will differ from those presented herein.

The pro forma condensed consolidated balance sheet assumes that: (i) the market price per share of WorldCom stock on the consummation date is \$31.50 per share, which is the closing price of such stock on the last business day prior to the public announcement of the Merger Agreement, (ii) selling expenses incurred by the Registrant amount to \$10 million, and (iii) the effective tax rate with respect to this transaction is 58%, which represents the Registrant's liability for Federal, state and local income taxes (including

the liability for Federal, state and local income taxes on behalf of the minority interest ownership) and certain adjustments made to the tax bases of CompuServe's assets and liabilities.

F-3

7

H&R BLOCK, INC.
 PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
 JULY 31, 1997
 (AMOUNTS IN THOUSANDS)

| | Consolidated ----- | Pro Forma Adjustments ----- | Pro Forma ----- |
|------------------------------------------------------------------------|-----------------------|---------------------------------------------------------------|--------------------|
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$ 303,920 | \$ (70,600) (1) (7,500) (2) (10,000) (4) (7,139) (5) | \$ 208,681 |
| Marketable securities | 20,269 | - | 20,269 |
| Credit card loans, net | 239,913 | - | 239,913 |
| Mortgage loans held for sale, net | 221,911 | - | 221,911 |
| Other receivables, net | 56,915 | - | 56,915 |
| Prepaid expenses and other current assets | 84,299 | - | 84,299 |
| Net assets of discontinued operations | 517,928 | 7,500 (2) 29,444 (3) (554,872) (4) | - |
| | ----- | ----- | ----- |
| Total current assets | 1,445,155 | (613,167) | 831,988 |
| INVESTMENTS AND OTHER ASSETS: | | | |
| Investments in marketable securities | 35,582 | 949,528 (4) | 985,110 |
| Excess of cost over fair value of net tangible assets acquired, net | 260,991 | - | 260,991 |
| Other | 68,552 | - | 68,552 |
| | ----- | ----- | ----- |
| | 365,125 | 949,528 | 1,314,653 |
| PROPERTY AND EQUIPMENT, net | 66,082 | - | 66,082 |
| | ----- | ----- | ----- |
| | \$1,876,362 | \$ 336,361 | \$2,212,723 |
| | ===== | ===== | ===== |
| CURRENT LIABILITIES: | | | |
| Notes payable | \$ 657,209 | - | \$ 657,209 |
| Accounts payable, accrued expenses and deposits | 152,103 | (70,600) (1) | 81,503 |
| Accrued salaries, wages and payroll taxes | 10,662 | - | 10,662 |
| Accrued taxes on earnings | 74,640 | 29,444 (3) 223,100 (4) | 327,184 |
| | ----- | ----- | ----- |
| Total current liabilities | 894,614 | 181,944 | 1,076,558 |
| OTHER NONCURRENT LIABILITIES | 40,098 | (7,139) (5) | 32,959 |
| STOCKHOLDERS' EQUITY: | | | |
| Common stock | 1,089 | - | 1,089 |

| | | | |
|---------------------------------------|-------------|-------------|-------------|
| Convertible preferred stock | 4 | - | 4 |
| Additional paid-in capital | 501,528 | | 501,528 |
| Retained earnings | 625,479 | 161,556 (4) | 787,035 |
| | ----- | ----- | ----- |
| | 1,128,100 | 165,640 | 1,289,656 |
| Less cost of common stock in treasury | 186,450 | - | 186,450 |
| | ----- | ----- | ----- |
| | 941,650 | 165,640 | 1,103,206 |
| | ----- | ----- | ----- |
| | \$1,876,362 | \$ 336,361 | \$2,212,723 |
| | ===== | ===== | ===== |

The accompanying notes are an intergral part of this pro forma financial statement.

F-4

8

H&R BLOCK, INC.

NOTES TO PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

JULY 31, 1997

(AMOUNTS IN THOUSANDS EXCEPT FOR PER SHARE DATA AND THE EXCHANGE RATIO)

- (1) Adjustment is made to reflect the payment of the intercompany balance owed to CompuServe.
- (2) The Merger Agreement provides that CompuServe may grant bonuses in an aggregate amount not in excess of \$15,000 to its key employees in order to encourage such employees to continue their employment from the date of the Merger Agreement until the closing date of the transaction. One-half of the total bonus will be paid by the Registrant by means of a capital contribution of \$7,500 from the Registrant to CompuServe. Adjustment is made to reflect this capital contribution.
- (3) Adjustment is made to reflect a capital contribution by the Registrant to CompuServe for the payment to be made by the Registrant on behalf of CompuServe for CompuServe's net deferred tax liability at July 31, 1997.
- (4) Adjustment is made to reflect the proceeds from the sale of 74,200 shares of CompuServe common stock to a subsidiary of WorldCom on July 31, 1997, and record the related gain, as calculated below:

| | |
|---------------------------------------------------------------------|------------|
| Number of shares of CompuServe common stock owned by the Registrant | 74,200 |
| Exchange ratio | 0.40625 |
| | ----- |
| Number of shares of WorldCom stock to be received | 30,143.75 |
| Assumed market market price per share of WorldCom common stock | \$ 31.50 |
| | ----- |
| Proceeds from the sale | \$ 949,528 |
| Net assets of discontinued operations | \$ 554,872 |
| Estimated transaction expenses | \$ 10,000 |
| | ----- |
| Estimated pretax gain on sale | \$ 384,656 |
| Estimated provision for income taxes (at 58%) | \$ 223,100 |
| | ----- |
| Estimated net gain on sale | \$ 161,556 |
| | ===== |

- (5) Certain CompuServe employees participate in the Registrant's deferred compensation plans for executives under which eligible participants defer portions of their compensation, receive matching of deferred salaries and accrue earnings on the deferred amounts. According to the provisions of the plans, in the event of a change in control of a subsidiary of the Registrant, participants then currently employed by such subsidiary are immediately 100% vested in their account balances, and the account balances are distributed via lump-sum payments to those participants within 90 days after the change in control. Adjustment is made to reflect the payout of the Registrant's obligation, which was fully accrued at July 31, 1997, to participating CompuServe employees as a result of the transaction with WorldCom.